

Xintec Inc.

2015 Annual Report

Taiwan Stock Exchange Market Observation Post System :

<http://mops.twse.com.tw>

Company website : <http://www.xintec.com.tw>

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

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V. Overseas trade places for listed negotiable securities : None**VI. Company Website : [http : //www.xintec.com.tw](http://www.xintec.com.tw)**

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I. A letter to Shareholders

Dear Shareholders,

With the increasingly high market demands for video sensors on mobile devices such as notebook, tablet, mobile phone, automobile, and monitoring field, the video sensor wafer processing is advancing towards 12-inch advanced process constantly. To cope with such market demands, Xintec set up the product line for 300mm 3D Wafer Level Chip Scale Package and got into volume production in 2015 smoothly. The related investment is expected to bring profits gradually after the customer's 12-inch video sensor is integrated. At the meantime, such investment and technology will be applied in other sensor fields in the future, which will bring new opportunities for the company.

In the part of vehicle sensor, Xintec is the globally largest and the unique wafer level scale package supplier that can meet the vehicle specifications. As driving safety is valued more and more, the demands and outputs for package meeting vehicle specification are growing dramatically. With special technology, long product life, and stable revenue, the package meeting vehicle specification gradually becomes the foundation for stable growth of Xintec.

Besides the video sensor, the new optical sensor, the accelerometer, the gyroscope and other MEMS sensors have become the standard accessories for mobile and wearable device. After dedication in these fields over the years, the achievement has been shown in Xintec's operating performance. In addition, the biological recognition sensor derived to cope with the privacy protection and financing trading demands started to provide service for the existing customers since 2015. Moreover, it has successfully developed various 3D wafer level scale package solutions and provided accreditation for customer products successively. All these ensure Xintec's leading position in biological sensor product package, and also lay solid foundation for the future growth.

Revenue and Profit

Xintec's sales revenue was NT\$4,878 million in 2015 which represented a decrease of 1% over NT\$4,934 million in 2014; the net income of 2015 was NT\$147 million, which was a decrease of 77% compared to NT\$629 million in the previous year; earnings per share was NT\$0.56 in 2015.

Corporation Development

Sustainable development and growth are the commitments made for the shareholders and the society. Xintec cooperates with IC design, wafer manufacturers and end customers to develop innovative wafer package technologies, and also expands the application of original technologies on different

products, which makes contributions to surpass More than Moore law. The wafer level scale package and post passivation interconnect technologies of video sensor have been expanded to the vehicle electronics and monitoring devices. Another successful case is that the Through Silicon Via (TSV) technology is applied in Micro Electro Mechanical Systems (MEMS). With the rapid development of (Internet of Things, IoT), the demands for small Integrated Smart Sensor are more intensive. The advanced integrated 3D wafer level scale package solution actively developed by Xintec becomes a critical technology for the customer to cut in the IoT market, which is also the core technology for Xintec's sustainable development.

Technology and Innovation

The development of advanced technologies and improvement of manufacturing technologies can elevate the competitiveness of the enterprise. Moreover, the brand-new technology can also bring breakthroughs for the customer and the market. The improved manufacturing technology can increase the yield rate. Both are Xintec's commitments made for the customer and the market. In 2015, it didn't only integrate 3D wafer level scale package technology in the accelerometer sensor smoothly, but also expand such technology to biological recognition chip and environment sensing products. Moreover, the successful integration of thick copper technology in volume production of passive components inspires Xintec to integrate TSV technology. Xintec combines these two technologies and applies them in RF component, which is also introduced in the volume production.

In 2016 Xintec will expand 12-inch wafer level scale package technology to new application fields as MEMS and biological recognition, and will also focus on the integration of advanced wafer level package technologies, such as TSV and Post Passivation Interconnect, Advanced 3D Wafer Based Stacking Technologies, so as to provide SiP package solution for the heterogeneous components. In this way, it can meet the intensive demands for highly-integrate and smaller smart devices in the IoT market. With such technology, the customer can reduce the product design complexity and simplify the product manufacturing process and cost for the end customer, assisting the end user to get the preemptive opportunities in IoT market.

Visions and Outlook

In the prospect of 2016, Xintec is closely correlated to the three industries with explosive growth triggered by IoT market. In the part of Smart Car, a large number of video sensors are required to realize in-vehicle and out-vehicle monitoring or autonomous driving. As the globally unique supplier for vehicle video sensor wafer level scale package, it surely plays a critical role. In the fields of Smart Home and City, Xintec's 3D wafer package solution will be a sharp weapon for the customer to get into the key sensors such as video sensor component, biological recognition chip and environment sensors. To cope with the explosive growth of drone, the slim

micro package matching its system requirements can be applied in multiple sensors such as the video sensor, the accelerometer and the gyroscope, as well as the wireless connection components. It is estimated that the wafer level scale package will lead the trend in the drone field. In the future, Xintec will speed up the development to provide the technologies upon market demands. Moreover, it will actively expand the existing technologies to more fields, to surpass Moore law and become the leader of advanced wafer level packaging service.

Finally, we would like to express our thankfulness to all shareholders for your continuing support and contributions to Xintec. We wish you all the best of health and prosperity in the year ahead.

Chairman and President, Robert Kuan

II. Company Introduction

A. Funding date : September 11. 1998

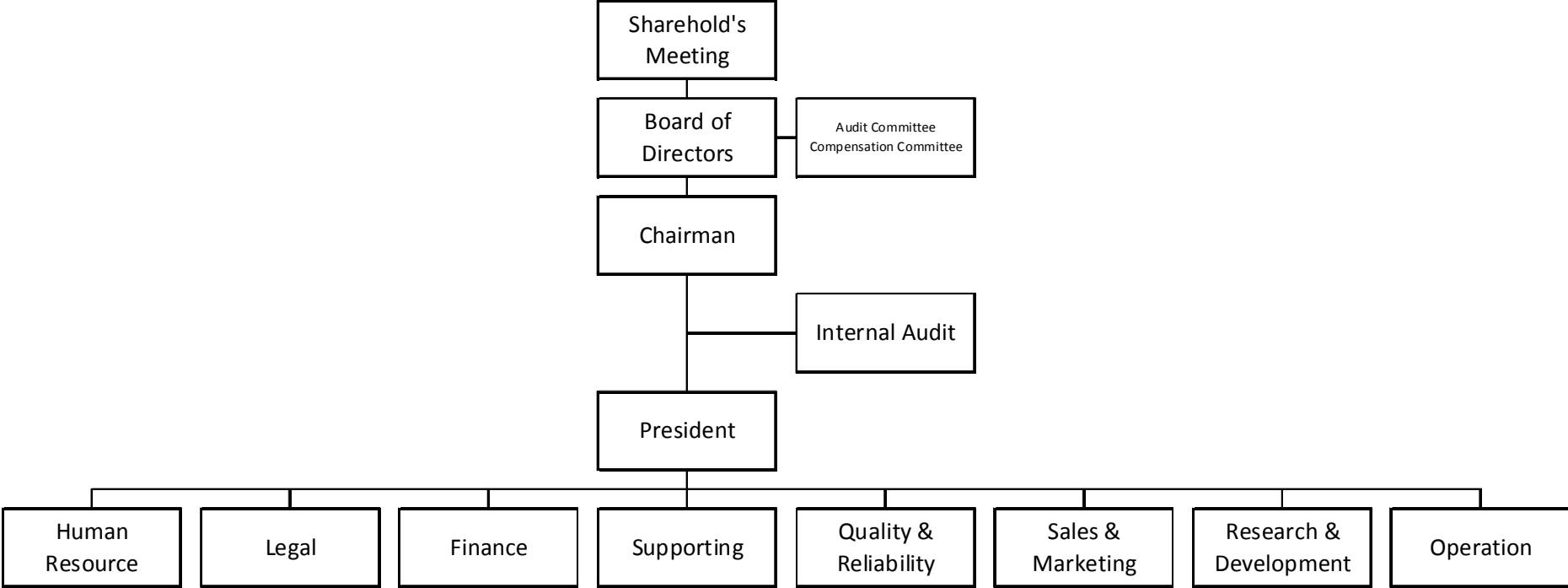
B. Formation History :

Year	Milestones
Sep, 1998	Xintec Inc. founded in capital NT\$280 million.
May, 2000	Signed technology licensing agreement with Engineering and IP Advanced Technologies Ltd. (Original ShellCase Ltd.) to engage in wafer level chip scale packaging.
Oct, 2000	Constructed facility in Zhongli Industrial District, Taoyuan City.
Oct, 2001	Commenced mass production.
Mar, 2002	ISO9000 certification.
Feb, 2003	QS9000 certification.
Dec, 2003	Xintec became a public company.
Jul, 2004	Became bonded factory.
Sep, 2004	Stock began trading on Emerging Stock Market.
Jan, 2005	ISO14001 EMS certification.
Dec, 2005	TL9000 QMS certification.
Dec, 2005	VisEra Holding Company (Cayman Islands) held 30% shares of Xintec and became the biggest shareholder.
Dec, 2005	8" CSP capacity reached 10,000 chips on Line-A plant.
Sep, 2006	8" CSP capacity reached 20,000 chips on Line-A plant.
Dec, 2006	Procured Line-B plant.
Jan, 2007	Strategic introduction of TSMC invested 43% shares of the Company to become the largest shareholder by private placement of securities.
Sep, 2007	8" CSP capacity reached 40,000 chips.
Dec, 2007	OHSAS18001 certification.
Dec, 2007	12" Capacity reached 2,000 chips on Hsinchu plant.
Jan, 2009	TOSHMS certification.
Nov, 2010	Line-A of the Zhongli factory received Good Performance Certificate from Occupational Safety and Health Administration, Council of Labor Affairs, Executive Yuan.
Dec, 2010	ISO/TS16949 QMS certification.
Feb, 2011	Procured Line-C plant.
Mar, 2011	Line-B of the Zhongli factory received Good Performance Certificate from Occupational Safety and Health Administration, Council of Labor Affairs, Executive Yuan.
Jul, 2011	Canceled Hsinchu branch and moved back Hsinchu plant to Zhongli plant.
Jul, 2012	The Zhongli factory passed the Greenhouse Gas Inventory Assessment. and was assured by external auditors.
Sep, 2012	The Zhongli factory passed the Main Products Carbon Footprint Assessment and was assured by external auditors.
Aug, 2013	8" Capacity of Biometric sensors build.
Mar, 2015	Stock began trading on OTC.

III. Corporate Governance Report

A. Company Organization

1. Organization Chart



2.Department functions :

Department	Functions
Internal Audit	Responsible for assisting the board of directors and managers to review the internal control system and to measure the effectiveness and efficiency of operations, and provide recommendations timely to ensure implement internal control system effectively and as a proof to review the internal control system.
Human Resource	Responsible for manpower planning, recruitment & staffing, compensation & benefit, training & development, employee services and relations.
Legal	Responsible for IP legal affairs and negotiation, contract review and negotiation, corporate legal affairs, legal disputes or litigation management.
Finance	Responsible for financial and accounting service, tax management, investment management, financial planning, capital allocation and annual performance evaluation.
Supporting	Responsible for information system development, material requirements planning, procurement management, import/export management, warehouse management, capacity and planning.
Quality & Reliability	Responsible for quality and reliability management.
Sales & Marketing	Responsible for business development, customer negotiation, demand forecasting, market information gathering, product roadmap planning, pricing and business support.
Research & Development	Responsible for project leading-in, new process development, technology research and mask design.
Operation	Responsible for manufacturing, production engineering, equipment maintenance, process integration, factory affairs, ESH and risk management.

B. Information on the company's directors, supervisors, general manager, assistant general manager, deputy assistant general manager, and the chiefs of all the company's divisions and branches

1. Directors:

(1) Directors information:

April 16, 2016

Title	Name	Nationality or Place of Registration	First Elected Date	Elected Date	Term (year)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	Robert Kuan	R.O.C.	4/29/2011	6/13/2013	3	0	0	128,000	0.05	0	0	0	0	Special Project Director, Taiwan Semiconductor Manufacturing Company Ltd.(TSMC) Backend Technology and Service Division Director, Taiwan Semiconductor Manufacturing Company Ltd.(TSMC) Operation Vice president, Systems on Silicon Manufacturing Co. Master, Department of Materials Science and Engineering, National Tsing Hua University B.S. degree in Department of materials Science and Engineering, National Cheng Kung University	President, Xintec Inc. Chairman & CEO, VisEra Technology Company, Ltd. Director, VisEra Holding Company (Cayman islands)(Note1)	None	None	None
	Representative of TSMC	R.O.C.	3/5/2007	6/13/2013	3	94,950,005	40.18	92,778,303	34.47	0	0	18,503,622 (Note1)	6.87	-	-	-	-	-
Director	J.K. Lin	R.O.C.	1/10/2014	1/10/2014	3	0	0	0	0	0	0	0	0	Senior Director of mainstream Fabs, TSMC Fab12 Director, Fab6 Director, and Fab3 Director, TSMC B.S. degree in Industrial Education & Technology, National Changhua University of Education	Vice President, Operations / Mainstream Fabs of TSMC Director, Subsidiaries of TSMC	None	None	None
	Representative of TSMC	R.O.C.	3/5/2007	6/13/2013	3	94,950,005	40.18	92,778,303	34.47	0	0	18,503,622 (Note1)	6.87	-	-	-	-	-
Independent Director	Wen-Yeu Wang	R.O.C.	6/13/2013	6/13/2013	3	0	0	0	0	0	0	0	0	Professor of College of Law at National Taiwan University Director, IAACL Taiwan Branch Independent Director, KGI Bank Independent Director, Global Unichip Corp. Independent Director, President Chain Store Corporation Ph. D., Stanford Law School	Chairman of Compensation Committee, Xintec Professor of College of Law at National Taiwan University Director, IAACL Taiwan Branch Independent Director, KGI Bank Independent Director, Global Unichip Corp. Independent Director, President Chain Store Corporation	None	None	None

Title	Name	Nationality or Place of Registration	First Elected Date	Elected Date	Term (year)	Shareholding when elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	C.S. Hsu	R.O.C.	6/13/2013	6/13/2013	3	0	0	0	0	0	0	0	0	President, Vanuard International Semiconductor Co. Consultant to the President of TSMC North America on special projects TSMC's Vice President of Worldwide Marketing and Sales Special Projects Senior Vice President, Winbond Electronics Corp. Vice President of Hualon Microelectronics Corp. R&D Director, Samsung Electronics PhD, Physics, Columbia University	Member of Compensation Committee, Xintec	None	None	None
Independent Director	Robert Hsieh	R.O.C.	6/13/2013	6/13/2013	3	0	0	0	0	0	0	0	0	Finance Vice President, Vanuard International Semiconductor Co. Vice President, Country Banking Head, Bank of America, NTSA MBA, National Taiwan University B. S. degree in Department of Nuclear Engineering, National Tsing Hua University	Chairman of the Audit Committee and a member of Compensation Committee, Xintec Independent Director, Anpec Electronics Corporation Independent Director, Pou Sheng International (Holdings) Limited A member of Compensation Committee, Motech Industries Inc	None	None	None

Note1 : VisEra Holding Company (Cayman Islands) was the subsidiary indirectly invested by tsmc.

Note2 : Juristic director of Taiwan OmniVision Investment Holding Co., Ltd. and tsmc had resigned one seat of director on November 20, 2015 and December 4, 2015.

(2) Major Shareholders of the Institutional Shareholders:

As of 07/05/2015 (last record date)

Institutional Shareholder	Major Shareholders of the Institutional Shareholders	Percentage
Taiwan Semiconductor Manufacturing Company, Ltd.	ADR-Taiwan Semiconductor Manufacturing Company, Ltd.	20.69%
	National Development Fund, Executive Yuan	6.38%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for Saudi Arabian Monetary Agency	2.47%
	Government of Singapore	2.45%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for EuroPacific Growth Fund	1.37%
	JPMorgan Chase Bank N.A. Taipei Branch in custody for ABU DHABI Investment Authority	1.24%
	Cathay Life Insurance Co., Ltd.	1.11%
	Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	0.97%
	Norges Bank	0.91%
	JPMorgan Chase Bank, N.A., Taipei Branch in custody for Stichting Depository	0.89%

(3) Institutional Shareholder Representatives for Major Shareholders of the
Institutional Shareholders:

As of 04/16/2016

Institutional Shareholder	Major Shareholders of the Institutional Shareholders	Percentage
Cathay Life Insurance Co., Ltd.	Cathay Financial Holding Co., Ltd.	100.00%

(4) Independence Analysis of Board Members under Taiwan SFC Criteria:

Name	Qualification			Independence Attribute (See Notes Below)										Current Positions at Other Companies
	Has over five years work experience and following professional qualifications	College Instructor or Higher Level in Business, Legal, Finance, Accounting or company business related area	Cort Judge, Prosecutor, Attorney, CPA or other Certified Professional expert related to company business	Business, Legal, Finance, Accounting or company business required working Experience	1	2	3	4	5	6	7	8	9	
Robert Kuan			✓		✓	✓	✓		✓	✓	✓	✓		None
J.K. Lin			✓	✓	✓	✓	✓			✓	✓	✓		None
Wen-Yeu Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
C.S. Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None
Robert Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2

Notes: The Directors and Supervisors comply with the following conditions from two years before being elected and during his tenure in office:

- (1) Not an employee of this Company or its affiliates.
- (2) Not a Director or Supervisor of the Company or its affiliates. (However, this does not apply, in cases where the person is an Independent Director of the company, its parent company, or any subsidiary in which the company directly or indirectly holds 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 one percent or more of the total number of outstanding shares of the Company or ranking in the top ten in holdings.
- (4) Not a spouse, second-degree relative or fifth degree relative of those listed in the above three items.
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent 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, manager or a shareholder holding five percent or more of the shares of a company or institution that has a business or financial 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.
- (8) Not a spouse of or a second degree relative of any other Director of the Company.
- (9) No violations of Article 30 of the Company Act.
- (10) Not a governmental, judicial person or its representative as defined by Article 27 of the Company Act.

2. Executive Officers:

April 16, 2016

Title	Name	Nationality	Inauguration date	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Education & Selected Past Positions	Selected Current Positions	Managers Are Spouse or Within Second-degree Relative of Consanguinity to Each Other			Status of ESOP
				Shares	%	Shares	%	Shares	%			Title	Name	Relation	
President	Robert Kuan	R.O.C.	9/2/2011	128,000	0.05	0	0	0	0	Director, Special Projects, TSMC Vice President, Operation, SSMC Master, Materials Science and Engineering, National Tsing Hua University	Chairman & CEO, VisEra Director, VisEra Holding Company	None	None	None	Note 1
Supporting Vice President	CA Lin	R.O.C.	1/6/2006	79,412	0.03	0	0	0	0	Sr. Director, HannStar Manager, Thin Film Tech. Committee, TSMC Master, Materials Science and Engineering, National Cheng Kung University	None	None	None	None	
Sales & Marketing Vice President	Nick Wen	R.O.C.	9/3/2007	30,023	0.01	0	0	0	0	Sr. Manager, Business Development, TSMC Director, Product Business, AVCT Director, Marketing, Megic Sr. Director, Bumping, SPLI Sr. Manager, Product Engineering, AmKor Sr. Director, Business Development, Unitive Manager, Research & Development, CYNTEC Section Manager, Electronics/Materials, ITRI Master, Materials Science and Engineering, National Cheng Kung University	None	None	None	None	
Research & Development Vice President	Yens Ho	R.O.C.	8/2/2010	86,586	0.03	0	0	0	0	Manager, F6 Diffusion Engineering, TSMC Assistant Professor, Electrical Engineering, National Kaohsiung University of Applied Sciences Ph.D., Electrical Engineering, National Tsing Hua University	None	None	None	None	
Quality & Reliability Vice President	LS Yeou	R.O.C.	11/10/2008	38,798	0.01	0	0	0	0	Manager, QR, TSMC Master, Materials Science and Engineering, University of Houston	None	None	None	None	
Operation Vice President	WL Fang	R.O.C.	9/1/2011	0	0	0	0	0	0	Deputy Director, Special Projects, TSMC Deputy Director, F8, TSMC Master, Materials Science and Engineering, National Taiwan University	None	None	None	None	
Finance Sr. Director	Simon Lin	R.O.C.	8/1/2001	21,762	0.01	0	0	0	0	Manager, Accounting, GVC Principal, Accounting, LITEON Bachelor, Accounting, Soochow University	None	None	None	None	
Internal Audit Director	LK Huang	R.O.C.	3/6/2014	1,313	0.00	0	0	0	0	Director, PMM & IT, Xintec Director, Supply Chain, Hannspree Manager, Manufacturing Technology, TSMC Ph.D., Industrial Engineer and Engineering, National Tsing Hua University	None	None	None	None	

Note1 : Please refer to Status of Employee Stock Option Plan in Note K.

3. Remuneration to Directors, Supervisors and Management Team

(1) Remuneration to Directors:

December 31, 2015, Unit: NT\$Thousand; Thousand shares

Title	Name	Remuneration to Directors								A+B+C+D as % of Net Income		Compensation Earned by a Director Who is an employee of Xintec										A+B+C+D+E+F+G as % of Net Income		Other Remuneration			
		Remuneration (A)		Retirement pay(B)		Compensation to Directors(C) (Note 3)		Transportation (D)				Salary and Bonus (E) (Note 4)		Retirement Pay (F)		Employee Compensation (G)				Number of Employees Stock Options (H)					Number of Employees Restricted Stock (I)		
		Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec		Xintec & Affiliates		Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates		Xintec	Xintec & Affiliates	
Chairman	Robert Kuan Representative of TSMC	0	0	0	0	600	600	507	507	0.8%	0.8%	15,330	15,330	0	0	472	0	472	0	0	0	0	0	0	11.5%	11.5%	None
Director	Lora Ho (Note 1) Representative of TSMC	0	0	0	0	556	556	120	120	0.5%	0.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.5%	0.5%	None
Director	J.K. Lin Representative of TSMC	0	0	0	0	600	600	120	120	0.5%	0.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.5%	0.5%	None
Director	Hongli Yang(Note 2) Representative of Taiwan OmniVision Investment Holding Co., Ltd.	0	0	0	0	533	533	110	110	0.4%	0.4%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.4%	0.4%	None
Independent Director	Wen-Yeu Wang	600	600	0	0	0	0	120	120	0.5%	0.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.5%	0.5%	None
Independent Director	C.S. Hsu	600	600	0	0	0	0	120	120	0.5%	0.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.5%	0.5%	None
Independent Director	Robert Hsieh	600	600	0	0	0	0	120	120	0.5%	0.5%	0	0	0	0	0	0	0	0	0	0	0	0	0	0.5%	0.5%	None

Note1: Juristic director had resigned on December 4, 2015.

Note2: Juristic director had resigned on November 20, 2015.

Note3: NT\$2,290 thousand of compensation to directors (had deducted NT\$1,800 thousand paid to individual directors) for 2015 had been proposed by the Company's board of directors on February 3, 2016. The appropriations are to be presented for approval in the Company's shareholders' meeting.

Note4: The amount included SARs were exercised and the Company paid and the cost from the Company issue new shares for cash and reserved for subscription by employees.

Range of Remunerations

Range of Remunerations to Directors (NT\$)	Name of directors			
	Summation of the first 4 items (A+B+C+D)		Summation of the first 7 items (A+B+C+D+E+F+G)	
	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates
Less than 2,000,000	Robert Kuan: Representative of TSMC, Lora Ho: Representative of TSMC, J.K. Lin: Representative of TSMC, Hongli Yang: Representative of Taiwan OmniVision Investment Holding Co., Ltd., Wen-Yeu Wang, C.S. Hsu, Robert Hsieh	Robert Kuan: Representative of TSMC, Lora Ho: Representative of TSMC, J.K. Lin: Representative of TSMC, Hongli Yang: Representative of Taiwan OmniVision Investment Holding Co., Ltd., Wen-Yeu Wang, C.S. Hsu, Robert Hsieh	Lora Ho: Representative of TSMC, J.K. Lin: Representative of TSMC, Hongli Yang: Representative of Taiwan OmniVision Investment Holding Co., Ltd., Wen-Yeu Wang, C.S. Hsu, Robert Hsieh	Lora Ho: Representative of TSMC, J.K. Lin: Representative of TSMC, Hongli Yang: Representative of Taiwan OmniVision Investment Holding Co., Ltd., Wen-Yeu Wang, C.S. Hsu, Robert Hsieh
2,000,000 (included) ~ 5,000,000 (excluded)	-	-	-	-
5,000,000 (included) ~ 10,000,000 (excluded)	-	-	-	-
10,000,000 (included) ~ 15,000,000 (excluded)	-	-	-	-
15,000,000 (included) ~ 30,000,000 (excluded)	-	-	Robert Kuan: Representative of TSMC	Robert Kuan: Representative of TSMC
30,000,000 (included) ~ 50,000,000 (excluded)	-	-	-	-
50,000,000 (included) ~ 100,000,000(excluded)	-	-	-	-
Over than 100,000,000	-	-	-	-
Total	7	7	7	7

(2) Remuneration to Supervisors: None

(3) Remuneration to President and Vice Presidents:

December 31, 2015, Unit: NT\$thousand

Title	Name	Salary (A) (Note1)		Retirement pay (B) (Note2)		Bonus (C)		Employee Compensation (D) (Note3)				A+B+C+D as % of Net Income		Number of Employees Stock Options		Number of Employees Restricted Stock		Other Remuneration	
		Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec		Xintec & Affiliates		Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates	Xintec	Xintec & Affiliates		
								Cash	Stock	Cash	Stock								
President	Robert Kuan																		
Vice President	CA Lin																		
Vice President	Nick Wen																		
Vice President	Yens Ho	36,730	36,730	648	648	1,222	1,222	2,247	0	2,247	0	27.8%	27.8%	0	0	0	0		無
Vice President	LS Yeou																		
Vice President	WL Fang																		
Sr. Director	Simon Lin																		

Note1: The amount included SARs were exercised and the Company paid NT\$11,000 thousand and the cost of NT\$1,853 thousand from the Company issue new shares for cash and reserved for subscription by employees.

Note2: The amount was the Company makes contributions to employees' pension account.

Note3: The employee compensation above was a tentative estimate.

Range of Remunerations

Range of Remunerations to President and Vice Presidents (NT\$)	Name of President and Vice Presidents	
	Xintec	Xintec & Affiliates
Less than 2,000,000	-	-
2,000,000 (included) ~ 5,000,000 (excluded)	CA Lin, Nick Wen, Yens Ho, LS Yeou, WL Fang, Simon Lin	CA Lin, Nick Wen, Yens Ho, LS Yeou, WL Fang, Simon Lin
5,000,000 (included) ~ 10,000,000 (excluded)	-	-
10,000,000 (included) ~ 15,000,000 (excluded)	-	-
15,000,000 (included) ~ 30,000,000 (excluded)	Robert Kuan	Robert Kuan
30,000,000 (included) ~ 50,000,000 (excluded)	-	-
50,000,000 (included) ~ 100,000,000(excluded)	-	-
Over than 100,000,000	-	-
Total	7	7

(4) Employee compensation granted to the management team

Unit: NT\$Thousand

	Title	Name	Stock	Cash	Total	Remunerations as of Net Income
Management team	President	Robert Kuan	0	2,247	2,247	1.5%
	Vice President	CA Lin				
	Vice President	Nick Wen				
	Vice President	Yens Ho				
	Vice President	LS Yeou				
	Vice President	WL Fang				
	Sr. Director	Simon Lin				

Note: The employee compensation above was a tentative estimate.

4. Analysis of the proportion of the total remuneration of directors, supervisors, general managers and deputy general managers of the Company paid by the Company and all companies in the consolidated financial statement to net profit after tax in individual financial statements of the recent two years.

The remuneration paid to directors were NT\$5,437 thousand and NT\$5,307 thousand in 2014 and 2015, the proportion of remuneration to net income were 0.9% and 3.6%, mainly were remunerations from performing duties, allowance for transportation, remuneration from distribution of earnings according to Company's Articles. Remuneration policy set forth in Company's Articles of Incorporation was resolved by the shareholders' meeting. It was set up depend on the directors' degree of involvement to the company's operation, contribution value, industry standard and was resolved by Board of Directors and Remuneration Committee meetings.

The remuneration paid to general managers and deputy general manager were NT\$39,315 thousand and NT\$40,847 thousand in 2014 and 2015, the proportion of remuneration to net income were 6.3% and 27.8%. Remuneration was depending on Regulations for Management of recruitment and appointment and was resolved by Compensation Committee and Bord of Directors.

The policy of compensation was set up depend on personal ability and performance, contribution of the Company's operations and industry standard. The

company had controled the future risks so the compensation policy had low relation with the furture risks.

C. Implementation of Corporate Governance

1. Information on implementation of Board of Directors:

A total of six (A) meetings of the Board of Directors were held in 2015. The attendance of director and supervisor were as follows:

Title	Name	Attendance In person(B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Chairman	Robert Kuan: Representative of TSMC	6	0	100%	
Director	J.K. Lin: Representative of TSMC	5	1	83%	
Director	Lora Ho: Representative of TSMC	4	0	67%	Juristic director had resigned on December 4, 2015.
Director	Hongli Yang Representative of Taiwan OmniVision Investment Holding Co., Ltd.	0	6	0%	Juristic director had resigned on November 20, 2015.
Independent Director	Wen-Yeu Wang	6	0	100%	
Independent Director	C.S. Hsu	3	3	50%	
Independent Director	Robert Hsieh	6	0	100%	

Other mentionable items:

1.If there are circumstances referred to in Article 14-3 of the Securities and Exchange Act and resolutions of the directors' meetings objected to by independent directors or subject to qualified opinion and recorded or declared in writing, the dates of the meetings, sessions, contents of motion, all independent directors' opinions and the company's response should be specified: None

2.If there are directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified:

- (1) Board of Directors approved remuneration paid to individual directors of 2014 on February 4, 2015. Individual directors avoided voting causes for avoidance of motions in conflict of interest.
- (2) Board of Directors approved incentive bonus of fourth quarter of 2014 and shares for subscription of issuing new shares for manager with the identity of director on February 4, 2015. Robert Kuan, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (3) Board of Directors approved remuneration and compensation for directors of 2014 and 2015 on March 11, 2015. Individual directors avoided voting causes for avoidance of motions in conflict of interest.
- (4) Board of Directors approved employee cash compensation, performance evaluation and remuneration of 2014, salary adjustment and remuneration of 2015 for manager with the identity of director on March 11, 2015. Robert Kuan, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (5) Board of Directors approved incentive bonus of first quarter of 2015 for manager with the identity of director on May 7, 2015. Robert Kuan, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (6) Board of Directors approved sale of equipment for operation to VisEra technologies company Ltd on August 6, 2015. Robert Kuan and J.K. Lin, representative of TSMC and Hongli Yang, representative of Taiwan OmniVision Investment Holding Co., Ltd. (represent by Robert Kuan) avoided voting causes for avoidance

of motions in conflict of interest.

- (7) Board of Directors approved incentive bonus of second quarter of 2015 for manager with the identity of director on August 6, 2015. Robert Kuan, Chairman and President avoided voting causes for avoidance of motions in conflict of interest.
- (8) Board of Directors approved sale of equipment for operation to TSMC on November 5, 2015. Robert Kuan and J.K. Lin, representative of TSMC and Hongli Yang, representative of Taiwan OmniVision Investment Holding Co., Ltd. (represent by Robert Kuan) avoided voting causes for avoidance of motions in conflict of interest.

3.Measures taken to strengthen the functionality of the board:

- (1) The Company set up Remuneration Committee on November 11, 2011, which assisted the Board in executing and evaluating the Company's compensation and benefit polocies, and the directors' and executives' compensation.
- (2) The Company set up Audit committee in 2013, made up by three independent directors to strengthen the functionality of the board.

2. Information on implementation of Audit Committee:

The Company has established an Audit Committee on Jun 13, 2013. A total of five (A) meetings of the Audit Committee were held in 2015. The attendance of the independent directors was as follows:

Title	Name	Attendance In person(B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Independent director	Wen-Yeu Wang	5	0	100%	
Independent director	C.S. Hsu	4	1	80%	
Independent director	Robert Hsieh	5	0	100%	

Other mentionable items:

1. If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified: None
2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None
3. Communications between the independent directors, the Company's chief internal auditor and CPAs:
 - (1)The Company's chief internal auditor has communicated the result of the audit reports to the members of the Audit Committee periodically, and has presented the findings of all audit reports.
 - (2)The CPAs are required to communicate to the Audit Committee the findings for the financial reports, as well as those matters communication of which is required by law.

3. Attendance of Supervisors at Board Meetings:

The Board had been reelected on Jun 13, 2013, and set up Audit Committee make up by three independent directors, and abolished Supervisors.

4. Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?		V	The Company doesn’t establish the Corporate Governance Best-Practice Principles. The Company will set up in the future and consider the actual operation situation and internal and external environment.	The Company will establish at an opportune moment.
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	V V		(1)The Company has created the spokesman and deputy spokesman system to deal with shareholders’ suggestions, doubts and disputes. (2)The Company acquired the statement of shareholding changes from directors and shareholders holding more than ten percent of the total shares of the company to process the list of major shareholders of the actual control of the company.	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?	V		(3)The Company set up and implemented the internal control system and relevant rules. Internal auditors supervised the status of implement periodically.	
(4) Does the company establish internal rules against insiders trading with undisclosed information?	V		(4)The Company established the procedure for processing internal significant information against insiders trading with undisclosed information and advocacy regularly of no trading of the Company’s securities with undisclosed information.	
3. Composition and Responsibilities of the Board of Directors				No difference
(1) Does the Board develop and implement a diversified policy for the composition of its members?	V		(1) In determining the board composition of the company, we have ensured the diversity of board members by taking into account various factors including (but not limited to) gender, age, cultural and educational background, and professional experience, expertise and knowledge. The appointment of board members is based on their talents and merits and the nomination is made with consideration to both the objective conditions and the diversity of board composition.	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?		V	(2)The Company doesn’t establish other functional committees, but it can supervise operation of the company by Bord of directors and audit committees.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?	V V		(3)The Company has established regulations for measure the performance of the directors and implements it periodically. (4)The Company evaluates independence and suitability of CPAs periodically. The Company acquired statement of independence of CPAs and statement of independence of audit committees. And the Company filled the evaluation form of independent and suitable to check it and approved by the audit committees and Bord of directors.	
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	V		The Company has served as the spokesman and deputy spokesman of external communication channels. On the company website set up reporting system of violation of ethical behavior, providing customers, vendors or other interested parties to report the Company’s misconduct.	No difference
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company has appointed Taishin International Commercial Bank Co., Ltd. Stock Transfer Agency Department to handle shareholders.	No difference
6. Information Disclosure (1) Does the company have a corporate website to disclose both financial	V		(1)The company has set up the company website, and instructed relevant departments to maintain and disclose information	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>standings and the status of corporate governance?</p> <p>(2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences</p>	V		<p>about the company's financial and operation.</p> <p>(2)The Company has appointed designated people to file financial or operational informations periodically and important information in MOPS. The Company has created the spokesman and deputy spokesman system.</p>	
<p>7. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?</p>	V		<p>(1)Regarding environmental protection, the Company is in compliance with regulations and requirements related to environmental protection, safety, green products, and other aspects of sustainable development. The Company constantly follows the latest trends of international environmental protection to reinforce a sense of eco-responsibility. To fulfill the duties of a member of the global community, the Company takes the initiatives to develop and implement various carbon footprint reduction programs, cutting electric energy consumption and reducing greenhouse-gas (GHG) emissions. These efforts help relieve the greenhouse effect.</p> <p>(2)Regarding labor rights and interests, the Company constantly works on improving its work environment and occupational</p>	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>safety and health management system to provide equal employment opportunity and to prevent injury accidents and occupational diseases.</p> <p>(3) Regarding employee rights aspect, forming of the Employee Welfare committee, implementing employee retirement pension plan, having employee organization insurance and holding periodic medical examination as well as providing various kinds of channels of employee training classes etc. for continuous education.</p> <p>(4) In terms of supplier management, the company has established a supplier assessment system to ensure that suppliers meet the quality and environmental requirements of the corporate policies. Besides, a supplier appraisal system is also established to ensure the conduct of supplier assessment and the effective communication with suppliers, so as to create a good upstream-downstream relationship and achieve the sustainable development of the industrial chain.</p> <p>(5) In terms of information confidentiality, we respect and do our best to protect the security of technical documents and materials of customers. With both the customers and the suppliers, the company will sign a confidentiality agreement with legally binding terms on the specific rights and obligations of different parties. Inside the company, a committee for</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>protection of confidential information is specifically established, and we require our staff to comply with relevant confidentiality regulations and to implement security management policies, so that we can ensure confidentiality of the corporate information and of our customers’ information.</p> <p>(6)The Company filed relevant information in accordance with the provisions of the Act to protect the rights of investors and other interested parties.</p> <p>(7)The Company has not mandated directors to study professional course but encourage them to participate according to individual needs.</p> <p>(8)The Company purchased liability insurance for the directors for the implementation of corporate governance.</p>	
8. Has the company implemented a self-evaluation report on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements.	V		None.	

5. Composition, Responsibilities and Operations of the Remuneration Committee:

(1) Composition: The Compensation Committee was established on Nov 11, 2011. And to reelecton June 13, 2013. It comprised of three independent directors by Wen-Yeu Wang (convener) 、 C.S. Hsu 、 Robert Hsieh.

Title	Criteria Name	Has over five years work experience and following professional qualifications			Independence Attribute(Note1)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Remuneration Committee Member	Remark (註2)
		College Instructor or Higher Level in Business, Legal, Finance, Accounting or company business related area	Court Judge, Prosecutor, Attorney, CPA or other Certified Professional expert related to company business	Business, Legal, Finance, Accounting or company business required working Experience	1	2	3	4	5	6	7	8		
Independent director	Wen-Yeu Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	Yes
Independent director	C.S. Hsu			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Yes
Independent director	Robert Hsieh			✓	✓	✓	✓	✓	✓	✓	✓	✓	2	Yes

Note1: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the 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 of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is 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.
8. Not a person of any conditions defined in Article 30 of the Company Law.

Note2: Does meet Item 5 of Article 6 of "Regulations Governing the Appointment and Exercise of Powers by The Remuneration Committee of a Company Whose Stock is listed on the Stock Exchange or Traded over the Counter".

(2) Responsibilities:

- a. Set and regularly review the company's "Remuneration Committee's Procedures" and proposed the suggestion to revise.
- b. Periodically assess and determine the overall remuneration policy.
- c. Periodically assess and determine the remuneration of the directors and managers.
- d. Set and regularly review the policies, regulations, standards and structures for evaluating the directors' and managers' performance and remuneration.

(3) Operations of the Remuneration Committee:

- a. Remuneration Committee of the Company's has three members.
- b. Tenure period: June 13, 2013 to Jun 12, 2016. A total of 5 (A) Remuneration Committee meetings were held in 2015. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance In person(B)	By Proxy	Attendance rate (%) (B/A)	Remarks
Convener	Wen-Yeu Wang	5	0	100%	
Committee Member	C.S. Hsu	2	3	40%	
Committee Member	Robert Hsieh	5	0	100%	

Other mentionable items:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or subject to a qualified opinion and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

6. Performance of Social Responsibilities

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company establish its corporate social responsibility policy and examine the results of the implementation?</p> <p>(2) Does the company provide educational training on corporate social responsibility on a regular basis?</p> <p>(3) Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?</p> <p>(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?</p>	V		<p>(1) The Company was established corporate social responsibility policy and corporate social responsibility committee on September 2015.</p> <p>(2) The company will annually hold community responsibility educational training, through the executive and employee communication meeting, periodic advocacy of government related orders, the company’s vision, mission and aim, and spreading the business philosophy of integrity, innovation, customer orientation.</p> <p>(3) The Human Resource Department and the Environmental Safety Department, will together be responsible and create a good communication query channel, strengthening the copartnership between the employees, suppliers, contractors, clients, government institution and community organization communication, fulfilling to the best its corporate society responsibility.</p> <p>(4) Combining the company’s the business philosophy and performance efficiency managing system, setting clearly defined Recognition and Discipline Procedure, and periodic auditing of employee’s performance efficiency.</p>	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>2. Sustainable Environment Development</p> <p>(1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?</p> <p>(2) Does the company establish proper environmental management systems based on the characteristics of their industries?</p> <p>(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?</p>	V		<p>(1)The Company is devoted to improving the efficiency and recycling of resources and has formulated related resource management procedures and built an water management and recovery system.</p> <p>(2)The Company has built sound environmental management procedures and systems and has obtained ISO 14001 Environmental Management System Certification as of January 2005.</p> <p>(3) The Greenhouse Gas Inventory Assessment and Carbon Footprint of Main Products assessment were completed; it was assured by External Auditors in 2012.</p>	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>3. Preserving Public Welfare</p> <p>(1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?</p> <p>(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?</p> <p>(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?</p>	V		<p>(1)Xintec will establish a system, a wholesome organization, guarantee the employee’s lawful rights, specially in abiding the labor standard law and government related orders, create working regulations, to serve as the basis for all to follow in managing its employees. With regards to applicants or recruitment for employment, screening, hiring, auditing, promoting etc, it can not due to one’s gender have difference in treatment (But work nature that is only appropriate for special gender is not within this limit). Recruiter will consider the actual demand and hire, and using public screening method demand for equal opportunity, with human talent as basis for selection. The new staff must first passed screening or auditing, and in accordance to new staff employment regulations, after all processes have been approved, be officially employed.</p> <p>(2)Xintec offers an Employee Relations Hotline that provides a channel for employees to express their opinions regarding their work and the overall work environment. The employee relations team ensures all cases are handled with care under the supervision of the first-line managers.</p> <p>(3)Xintec holds the employee health inspection activities yearly and provides the doctors and nurses in accordance with related law. We also implement health enhance activities and attend ESH monthly meeting to ensure personnel safety and reduce the impact of accidents.</p>	No difference

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) Xintec values two-way communications and is committed to keeping the communication channels between the management level and their subordinates, as well as among peers, open and transparent. To ensure that employees’ opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including labor-management meeting and monthly communication meeting are in place to provide timely support and ensure that employees are informed of current policies.	
(5) Does the company provide its employees with career development and training sessions?	V		(5) Xintec not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		(6) The company had established defect prevention mechanism and customer complaint response system, and detection checking mechanism from the entire supply chain upstream and downstream checked for customers and responded quickly.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(7) The company upholds the concept of integrity to treat customers, customers oriented, provides customers with the necessary technical, good quality and service.	
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before	V		(8) The company will evaluate the environment management policy of new suppliers before taking on business partnerships.	

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
taking on business partnerships?				
(9)Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	V		(9)New contracts with suppliers should disclose the suppliers should be transparent, open, pay attention to shareholders' eqyity and strive to achive social responsibility.	
4. Enhancing Information Disclosure (1)Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	V		(1)The company will disclose the implementation status of corporate social responsibility on the annual report.	No difference
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has not established the corporate social responsibility principles, but expect to establish on 2016.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : <ul style="list-style-type: none"> · To go green, use of disposable chopsticks has been substituted with reusable chopsticks, along with other eco-friendly policies including waste sorting and reduction, emission reduction, greening, recycling, water and electricity conservation. · Implement “1+1” disabled hiring program which is sponsored by government, and obtain award. · Hire disabled employees from Jhungli Special Education Training Center continuously and donate furniture, and obtain appreciation. · Donate prizes to 2010 International Disabled Day which is held by Hsinchu County. · Be selected as a Chairman of Jhungli Standard Factory Management Committee in 2011. · Participate in government activities and obtain “Badge of Accredited Healthy Workplace” from the Ministry of Health and Welfare 				

Evaluation Item	Implementation Status			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation	
<p>National Health Agency in 2011.</p> <ul style="list-style-type: none"> • Donate over NT\$2,000,000 to landscape in Jhungli Standard Factory and sponsor a gardener every month since 2007. • Landscape around the Company and dormitory. Participate in landscape activity in 2009 which is held by Industrial Development Bureau, and obtain first in North Area and fourth in Taiwan. • Create job opportunities and conduct cooperative education with 6 senior high schools. • Participation in public activities irregularly. • Donate about NT\$1,000,000 for Typhoon Morakot in 2009. • Provide a safe working environment and strengthen employees’ awareness on environmental and safety. • Donate used clothing to Wan Hai Charity Foundation in 2012. • Hire visually impaired masseur. • Donate about NT\$30,000 for Typhoon Haiyan in 2013. • Complies strictly with the Industrial Waste Disposal Plan and submits waste flow records online accordingly. Waste disposal and recycling practices are in compliance with applicable regulations. • The functions of the Volatile Organic Compound (VOC) emission treatment facilities at the Chungli factory are enhanced, resulting in a reduction efficiency of 97% and up in August, 2013 and achieving the goal of reducing carbon footprint and air pollutant emissions. • Donate about NT\$600,000 for Gas explosions in Kaohsiung in 2014. • Donate about NT\$1,000,000 for colored powder fire disaster in New Taipei in 2015. • Donate NT\$200,000 to KuanHsi Junior High School for popularizing baseball in 2016. 				
<p>7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company has not verified by external certification institutions and expect to prepare corporate social responsibility reports on 2016.</p>				

7. Ethical Corporate Management :

Evaluation Item	Implementation Status			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	<p>V</p> <p>V</p> <p>V</p>		<p>(1) Xintec established 「 Integrity Operation Code 」 demanding that all employees must understand clearly and abide by the business code of ethics and individual integrity, and insisting on honesty, seriousness and having professional spirit in carrying out one’s job.</p> <p>(2) Integrity is directly related to the company’s corporate culture and is the most important core value. It will be in the newcomer educational training and employee on-the-job training advocacy, and creation of a complete basis for rule violation punishment and complaint.</p> <p>(3) The company’s 「 Working Rule 」 regulates one cannot request, accept or give any kinds of donation and to be loyal to one’s job, or professionally judge gifts, entertainments or any forms of bribe.</p>	No difference

2. Fulfill operations integrity policy				No difference
(1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts?	V		(1)The company evaluate business partners' ethical records before sign the contracts and include ethics-related clauses in business contracts.	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?		V	(2)No	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?	V		(3)The company has already establish in 「Working Rules」 clearly indicating that one must avoid any possible conflicts between individual interest and company's interest. The board committee's various suggested projects, when there is a conflict of interest, must in accordance to the principle of avoidance, not participate in the discussion, and be absent and not participate in the decision making.	
(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?	V		(4)The company operats in accordance with the accounting system and internal conrtal. Internal auditors regularly audit the status of compliance and no employees or managers violat ethical corporate management policies to be found.	
(5) Does the company regularly hold internal and external educational trainings on operational integrity?	V		(5)The company will periodically hold Integrity Operation educational training.	

<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p> <p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	V		<p>3.The company in its「Working Rules」have clearly indicate its punishment basis, and in the company's website has specify that if any people discover the company's employees or any people that may affect the company's interest who performs any suspicious or possible violation of the company's code of ethics behavior , please inform the company; this reporting action, will be submitted to the chairman of the board or other designated the executive who will directly carry out management, the person who report will be kept confidential, so that he will not encounter inappropriate handling.</p>	No difference
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	V		<p>(1) The business philosophy of integrity, innovation, customer orientation has been disclosed on the company's website. The results of implementation of ethical corporate management disclose on the annual report.</p>	No difference
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>The company has established the ethical corporate management policies and no differences between the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies.</p>				
<p>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies): None.</p>				

8. Other Company-established corporate governance rules and regulations: None.

9. Other Important Corporate Governance Information: None.

10. Status of Implementation of Internal Control System

(1) Statement of internal control system:

Xintec Inc.

Statement of Internal Controls

Date: 2/3/2016

According to the examination on internal control system done by the Company itself in 2015, we hereby states as follows:

- (1) The Company's board of directors and management team understand their responsibilities of developing, implementing and maintaining the Company's internal control system, and such a system has been established. The purpose of establishing the internal control system is to reasonably assure the following objectives: (a) The effectiveness and efficiency of business operation (including earnings ,operation performance and the safeguard of company assets); (b) The reliability , timeliness and transparency of the financial and related reports; and (c) The compliance of the relevant laws/regulations and company policies;
- (2) Due to the innate limitation in designing a faultless internal control system, this system can only assure the reasonableness of the above three objectives have been fairly achieved. In addition, the effectiveness of internal control system could alter over time due to the change of business environment or situation. Since the Company's internal control system has included self-examination capability, the Company will make immediate corrections when errors are detected.
- (3) The evaluation of effectiveness of the internal control system design and implementation is made in accordance with the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The Guidelines are made to examine the following five factors during the management and control process: (a) control environment, (b) risk assessment, (c) control activities, (d) information and communication, and (e) supervision. Each factor also includes several items. Details of each factor can be found in the Guidelines.
- (4) The Company has examined the effectiveness of each respected area in the internal control system based on the Guidelines.
- (5) The examination result indicated that the Company's internal control system (including subsidiary governance) dated December 31, 2015 has effectively assured that the following objectives have been reasonably achieved during the assessing period: (a) The degree that effectiveness and efficiency of business operation; (b) The reliability, timeliness and transparency of the financial and related reports; (c) The compliance of the relevant laws/regulations and company policies
- (6) This Statement is a significant part of the Company's annual report and prospectus available to the general public. If it contains false information or omits any material content, the Company is in violation of Article 20, Article 32, Article 171 and Article 174 set forth in the Taiwan's Security and Exchange Act. 53
- (7) The Company hereby declares that this statement had been approved by the Board of Directors on 2/3/2016. Among the 5 attending Directors, no one raised any objection to the contents of this statement.

Xintec Inc.

Chairman and President: Robert Kuan

- (2) The Company hire an accountant to audit the Company's internal control system and disclose the audit report made by accountants: None.
11. Lawful punishment inflicted on the Company, and/or disciplinary action taken by the Company against its employees for violating internal regulations in the latest year and up to the printing date of this Annual Report); important errors committed; and correction and improvement procedures: None.
12. Major Resolutions of Shareholders' Meeting and Board Meetings:

During the 2015 year and up to the date of this Annual Report, the Company held one annual stockholders' meeting and approved the following resolutions: (1) The 2014 Business Report and Financial Statements; (2) The distribution of 2014 earnings; (3) The revisions to the following internal rules: Articles of Incorporation, Regulations Governing Election of Directors, Rules of Shareholders' Meeting Agenda, Procedures for Acquisition or Disposal of Assets.

Implementaion status of stockholders' meeting resolutions: (1) Ex-dividend date was determindd at July 8, 2015 and paid cash dividend on July 24, 2015 for the distribution of 2014 earnings. (2) The internal rules above mentioned have revised by the resolution of shareholders' meeting.

During the 2015 year and as of the date of this Annual Report, the Company held seven Board Meetings and approved the following resolutions:

The 2014 Business Report and Financial Statements; the distribution of 2014 earnings; the 2014 remuneration paid to directors; issue 30,000 thousand new shares for underwriting before stock began trading on OTC; subscription rules for issue new shares reserve for subscription by employees; incentive bonus of fourth quarter of 2014 and shares for subscription of issuing new shares for manager with the identity of director and managers; apply for alteration of the registered capital amount from exercise employee stock option; capital appropriations; annual plan for 2015; revision of Articles of Incorporation, revision of Regulations Governing Election of Directors, revision of Rules of Shareholders' Meeting Agenda; reconvene a Shareholders' meeting; remuneration and compensation for directors of 2014 and 2015; employee cash bonus of 2014 for manager with the identity of director; performance evaluation and remuneration of 2014 for manager with the identity of director and managers; salary adjustment and remuneration of 2015; Statement of internal control of 2014; adjustment of range of issue price for issue new shares; incentive bonus of first quarter of 2015 for manager with the identity of director; determination of ex-dividend date for cash dividend and the period of stop exercise employee stock option; sale of equipment for operation to VisEra technologies company Ltd; acquire bank credit lines; incentive bonus on second quarter of 2015 for manager with the identity of director; sale of equipment for operation to TSMC; replacement CPA for CPA firm internal rotation; audit fee; evaluation form of preparation of financial statement by the Company; procedurt of applying suspension or resumption of transactions; code of ethical behavior for directors and managers; the principles of the ethical management; revision of accounting system; revision of internal control system and internal audit system; audit plan for 2016; regulations for remuneration, compensation and transportation allowance pay to directors; profit

sharing bonus to employees and compensation to directors of 2015; the 2015 Business Report and Financial Statements; the distribution of 2015 earnings; five directors (including three individual directors) will be reelected on shareholders' meeting; new directors will assume their office on the date of elected and the term of office until to Jul 13,2019; regulations for issuance of new shares for employee restricted stock of 2016; reconvene a Shareholders' meeting of 2016; annual plan for 2016; remuneration and compensation for directors of 2015 and 2016; performance evaluation and remuneration of 2015 for manager with the identity of director and managers; salary adjustment and remuneration of 2016; employee compensation of 2015 to manager with the identity of director; get managers tablet on 2015; Statement of internal control of 2015.

13. Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None
14. Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None

D. Information on Accountants' Fees

1. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee

Accounting firm	Name of CPA		Audit period	Remarks
Deloitte & Touche	Lin Hung Peng	Huang Yu Feng	2015.1.1~2015.6.30	
Deloitte & Touche	Huang Yu Feng	Lin Cheng Chih	2015.1.1~2015.12.31	Note

Note: The CPA firm replaced CPA in rotation.

Unit: NT\$thousand

Range		Item	Audit fee	Non-audit fee	Total
1	Under 2 million				
2	2 million(included)~4 million		✓		✓
3	4 million(included)~6 million				
4	6 million(included)~8 million				
5	8 million(included)~10 million				
6	Over 10 million (included)				

Note: No non-audit fee was paid on 2015.

2. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
3. The audit fee is reduced by over 15% compared with the previous year: None.

E. Information on Replacement of Accountants

1. About the former CPA:

Replacement Date	2015.11.5		
Replacement reasons and explanations	Deloitte & Touche replace CPA in internal rotation.		
Descriptions whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status		
	Termination of appointment	Not application	
No longer accept (continued) appointed			
Other than unqualified issues in the audit reports within last two years	Not application		
Differences with the Company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None		✓
Descriptions		None	
Other Revealed Matters (Required to be disclosed by Accounting Standards Article 10 section 5 first paragraph item 4)	None		

2. About the Successor CPA:

Firm Name	Deloitte & Touche
CPA Name	Huang Yu Feng, Lin Cheng Chih
Date of appointment	November 5, 2015
Consulting results regarding accounting methods or accounting principles to specific transactions or opinions on the financial statements before appointment	Not applicable
Successor CPA written disagreements to former CPA	Not applicable

3. Reply of the Previous Accountant : Not applicable.

F. Company Chairman, General Manager, Financial of Accounting Head has worked for Certifying Accounting Firm or Its Affiliate Business in the Past Year : None.

G. Information on Net Change in Shareholding and Net Change in Shares Pledged by Directors, Supervisors, Management and Shareholders of 10% Shareholdings or More

1. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2015		As of April 16, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Taiwan Semiconductor Manufacturing Company, Ltd.	(2,171,702)	0	0	0
	Representative: Robert Kuan	32,000	0	96,000	0
	Representative: Lora Ho (Note1)	0	0	NA	NA
	Representative: J.K. Lin	0	0	0	0
Director	Representative: Taiwan OmniVision Investment Holding Co., Ltd. (Note2)	(224,357)	0	NA	NA
	Representative: Hongli Yang (Note2)	0	0	NA	NA
Independent director	Wen-Yeu Wang	0	0	0	0
Independent director	C.S. Hsu	0	0	0	0
Independent director	Robert Hsieh	0	0	0	0
President	Robert Kuan	32,000	0	96,000	0
Vice President	CA Lin	(76,000)	0	0	0
Vice President	Nick Wen	(71,000)	0	0	0
Vice President	Yens Ho	(26,000)	0	72,000	0
Vice President	LS Yeou	(24,000)	0	33,000	0
Vice President	WL Fang	0	0	0	0
Finance Sr. Director	Simon Lin	(57,000)	0	0	0
Major shareholders	Taiwan Semiconductor Manufacturing Company, Ltd.	(2,171,702)	0	0	0
Major shareholders	VisEra Holding Company (Cayman Islands)	(9,790,645)	0	NA	NA

Note1: The shares information was disclosed to the date December 4, 2015, Taiwan Semiconductor Manufacturing Company, Ltd. has resigned one director of the Board on the date.

Note2: The shares information was disclosed to the date November 20, 2015, Taiwan OmniVision Investment Holding Co., Ltd. has resigned the director of the Board on the date.

2. Shares Trading with Related Parties: None

3. Shares Pledge with Related Parties: None

H. Top 10 shareholders relation

As of April 16, 2016; Unit: Thousand shares

Name	Current Shareholding		Spouse's/ minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Taiwan Semiconductor Manufacturing Company, Ltd.	92,778	34.47	0	0	0	0	VisEra Holding Company (Cayman Islands)	Indirect subsidiary of Taiwan Semiconductor Manufacturing Company, Ltd.	
VisEra Holding Company (Cayman Islands)	18,504	6.87	0	0	0	0	Taiwan Semiconductor Manufacturing Company	Indirect subsidiary of Taiwan Semiconductor Manufacturing Company, Ltd.	
GOLDMAN SACHS INTERNATIONAL	7,240	2.69	0	0	0	0	None	None	
EUREKA FD MARSHALL WACE INVESTMENT	3,793	1.41	0	0	0	0	None	None	
MARKET NEUTRAL TOPS FUND	2,314	0.86	0	0	0	0	None	None	
Mercuries Life Insurance Co., Ltd.	1,481	0.55	0	0	0	0	None	None	
Shinkong Textile Co.,Ltd	1,003	0.37	0	0	0	0	None	None	
Chen, Tai-Rong	988	0.37	0	0	0	0	None	None	
Qu, Zong-Hui	988	0.37	0	0	0	0	None	None	
Lu, Shi-Guang	863	0.32	0	0	0	0	None	None	

I. Long-Term Investment Ownership: Not applicable.

IV. Information on Implementation of The Company Funds Utilization Plans

A. Source of Capital

Unit: NT\$Thousand; Thousand shares, As of April 30, 2016

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Other
9/1998	10	64,000	640,000	28,000	280,000	Fondation 216,000	technology 64,000	9/11/1998 Jing Shang Tzu No.087127301
7/1999	10	64,000	640,000	43,250	432,500	Cash injection 152,500	None	7/26/1999 Jing Shang Tzu No.088127212
9/2000	10	64,000	640,000	55,000	550,000	Cash injection 117,500	None	9/20/2000 Jing Shang Tzu No.089134667
8/2002	12	64,000	640,000	64,000	640,000	Cash injection 90,000	None	8/19/2002 Jing Shou Shang Tzu No.09101336780
3/2003	12	88,000	880,000	73,000	730,000	Cash injection 90,000	None	3/19/2003 Jing Shou Shang Tzu No.09201078970
4/2003	11	88,000	880,000	83,000	830,000	Cash injection 100,000	None	4/30/2003 Jing Shou Shang Tzu No.09201130010
9/2003	15	120,000	1,200,000	103,000	1,030,000	Cash injection 200,000	None	9/1/2003 Jing Shou Shang Tzu No.09201260090
12/2003	20	120,000	1,200,000	115,000	1,150,000	Cash injection 120,000	None	12/4/2003 Jing Shou Shang Tzu No.09201327560
4/2006	10	120,000	1,200,000	120,000	1,200,000	Cash injection 50,000	None	4/10/2006 Jing Shou Shang Tzu No.09501063960
7/2006	-	180,000	1,800,000	120,000	1,200,000	Authorized Capital change	None	7/4/2006 Jing Shou Shang Tzu No.09501131570
2/2007	15	260,000	2,600,000	210,526	2,105,260	Private placement 905,260	None	2/16/2007 Jing Shou Shang Tzu No.09601036790
8/2007	-	260,000	2,600,000	215,739	2,157,391	Capital increase 27,368 by earnings Capital increase 24,763 by Profit sharing in stock	None	8/6/2007 Jing Shou Shang Tzu No.09601184170
7/2008	-	260,000	2,600,000	221,279	2,212,794	Capital increase 21,574 by earnings Capital increase 33,829 by Profit sharing in stock	None	7/24/2008 Jing Shou Shang Tzu No.09701180530
11/2008	-	260,000	2,600,000	221,909	2,219,091	Exercise of Employee Stock Options 6,297	None	11/27/2008 Jing Shou Shang Tzu No.09701302390
3/2009	-	260,000	2,600,000	222,225	2,222,251	Exercise of Employee Stock Options 3,160	None	3/30/2009 Jing Shou Shang Tzu No.09801056560
6/2009	-	260,000	2,600,000	222,660	2,226,601	Exercise of Employee Stock Options 4,350	None	6/26/2009 Jing Shou Shang Tzu No.09801127190
7/2009	-	260,000	2,600,000	224,629	2,246,289	Capital increase 11,111 by earnings Capital increase 8,577 by Profit sharing in stock	None	7/22/2009 Jing Shou Shang Tzu No.09801153270
9/2009	-	260,000	2,600,000	225,533	2,255,327	Exercise of Employee Stock Options 9,038	None	9/9/2009 Jing Shou Shang Tzu No.09801206430
12/2009	-	260,000	2,600,000	225,766	2,257,657	Exercise of Employee Stock Options 2,330	None	12/18/2009 Jing Shou Shang Tzu No.09801290970

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Other
4/2010	-	260,000	2,600,000	226,529	2,265,287	Exercise of Employee Stock Options 7,630	None	4/8/2010 Jing Shou Shang Tzu No.09901068120
7/2010	-	260,000	2,600,000	227,275	2,272,746	Exercise of Employee Stock Options 7,459	None	7/16/2010 Jing Shou Shang Tzu No.09901144980
9/2010	-	260,000	2,600,000	227,367	2,273,666	Exercise of Employee Stock Options 920	None	9/2/2010 Jing Shou Shang Tzu No.09901200650
12/2010	-	260,000	2,600,000	227,968	2,279,684	Exercise of Employee Stock Options 6,018	None	12/6/2010 Jing Shou Shang Tzu No.09901271820
4/2011	-	260,000	2,600,000	228,561	2,285,607	Exercise of Employee Stock Options 5,923	None	4/11/2011 Jing Shou Shang Tzu No.10001069460
7/2011	-	260,000	2,600,000	229,026	2,290,265	Exercise of Employee Stock Options 4,658	None	7/1/2011 Jing Shou Shang Tzu No.10001142280
8/2011	-	260,000	2,600,000	233,256	2,332,557	Capital increase 22,883 by earnings Capital increase 19,410 by Profit sharing in stock	None	8/10/2011 Jing Shou Shang Tzu No.10001184920
9/2011	-	260,000	2,600,000	233,396	2,333,962	Exercise of Employee Stock Options 1,405	None	9/6/2011 Jing Shou Shang Tzu No.10001207740
12/2011	-	260,000	2,600,000	233,579	2,335,794	Exercise of Employee Stock Options 1,831	None	12/2/2011 Jing Shou Shang Tzu No.10001274670
4/2012	-	260,000	2,600,000	233,581	2,335,811	Exercise of Employee Stock Options 17	None	4/2/2012 Jing Shou Shang Tzu No.10101055600
6/2012	-	260,000	2,600,000	233,785	2,337,846	Exercise of Employee Stock Options 2,035	None	6/27/2012 Jing Shou Shang Tzu No.10101120250
7/2012	-	260,000	2,600,000	236,121	2,361,209	Capital increase 23,363 by earnings	None	7/30/2012 Jing Shou Shang Tzu No.10101155880
9/2012	-	260,000	2,600,000	236,153	2,361,526	Exercise of Employee Stock Options 317	None	9/13/2012 Jing Shou Shang Tzu No.10101188740
12/2012	-	260,000	2,600,000	236,205	2,362,046	Exercise of Employee Stock Options 520	None	12/12/2012 Jing Shou Shang Tzu No.10101253820
4/2013	-	260,000	2,600,000	236,208	2,362,079	Exercise of Employee Stock Options 33	None	04/01/2013 Jing Shou Shang Tzu No.10201058510
8/2013	-	260,000	2,600,000	236,267	2,362,667	Exercise of Employee Stock Options 588	None	08/06/2013 Jing Shou Shang Tzu No.10201152570
8/2013	-	260,000	2,600,000	236,290	2,362,896	Exercise of Employee Stock Options 229	None	08/30/2013 Jing Shou Shang Tzu No.10201179150
12/2013	-	260,000	2,600,000	236,371	2,363,714	Exercise of Employee Stock Options 818	None	12/11/2013 Jing Shou Shang Tzu No.10201249330
3/2014	-	260,000	2,600,000	236,402	2,364,019	Exercise of Employee Stock Options 305	None	03/28/2014 Jing Shou Shang Tzu No.10301053810
7/2014	-	260,000	2,600,000	236,474	2,364,739	Exercise of Employee Stock Options 720	None	7/8/2014 Jing Shou Shang Tzu No.10301136750
9/2014	-	260,000	2,600,000	236,481	2,364,814	Exercise of Employee Stock Options 75	None	9/4/2014 Jing Shou Shang Tzu No.10301184300
12/2014	-	260,000	2,600,000	238,051	2,380,508	Exercise of Employee Stock Options 15,694	None	12/5/2014 Jing Shou Shang Tzu No.10301253830
3/2015	-	260,000	2,600,000	238,121	2,381,207	Exercise of Employee Stock Options 699	None	3/6/2015 Jing Shou Shang Tzu No.10401033070

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remarks		
		Shares	Amount	Shares	Amount	Source of Capital	Capital increased by assets other than cash	Other
4/2015	42	300,000	3,000,000	268,121	2,681,207	Cash injection 300,000	None	4/15/2015 Jing Shou Shang Tzu No.10401064200
6/2015	-	300,000	3,000,000	268,427	2,684,265	Exercise of Employee Stock Options 3,059	None	6/8/2015 Jing Shou Shang Tzu No.10401105400
12/2015	-	300,000	3,000,000	268,768	2,687,680	Exercise of Employee Stock Options 3,414	None	12/2/2015 Jing Shou Shang Tzu No.10401254910
3/2016	-	300,000	3,000,000	268,876	2,688,761	Exercise of Employee Stock Options 1,082	None	3/3/2016 Jing Shou Shang Tzu No.10501040250

Unit: Shares, As of April 16, 2016

Share Type	Authorized Capital			Un-issued Shares	Total Shares
	Issued Shares				
	Listed	Non-listed	Total		
Common Stock	269,194,781	-	269,194,781	30,805,219	300,000,000

B. Shareholder Structure

Unit: Shares, As of April 16, 2016

Shareholder Structure Quantity	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	11	43	20,828	44	20,926
Shareholding	0	2,925,000	96,510,320	135,180,009	34,579,452	269,194,781
Percentage	0%	1.09%	35.85%	50.22%	12.84%	100.00%

C. Distribution Profile of Shareholder Ownership

Unit: Shares, As of April 16, 2016

Class of Shareholding	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	1,547	229,893	0.09
1,000 ~ 5,000	14,533	30,524,512	11.34
5,001 ~ 10,000	2,432	19,585,851	7.28
10,001 ~ 15,000	789	10,022,402	3.72
15,001 ~ 20,000	504	9,411,134	3.50
20,001 ~ 30,000	413	10,600,760	3.94
30,001 ~ 40,000	198	7,063,021	2.62
40,001 ~ 50,000	130	6,056,546	2.25
50,001 ~ 100,000	219	15,436,040	5.73
100,001 ~ 200,000	102	13,928,236	5.17
200,001 ~ 400,000	39	11,066,109	4.11
400,001 ~ 600,000	8	3,792,677	1.41
600,001 ~ 800,000	2	1,526,000	0.57
800,001 ~ 1000,000	3	2,839,188	1.05
1,000,001 of over	7	127,112,412	47.22
Total	20,926	269,194,781	100.00

D. Major Shareholders

Unit: Shares, As of April 16, 2016

Major shareholder's Name	Shares held	Share holdings
Taiwan Semiconductor Manufacturing Company, Ltd.	92,778,303	34.47
VisEra Holding Company (Cayman Islands)	18,503,622	6.87
GOLDMAN SACHS INTERNATIONAL	7,239,759	2.69
EUREKA FD MARSHALL WACE INVESTMENT	3,793,000	1.41
MARKET NEUTRAL TOPS FUND	2,314,000	0.86
Mercuries Life Insurance Co., Ltd.	1,481,000	0.55
Shinkong Textile Co.,Ltd	1,002,728	0.37
Chen, Tai-Rong	988,000	0.37
Qu, Zong-Hui	987,792	0.37
Lu, Shi-Guang	863,396	0.32

E. Market Price, Net Worth, Earnings and Dividends per Common Share

Unit: NT\$; Stocks, in thousands

Item		Year	2014	2015	Current year to April 30, 2016
Market price per share	Highest		No trading on TWSE /OTC	65.20	34.00
	Lowest		No trading on TWSE /OTC	28.85	25.05
	Average		No trading on TWSE /OTC	48.05	29.62
Equity per share	Before distribution		19.55	21.76	-
	After distribution		18.35	(Note1)	-
Earnings per share	Weighted average shares		237,258	261,574	-
	Earnings per share		2.65	0.56	-
Dividends per share	Cash dividends		1.06	0.50 (Note1)	-
	Stock dividends	Dividends from retained earnings	-	-	-
		Dividends from Capital surplus	-	-	-
	Accumulated undistributed dividends		-	-	-
Investment return analysis	Price/ earning ratio		No trading on TWSE /OTC	85.80	-
	Price/ dividend ratio		No trading on TWSE /OTC	(Note1)	-
	Cash dividend yield rate		No trading on TWSE /OTC	(Note1)	-

Note1: Pending for shareholders' meeting resolution.

F. Dividend Policy

1. Dividend policy in Articles of Incorporation:

According to article 27-1 of the Company's Articles of Incorporation:

The policy on the appropriation of dividends shall take the following factors into account: the Company's capital budget, intermediate and long term operational planning, and financial position. The following principles that shall be followed and earnings shall be allocated according to the resolution of the shareholders' meeting:

- (1) If there are no retained earnings for fiscal year, the Company shall not distribute dividends and bonuses. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the balance of the reserve exceeds 25% of the Company's paid-in capital. However, due to the Company's business growing stage at present, the proportions of dividends that will be distributed depend on future expansion plans and capital budget needs. The proportion of cash dividends shall not be lower than 50% of the total dividends.
- (2) If there is no profit or the distributable profit is far lower than the previous

year's amounts distributed, or in consideration of financial, business and operating factors, the appropriation for capital reserve shall be in accordance with relevant laws or regulations or as requested by the authorities in charge.

2. Distribution of stock dividends at this shareholders' meeting:

The Company's appropriations of earnings for 2015 had been approved for cash dividends of NT\$134,438 thousands (per share NT\$0.5) in the meeting of the Board of Directors held on February 3, 2016. The appropriations of earnings for 2015 are to be resolved in the shareholders' meeting.

G. Stock Dividend Distribution : Not applicable.

H. Employee, Directors and Supervisors Compensation :

1. According to article 27 of the Company's Articles of Incorporation:

If there is any profit after annual closing, firstly it should be deducted for income tax and accumulated deficits. Then appropriate 10% as legal reserve until the accumulated legal reserve equals the Company's paid-in capital, and appropriate (or reverse) the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any remaining balance shall be appropriated as follows:

- (1) Profit sharing to employees of not less than 1%;
- (2) Bonus to directors of not more than 2%. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors;
- (3) Any remaining balance shall be allocated according to the proposal of the board of directors and the resolution of the shareholders' meeting;
- (4) The Company may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the board of directors;

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. Accordingly, the Company expects to make amendments to the Company's Articles of Incorporation to be approved during the 2016 annual shareholders' meeting.

2. The basis for estimating the amount of employee, director, and supervisor compensation, for calculating the number of shares to be distributed as employee compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated figure, for the current period:

According to the past experience, the Company accrued profit sharing bonus to employees, bonus and compensation to directors based on 8.3% and

1.0% of income before income tax (before profit sharing bonus to employees, bonus and compensation to directors on 2015. The differences will be recorded in the year of shareholders' resolution as a change in accounting estimate. The total number of employee divided stocks to be issued shall be determined by the closing price of the day before the board of directors proposed date, and taking into account the influence of the ex-right and ex-dividend factors.

3. Information on any approval by the board of directors of distribution of compensation:

(1) The amount of any employee compensation distributed in cash or stocks and compensation for directors and supervisors. If there is any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The Company accrued profit sharing bonus to employees, bonus and compensation to directors based on a percentage of income before income tax (before profit sharing bonus to employees, bonus and compensation to directors during the period under the amended Company Act), which amounted to NT\$19,675 thousands and NT\$4,090 thousands (including NT\$1,800 thousands compensation to independent directors) for the year ended December 31, 2015. The differences will be recorded in the year of shareholders' resolution as a change in accounting estimate.

(2) The amount of any employee compensation distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee compensation: Not applicable.

4. Actual distribution of employee dividends, remuneration of directors/supervisors in the previous year:

Employee cash dividends of NT\$84,787 thousands and directors remuneration of NT\$4,200 thousands shall be allocated according to the resolution of the shareholders' meeting on Jun 16, 2015. The Company's actually distributed number does not differ from the recognized one.

I. Share by Back : None.

J. Issuance of Corporate Bond, Preferred Stock, Depositary Shares Issuance :
None.

K. Status of Employee Stock Option Plan :

1. Employee Stock Option Plan :

As of April 30, 2016

ESOP granted	1 st ESOP	2 nd ESOP	3 rd ESOP	4 th ESOP	5 th ESOP
Approval date	7/3/2006	7/3/2006	6/26/2007	6/26/2007	1/10/2012
Issue date	9/29/2006	1/16/2007	6/27/2007	12/14/2007	6/14/2012
Issue common stock shares	5,025,000	975,000	2,580,000	2,000,000	6,000,000
Percentage of shares issued to total common stock shares (%)	4.19%	0.46%	1.23%	0.93%	2.57%
Option termination	10 years	10 years	10 years	10 years	5 years
Source of option shares	Issue new stock	Issue new stock	Issue new stock	Issue new stock	Issue new stock
Vesting schedule and rate (%)	2 nd year: 50% 3 rd year: 75% 4 th year: 100%	2 nd year: 50% 3 rd year: 75% 4 th year: 100%	2 nd year: 50% 3 rd year: 75% 4 th year: 100%	2 nd year: 50% 3 rd year: 75% 4 th year: 100%	2 nd year: 50% 3 rd year: 75% 4 th year: 100%
No. of shares acquired by employee through the exercise of options	3,835,000	581,750	1,411,750	1,006,500	2,545,990
Total value of shares acquired by employee through the exercise of options(NT\$)	46,683,877	8,213,950	21,305,250	19,111,138	56,160,959
No. of unexercised shares	60,750	0	6,500	0	1,749,035
Price per share of unexercised option(NT\$)	9.0	10.8	14.8	18.6	23.2
Percentage of unexercised options to total common stock shares (%)	0.02%	0%	0.00%	0%	0.65%
Effects on shareholder's equity	Minimal effects	No effects	Minimal effects	No effects	Minimal effects

2. No. of shares granted to and holding status of executive managers and top 10 employees:

Title	Name	No. of shares granted	No. of shares granted to common stock shares	Exercised				Unexercised(Note2)				
				No. of shares	Price per share	Total value of shares	No. of shares to common shares	No. of shares	Price per share	Total value of shares	No. of shares to common shares	
Executive managers	President	Robert Kuan	2,515,000	0.93%	1,139,250	15.58	17,755,625	0.42%	485,000	21.80	10,572,450	0.18%
	President (Note 1)	Lidon Chen										
	Vice President	CA Lin										
	Vice President (Note 1)	Tom Tseng										
	Vice President (Note 1)	DD Hu										
	Vice President	Nick Wen										
	Vice President (Note 1)	Peterson Tien										
	Vice President (Note 1)	WM Chen										
	Vice President	LS Yeou										
	Vice President	Yens Ho										
	Vice President	WL Fang										
	Sr. Director	Simon Lin										
	Sr. Director (Note 1)	Pamela Chang										
	Sr. Director (Note 1)	Dave Wang										
	Sr. Director (Note 1)	Paul Hsiao										

Note1 : The manager has resigned.

Note2 : 890,750 shares of unexercised option and NT\$12,783,900 of unexercised shares value have been deducted.

Title	Name	No. of shares granted	No. of shares granted to common stock shares	Exercised				Unexercised(Note4)				
				No. of shares	Price per share	Total value of shares	No. of shares to common shares	No. of shares	Price per share	Total value of shares	No. of shares to common shares	
Employees	Director	1,045,800	0.39%	785,640	15.97	12,550,109	0.29%	130,160	23.20	3,019,712	0.05%	
	Director											CM Fan
	Director											Leo Liu
	Director											LK Huang
	Director											CT Chou
	Director											TY Liu
	Director (Note 3)											Leo Tsai
	Director											YC Hu
	Director (Note 3)											SM Chen
	Director (Note 3)											WJ Chyan
Deputy Director (Note 3)	SY Wang											

Note3 : The employee has resigned.

Note4 : 130,000 shares of unexercised option and NT\$2,260,000 of unexercised shares value have been deducted.

L. Status of New Shares for Employee Restricted Stock : None.

M. Status of Mergers and Acquisitions : None.

N. Fund Plan Implementation :

Plan for Issue of ordinary shares for cash on 2015:

1. A description of the plans:

- (1) Date of approval by authority: February 25, 2015.
- (2) Total amount needed: NT\$1,140 million.
- (3) Source of Fund: Issued 30,000 thousand new shares with NT\$42 per share to offer NT\$1,260 million, which was excess NT\$120 million over original expected amount. The excess part was used for enriching working capital.
- (4) Plan item, expect schedule and benefit:

Unit: NT\$ Thousand

Plan item	Expect finish date	Total amount needed	Expect schedule
			first quarter, 2015
Repayments of long-term borrowings	3/31/2015	1,140,000	1,140,000
Expect benefit	NT\$1,140 million from issuing new shares was used for repayments of long-term borrowings and then decreased interest expense, strengthen financial structure, improve the solvency. The amount repayments of long-term borrowings at interest rate 1.2380%~1.5063%, the company will save NT\$ 11,322 thousands at 2015, and NT\$ 15,095 thousands next every year.		

(5) Change status: None.

2. Status of implementation:

Unit: NT\$thousand

Plan item	Status of implementation			The reason for ahead or behind schedule
	Used amount	Expect	Actual	
Repayments of long-term borrowings	Used amount	Expect	1,140,000	The plan had been completed on schedule on first quarter of 2015
		Actual	1,140,000	
	Complete (%)	Expect	100.00	
		Actual	100.00	
Enrich working capital	Used amount	Expect	120,000	The plan had been completed on schedule on first quarter of 2015
		Actual	120,000	
	Complete (%)	Expect	100.00	
		Actual	100.00	

3. Assess plan benefit:

(1) Reduce interest burden:

Long-term borrowing of NT\$1,140 millions was repaid to reduce interest expenses. Interest expense of NT\$11,322 thousands was to be saved on 2015. Benefits from saving interest expense have been reasonably apparent.

(2) Strengthen financial structure, improve the solvency:

NT\$1,260 millions was public offered from issuance of new shares, mainly used to repay long-term borrowing of NT\$1,140 millions and the others used to enrich working capital. Financial structure and solvency were better than before issuance of new shares. Fund Plan strengthened financial structure, improved the solvency, enhanced the company's capital allocation capabilities, remained competitive and reduced business and financial risk.

Unit: NT\$ thousand

	December 31, 2014	February 28, 2015 (before raising fund)	March 31, 2015 (after raising fund)
Current assets	2,035,251	2,265,733	2,044,403
Current liabilities	1,760,450	1,684,010	1,458,918
Total liabilities	4,173,026	4,146,586	2,631,494
Debt ratio (%)	47.27	46.31	30.11
Current ratio (%)	115.61	134.54	140.13

V. Operational Highlights

A. A Description of the Business

1. Business Scope

(1) Main areas of business operations

Unit: NT\$Thousands

Item	Total sales in Year 2016	(%) of Total Sales
Wafer Level Chip Scale Packaging	2,907,033	59.60
Wafer Level Post Passivation Interconnection	1,946,009	39.89
Others	25,046	0.51
Total	4,878,088	100.00

(2) Current Products (Services)

a. Current Products (Services):

(a) Wafer Level Chip Scale Packaging

(b) Wafer Level Post Passivation Interconnection

b. New Products and Services to Be Developed:

(a) Wafer level packaging of image sensor applied in mobile phones, notebook computers, personal mobile electronic devices, wearable device, vehicle around view and reverse image safety monitoring devices.

(b) Wafer level chip scale packaging and testing for sensor components and power management unit applied in various ultrathin consumer electronics, computers, communications, information technology products, optical electron and environment and pressure sensing.

2. General Economic Environment

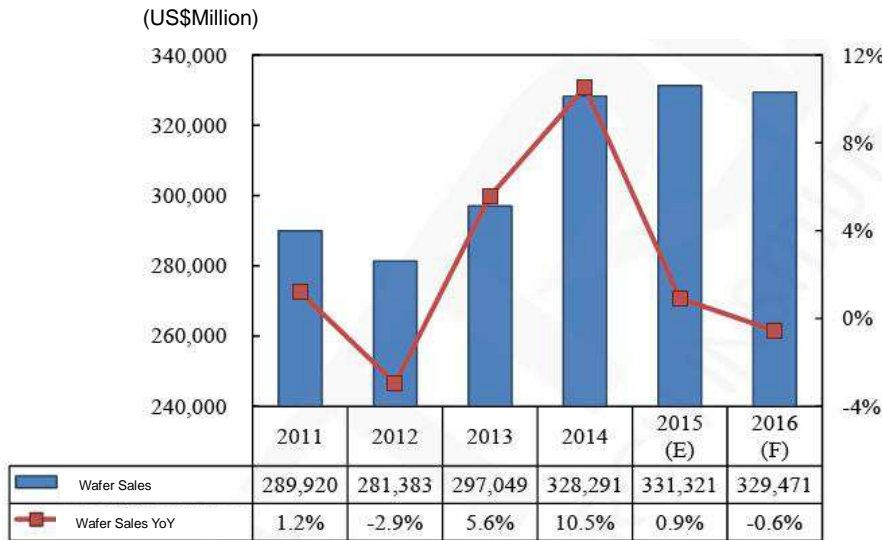
According to the Directorate-General of Budget, Accounting and Statistics, Executive Yuan, the economic growth rate for the first quarter of the year is -0.84%, and the negative growth has been lasted for three quarters in succession. As the export and investment perform not as well as expected, making the global business in low spirit and worse than that during the financial tsunami, in Taiwan, the high proportion of export in GDP causes more severe impacts. IMF claims that the economic growth in Mainland China will slow down for the next two years, so its transformation will reduce Taiwan's economic growth rate as much as 0.35% as it is closely integrated with Mainland China in terms of trade and finance. As a result, the general economic environment goes against the industry development.

3. Industrial Overview

(1) Current situation and development of the industry

Affected by the slow growing of mobile communication industries globally in 2015, the annual growth rate of wafer sales is estimated to decline to 0.9% from 10.5% of 2014. Looking forward to 2016, the global wafer sales will decrease by 0.6% to USD 329.4 billion, due to the stagnation of the memory products.

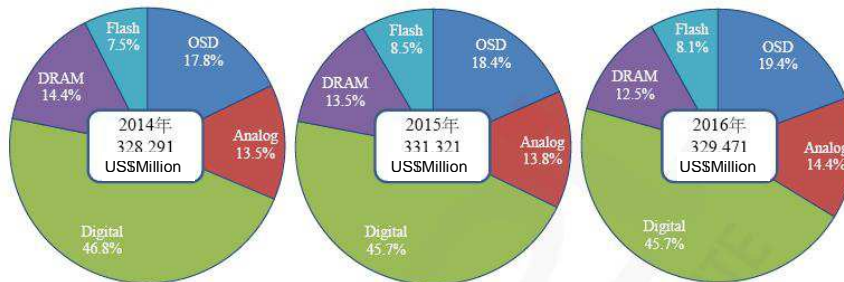
Global semiconductor wafer sales forecast during 2011~2016



Source: Topology Research Institute, Dec. 2015

From the perspective of product characteristics, the wafer industry falls into digital, analog, OSD (optical, sensor and actuator, discrete) and memory (DRAM, Flash). It can be learned: first, the digital products have declined by 1.4% in 2015 and will reduce slightly by 0.7% in 2016; secondly, analog and OSD products remain growing stably by 0.1%; thirdly, memory product is an oligopoly, but the production value will decline due to excess of supply over demand in 2016.

Sales of semiconductor wafers major categories during 2014~2016



Source: Topology Research Institute, Dec. 2015

The company mainly applies its 2.5D/3D packaging technology in Optical, Sensor and Actuator. But what are the main causes that the optical and sensor products can keep growing as the digital and memory products decline? Reasons will be analyzed and its future development be explored from the angles of mobile phones, automotives, IOT (Internet of Things) and other aspects.

a. Market outlook for optical and various sensors – smart phones

Since last year, the demands for personal computers, notebook and tablet PCs have been dropping, but that for mobile phones, especially smart ones, are

increasing continuously.

Smartphone growth to drive modest handset volume growth

GLOBAL HANDSET MARKET	2012	2013	2014	2015E	2016E	2017E	CAGR '14-17
Voice phones unit sales (m)	1,063	839	634	469	350	238	-27.9%
Smartphones unit sales (m)	678	968	1,245	1,424	1,608	1,779	12.6%
Total unit sales (m)	1,741	1,807	1,879	1,893	1,958	2,017	2.4%
- market unit growth	-1.9%	3.8%	4.0%	0.8%	3.4%	3.0%	
- Smartphone growth	43.6%	42.8%	28.6%	14.4%	12.9%	10.6%	
- Smartphone share of unit sales	38.9%	53.6%	66.3%	75.2%	82.1%	88.2%	

Source: Gartner group, Nomura estimates

Although China, as the driving force in the global market, has encountered the slow reduction in its growth speed, its demand for smart phones is still beyond that of other countries. Taking 2016 as an example, the growth rate of smart phone in China is predicted to be 9%, which is higher than its overall economic growth of 6.5%, showing that the demand for smart phone keeps increasing.

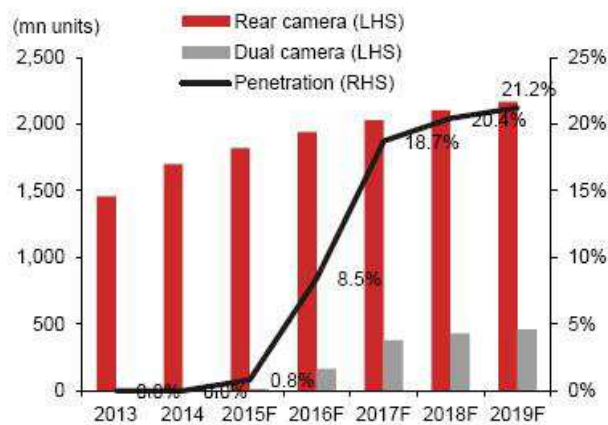
China smartphone and tablet projections: 2011-2017E

China built devices	2011	2012	2013	2014	2015E	2016E	2017E	14-17 CAGR
Smartphones (mn units)	87.9	237.2	448.3	697.4	762.5	832.7	898.8	9%
YoY growth		170%	89%	56%	9%	9%	8%	
Tablets (mn units)	12.0	50.0	100.0	120.0	105.0	95.0	90.0	-9%
YoY growth		317%	100%	20%	-13%	-10%	-5%	
Smartphone and tablets (mn units)	99.9	287.2	548.3	817.4	867.5	927.7	988.8	7%
YoY growth		188%	91%	49%	6%	7%	7%	

Source: Company data, Credit Suisse estimates

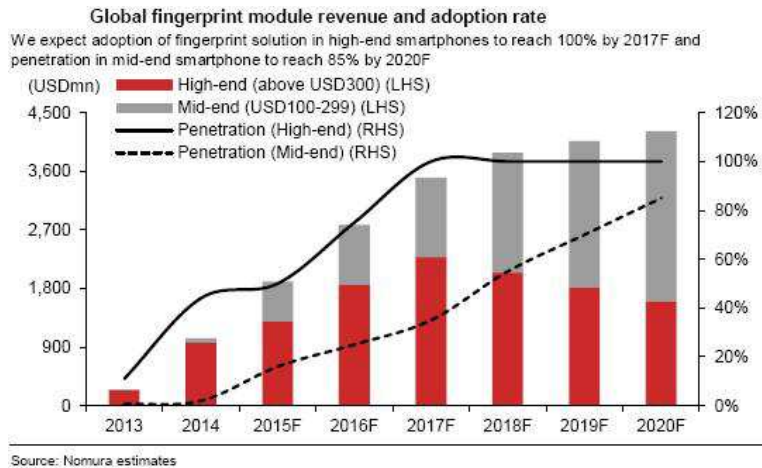
There are three opportunities for OSD market to grow in smart phone industry. The first one is that the twin camera will be applied popularly from this year. Techno System Research (TSR) forecast that the market penetration rate of twin lens in smart phones will boost to 8.5% in 2016 and to 18.7% in 2017 from 0.8% in 2015 owing to the development of image processing algorithm.

Rear-facing camera dual-camera trend



Source: TSR

The second opportunity lies in its application in biometric chips. With the ever growing demands for mobile payment security, fingerprint and pupilla recognition are all feasible solutions; currently, the former is the mainstream of the market. From Nomura's estimation, owing to its security, convenience and reduced cost in mobile payment, the compound annual growth rate of fingerprint recognition will be 17% from 2015 to 2020.

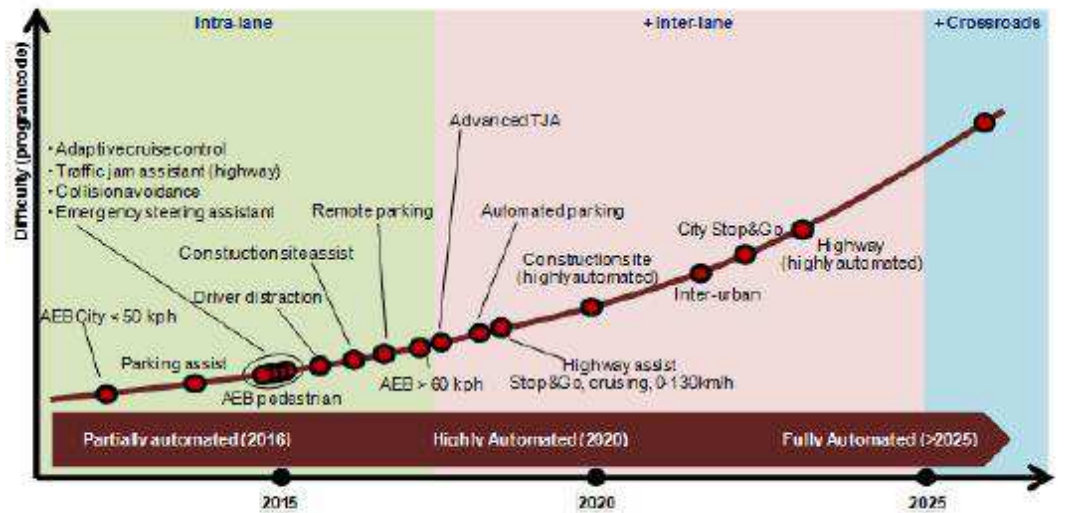


Lastly, the sensing elements used for motion, moisture, temperature, pressure and air monitoring will also be widely applied in mobile phones and wearable devices. Compared with the conventional packaging technology, the sensors mentioned above are too large to be installed in the mobile phone. However, with the development of 3D packaging techniques, the sensors for motion, temperature and moisture can be placed in mobile devices (for example, Galaxy by Samsung), and the pressure and air sensors will be narrowed down to be installed in mobile devices.

b. Market outlook for optical and various sensors –automotive electronics

In the market of high-end vehicles, each vehicle may be equipped with about ten image sensors. Apart from the in-car monitor, pre-collision braking system equipped with head camera, there are also a front, rear, left and right camera to form an around view image monitoring system. Such image information can also be applied in ADAS (Advanced Driver Assistance System) which has entered into trial in America, Japan, Hong Kong and several countries in Europe. It is estimated that ADAS can be put into use on highways.

Roadmap for development of ADAS

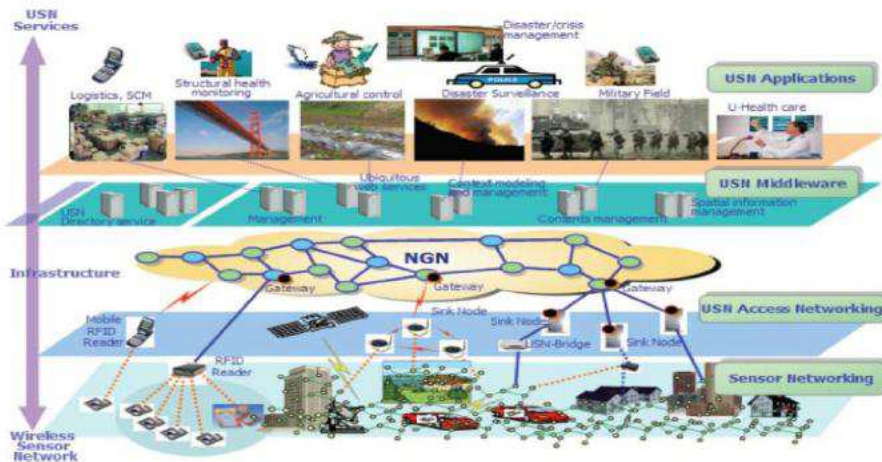


Source: Nomura, based on Continental data

c. Market outlook for optical and various sensors – smart phones

The explosion of IOT is connected to the miniature of sensors, as the bottom layer in IOT is the sensors. Miniaturized sensors (for image, motion detection, temperature, moisture, pressure and terrestrial magnetism) are installed in houses, offices, vehicles and mobile devices to be linked by means of BlueTooth, ZigBee, Wi-Fi and mobile communication service provider. Through the cloud computing, the results can be applied in various business, public and family spaces.

Schematic layers of a ubiquitous sensor network



Source: ITU NGN-GSI Rapporteur Group Meeting "Draft Recommendation Y.USN-reqs, Requirements for support of USN applications and services in NGN environment. Internet of things: be ready for changes" by Anne Lee

d. Market outlook for optical and various sensors – others

Consumers are now paying more and more attention to the balance between work and life, so there is an increasing number in people travelling or having fun on weekends or holidays. Accordingly, UAV (unmanned aerial vehicle) and action camera have become a necessity of leisure and entertainment, especially that the UAVs have attached a great attention from CES. As a matter of fact, neither UAV nor action camera can become popular without the miniaturized packaging of image sensor, accelerograph and gyroscope.

(2) Competition Situation

Our major products cover the wafer level packaging of image sensors, fingerprint sensor, micro-motor control unit and power control unit, whose primary competitors include:

Major Products	Primary Competitors in Wafer Level Packaging
Image sensor	China Wafer Level CSP Co., Ltd., Huatian Technology Co., Ltd
Fingerprint sensor	China Wafer Level CSP Co., Ltd.

4. Research and Development

(1) Research and development expense for recent years

Unit: NT\$ Thousand

Item	Year	
	2015	As of April 30, 2016
R&D expense	359,845	108,577
Operating revenues	4,878,088	1,355,437
R&D expense to revenue (%)	7.38%	8.01%

(2) Technical and R&D Overview

- a. TSV (through-silicon via Package) packaging technology: successfully imported CIS (CMOS Image Sensor) mass production, and other related applied MEMS packaging process has been completed and verified the package into volume production.
- b. CIS-CSP process improvement technology: imported vehicle regulations imaging packages, package verification has been completed vehicle regulations into mass production.
- c. Introducing special optical glass coating and applied to a variety of advanced optical sensor.
- d. Development of thick copper process, successfully applied to the integrated passive components products and RF components products, has completed the verification package into volume production.
- e. Application of infrared glass coating, glass coating and applied to the import of

advanced infrared optical sensor element mobile phones.

- f. A new generation of improved through-silicon via packaging (TSV CSP) wafer-level packaging technology research and development
- g. by up to 350 the number of the patent proposal, Taiwan has achieved 125 patents, 90 China patents, three Japanese patents, one Germany patent and 149 US patents, each other are starting to apply in the case, most of them related to advanced structural design and manufacturing method patent packaging technology, a substantial increase in the company's technological competitiveness.

(3) Successful development of the technology or product in recent years

Year	Item	Main function/Benefit
2014	Import "Temporary Bond Process"	Thin wafer manufacturing process to enhance the processing capability, manufacturing process using a temporary carrier technology, reduce the risk of broken tablets.
	Thick copper processing for power saving device	(1) Applied to the system chip and passive components (resistors, inductors, etc.) product integration. (2) Low impedance for RF component wiring and heat dissipation.
2015	TSV process of Al wire developed and through the Reliability Test	Provide for the needs of different lead CSP package needs

5. Long- and Short-term Business Development Plan

In front of the severe competition from business of the same trade and ever-changing market, the short-term development plan of the Company is listed below:

(1) Short-term plan:

- a. To develop the customer-oriented packaging service and enhance customer satisfaction.

We will promote our high quality services trusted by all clients to meet their demands with faster and better technology and services, and also provide diversified packaging technology of wafer level processing to adapt to the requirements of multiple products.

- b. To strengthen the cooperation between the upstream, midstream and downstream industrial chains.

On the occasion of higher requirements for advanced process, the cooperation and integration between upstream, midstream and downstream industries are the keys to the success of advanced process. The Company has formed a strategic alliance with the wafer manufactures and the primary testing factories, and collaborates with the large-sized integrated element manufacturer

globally, hoping to become the leading enterprise in advanced packaging technology and services.

- c. To establish a sound operation mechanism with function as the core of cultivation, so as to improve the management and operation performance.

Through the education and training, the company can achieve its strategic goals in business. With the improvement of management and technology as its appeal, effective performance of the functions as the core of cultivation, and improvement of work performance as the orientation, it will enhance the staff's work efficiency to make the company able to cope with the rapid change of environment and challenges.

(2) Medium and long term plan:

- a. To maintain the long term cooperation and partnership with our clients and suppliers

We will attach more attention on the long term cooperation with the upstream and downstream manufacturers. During the process of division of labor based on specialization, the Company will insist on acting as a trustworthy packaging manufacturer to provide our clients with desired quality and service and also maintain a good relationship with our suppliers.

- b. To develop the innovation in R&D

We will devote ourselves in researching and developing the derived and new process, such as the application of advanced 3D wafer stacking and substrate for connecting wafer connection. The application of products shall be extended to automotive and electronic industries rather than consume and PC products.

B. Industry Survey and Market Analysis

1. Market Analysis

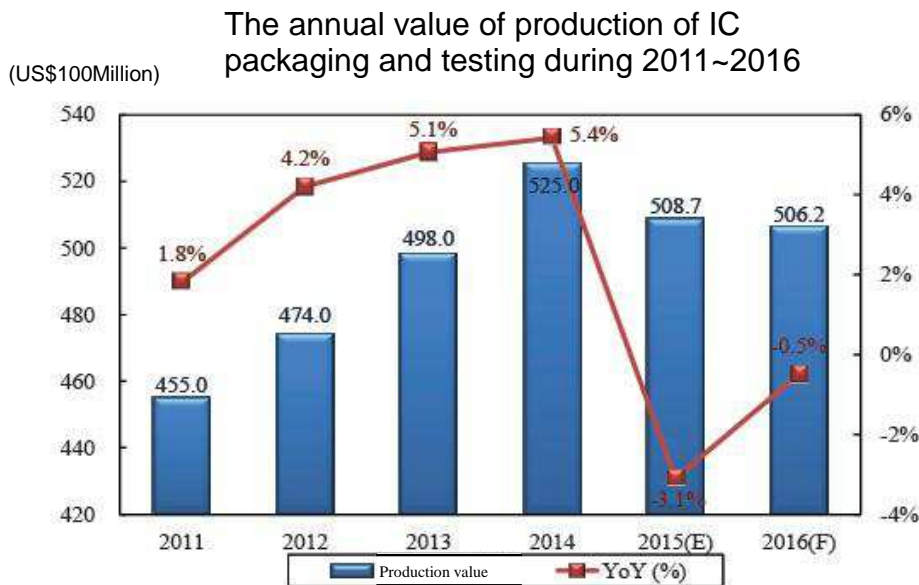
(1) Sales region

Unit: NT\$ Thousand

Region \ Year	2015	
	Amount	%
Taiwan	2,112,030	43
United States	1,309,416	27
Europe	1,068,168	22
Asia	388,474	8
Total	4,878,088	100

(2) Market Analysis and Market Share of Wafer Level Packaging Industry

It is predicted that the annual value of production of IC packaging and testing industry will decline slightly (0.5%). According to the growth rate of 9% in smart phone market mentioned before, the wafer level chip scale packaging industry will also grow accordingly.



Source: Topology Research Institute, Dec. 2015

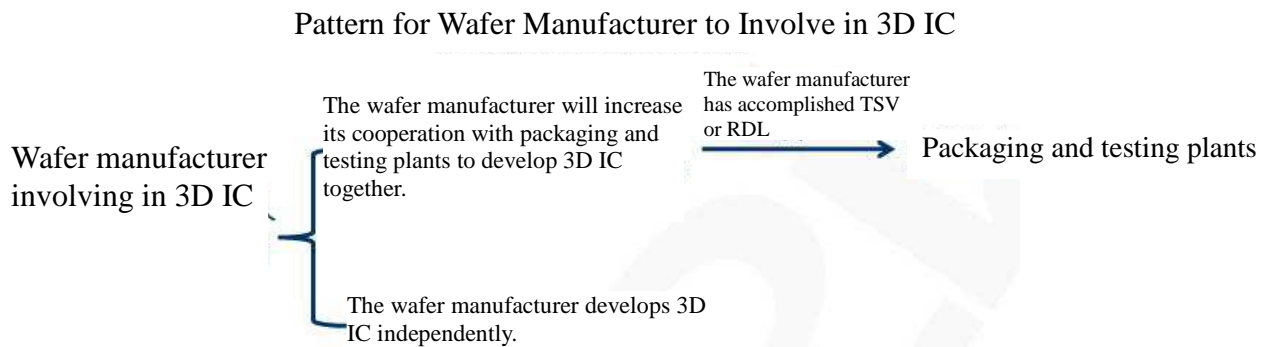
The limitation in the size of smart phones has driven the wafer level chip scale packaging and wafer level post passivation interconnection and even the 3D IC system to the dominant position in the market. However, the eco-chain between the wafer manufacturer and packaging plant is not merely the relationship of upstream and downstream. According to the analysis by Topology Research Institute:

In terms of the application of 3D IC in wafer packaging of advanced processing, the packaging plant has no dominant right and can only share the primary process in the back-end-of-line which might be spread by the wafer manufacturer to others. In addition, for the application of 3D IC in wafer packaging of matured or special process, such as CIS and MEMS, there is no wafer manufacturer directly involving into the relative packaging market. Taiwan Semiconductor Manufacturing Company (TSMC) laid the stress on investing in the fine technology in CIS and MEMS 3D IC packaging.

The businesses of a packaging manufacturer specializing in CIS and MEMS packaging of the Company are divided into two categories: WL-CSP and WL-PPI. For the former, the chips have been packaged completely and can be delivered to the manufacturer directly; for the former, no complete packaging is finished, so it still

requires the cooperation with the packaging plant. Currently, apart from introducing the 12-inch WL-CSP production line into mass production, the Company will also have to enlarge the proportion of WL-CSP business, like transferring part of WL-PPL business into WL-CSP, so that the demands for common packaging and testing plants can be lowered down.

Generally, regardless of the application of 3D IC packaging in chips of advanced, matured or special process, its primary function is dependent on the packaging and testing plants of the wafer manufacturer or supported by the wafer manufacturer in technology and fund. As the traditional packaging and testing plant is rather in the passive position and may probably be marginalized along with the development of 3D IC, it is necessary for the plants to keep an eye on the change in the industry to diversify the risks and develop business with higher initiative. (Note 1)



Source: Topology Research Institute 2015/04

Note 1: *Research on the Development Trend of IC Manufacturing and Packaging & Testing from the Perspective of 3D IC* Zhang Wenhui
From the Report of Topology Research Institute

Yole Developpement states the production value of 3D IC packaging will be up to USD 1.7 billion. The 3D wafer level packaging technique of the Company is applied in products like MEMS and CIS, accounting for 9% of the market share.

(3) Supply-demand Situation and Market Growth in the Future

The newly emerging technology in manufacturing semiconductor components in the past few years is represented by the Mid-End process between the Front-End and Back-End processes, which covers the wafer bumping technique, wafer level package, such as Fan-out, WLP, WLCSP, 3DWLP, WL optics and 3D IC, with its overall production value beyond USD 1.5 billion. Being the leading enterprise in professional wafer level IC package, we are also the first company to realize the commercialization of 3D wafer level packaging techniques. The technique can be

applied in various fields, including consumer electronic products, communication, portable PCs and automobiles, with the products covering image sensors, optical sensors, PMICs (power management integrated circuit), power discrete products, analog integrated circuit, hybrid integrated circuit, MEMS (micro-electromechanical systems), fingerprint sensor and integrated passive device.

Given the requirements for high level packaging process such as flip chip BGA or flip chip CSP, wafer level CSP, Cu wire bond and Cu pillar, especially considering the rising of 2.5D/3D IC or TSV (Through Silicon Via) in the future, the wafer level packaging will continually play a key role.

(4) Competitive Edges, Positive and Negative Factors in the Prospect and Relevant Countermeasures

a. Competitive Edge

- (a) To enhance the competitive advantage by improving the production efficiency and reducing the costs

In recent years, the Company has actively facilitated the equipment automation and optimization of production line to increase the utilization rate. It will also take advantage of the allocation of production capacity of all plants to provide products and services quickly in return for the loyalty of the customers.

- (b) Leading Technology to Produce Diversified Products and Application

Experienced in the R&D, manufacture and selling of IC semiconductor for years, apart from our fine products, short delivery period and great after-sales service that are highly praised by the clients, our marketing and R&D teams also develop new comprehensive technical patent. Besides, to meet the clients' requirements, we also develop kinds of advanced wafer level packaging and are selected by famous international brands as the qualified supplier.

- (c) Group Integration

As the subsidiary of Taiwan Semiconductor Manufacturing Company, we utilize our own techniques and marketing ability to build a powerful client base, and also work together with TSMC to provide the Turn-key service including R&D and manufacture in the semi-conductor supply chain.

- (d) Advantage of International Division

The development of packaging industry in Taiwan is positioned as the partner for global semiconductor manufacturer in the supply chain. With the advanced strategy for technical development, we take the advantage of the integration of quality, cost, delivery, production capacity and service to

enhance its overall competitiveness in the international division. Being the provider of advanced wafer level packaging service, we can not only offer both domestic and foreign clients with complete system of supply chain designed by the upstream IC design. Moreover, by cooperating with IC Foundry Company, we are able to solve the issues derived during the production process.

b. Positive Factors in the Prospect

(a) Advancement in Wafer Level CSP

To meet the requirements for end products, we have constantly promoted the development of the Wafer Level CSP process. Currently we aim to achieve the following goals for packaging process: miniaturization, adoption of energy-saving components, heterogeneous Integration, and improvement of product performance; by pursuing those goals, we hope to break through the boundaries of Moore's law and bring the utmost performance and integration of semiconductor components and modules. It is worth noting that the stacking technologies for Wafer Level CSP have already been developed from Embedded WLP to Stacked Chip Scale Package (SCSP) and Through Silicon Via (TSV), etc. As shown by the progress of this technological development, enterprises in semiconductor packaging are constantly pursuing the 3D stacked package technology which can make chips thinner, cut down the material costs and improve the power-efficiency of chips with reduced electromagnetic interference and lower power consumption. In face of the opportunities created by the development of Wafer Level CSP, enterprises of Taiwan have an edge in industrial ecology since it has a complete industrial chain for semiconductors. Therefore, it is reasonable to predict a good prospect for the application of Wafer Level CSP techniques.

(b) Asia to be the largest emerging market for consumer electronics

In 2014, the growth in global market of consumer electronics is mainly driven by the accelerating development of four major emerging markets, namely Asia, the Middle East, Africa and the Eastern Europe. Moreover, it is believed that the sales volume of consumer electronics in emerging Asian countries will for the first time ever surpass that in North America, which means Asia will become the largest market for consumer electronics in the world by taking up as large as 24% in the global market. Apart from the increasing sales of consumer electronics in China, recently electronic manufacturers in Taiwan have mainly gained growing profits in Malaysia, Thailand, and emerging markets like Indonesia, Vietnam and Philippines

where a rising number of people in middle class can be found. All those factors have contributed to the substantial growth in sales of consumer electronics in the emerging Asian markets.

(c) Independent research and development of core technologies

The company is always strengthening its R&D ability. In recent years, we have successfully developed the technique of Wafer Level Post Passivation Interconnection which can be applied to motion sensors, fingerprint sensors and automobile electronics, and because of the outstanding quality of our products, we have been recognized as a qualified supplier by many prestigious international brands and automobile manufacturers. At the mean time, we have also developed the technique of Wafer Level Post Passivation Interconnection specifically to be adopted for multiple types of micro-electro mechanical (MEMS) sensors. It is worth mentioning that this technique can meet the demand for producing thinner and lighter chips; therefore, it is deemed an indispensable technique for developing the cutting-edge mobile devices and wearable devices.

c. Negative Factors in the Prospect and Relevant Countermeasures

(a) End products with a shorter product life cycle and a lower average sales price

Since the products are highly substitutable, they are faced with particularly fierce competition when a large number of competitors are taking their own shares in the market. As a result, price will drop at an accelerating rate, and the profit margin will be thinner.

Countermeasures:

In view of constant changes in the market and the technology of electronic and semiconductor industries, the company should explore a competitive niche by continuously developing advanced process of manufacturing and new derivative technologies. Meanwhile, we should strengthen the cooperation with key customers and strive to integrate the leading technologies of upstream industries, so as to provide our customers with high value-added solutions for packaging. Apart from ensuring the timely introduction of customers' products into the market, we should also strain to enhance our productivity and lower the operating costs by improving the management of manufacturing, which will lead to higher profits or at least a stable profit margin.

(b) China vigorously fostering mainland semiconductor enterprises

The Chinese government has offered strong financial support for developing advanced manufacturing technologies of semiconductors, including IC design, IC foundry, package testing, and equipment research and development, etc. Backed by a large number of funds, mainland manufacturers can obtain larger market share and attract more talents by lowering the market price.

Countermeasures:

The company should concentrate on exploring advanced techniques of Wafer Level CSP and achieve product differentiation by designing products according to requirements for different functions and applications. Meanwhile, automatic equipment should be introduced to the production so as to enhance productivity and product quality and effectively cut down the costs. Besides, we should divert the company to the niche application market in other fields like sustainable energy, healthcare and automotive electronics. In view of the increasing demand for analog chips and sensor chips, etc., the company should gain an edge by obtaining more patented techniques and thus makes us more stand in the advantageous position in front of the severe competition.

2. Usage and manufacturing processes for the company's main products

(1) Usage for the company's main products

Product	Main purpose	Main application
Wafer Level Chip Scale Packaging	Image sensors, environmental sensors	Phone, tablet, notebook, computers, automotive, medical
Wafer Level Post Passivation Interconnection	Fingerprint sensors, actuators sensors, micro-electromechanical components, power, analog and RF components	Phone, tablet, notebook computers, cars

(2) Manufacturing processes for the company's main products

a. Wafer level CSP packaging technology manufacturing processes:

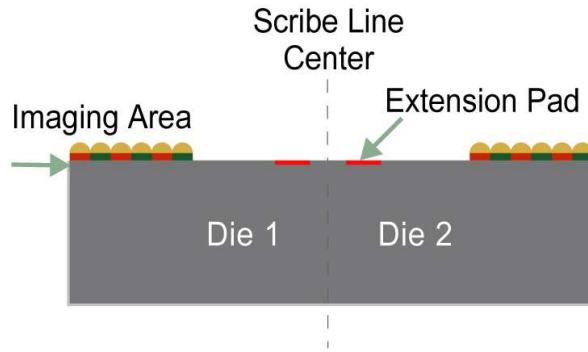
That has not been carried out before cutting the wafer, the entire wafers complete the package via a film, yellow and etching the wafer process, and finally cut into a single IC, this process can be seen as extending front semiconductor fab process. The biggest advantage is in the process of packaging, the whole piece by

way of a wafer manufacturing process, but at the same time the individual IC package complete packaging process to reduce expenditures. The basic step of the packaging process, such as the following:

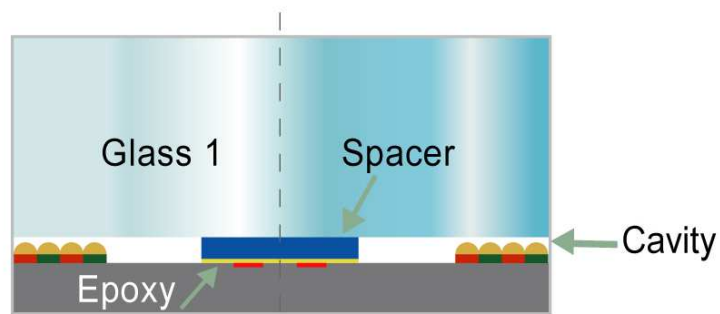
- (a) With a piece of adhesive high light-transmissive thin glass wafer affixed to the front of the customer to protect the wafer surface from contamination.
- (b) Grinding sticky back glass wafer so that the thickness of the wafer becomes thin, thereby reducing the thickness of the package after. And of etching the wafer scribe the back of the silicon material removal, so the dolphin independent IC produced on the adhesive protective sheet of glass.
- (c) The protective layer of glass affixed to the back of the wafer, in order to achieve the protective effect completely covered the IC.
- (d) In the glass surface ready to make welding points (Solder Joint) is covered with a layer of organic material as an insulating buffer layer.
- (e) Cutting between individual IC exposed pad sectional then sputtered metal layer, then use the three-dimensional exposure, developing and etching processes required to complete the metal line so that the line of the IC pad sectional communicating.
- (f) On the metal line covered with a protective layer.
- (g) BGA form of printing element places a manner where the solder paste is printed on the entire wafer chip solder joints, after reflow (Reflow) the formation of solder balls.
- (h) Cutting the wafer become single package complete IC.

Wafer Level CSP –Shell 3D Process Flow

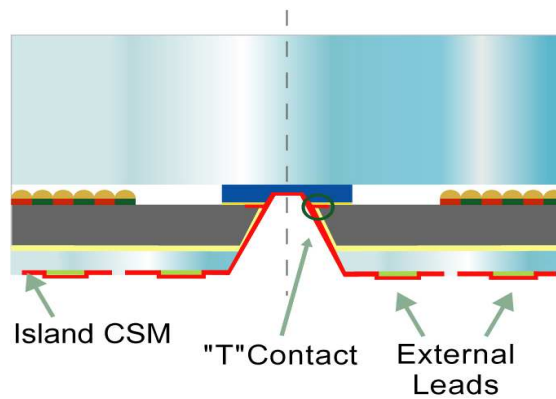
Step A: Passivation and Pad Extension Layers



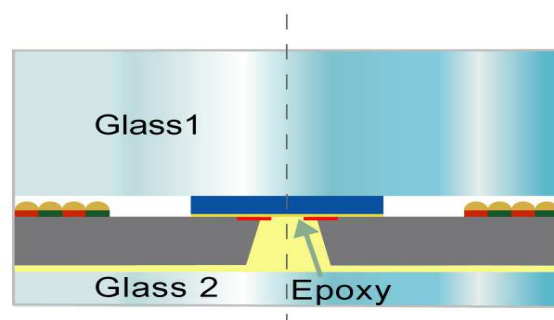
Step B: Glass 1 Attachment



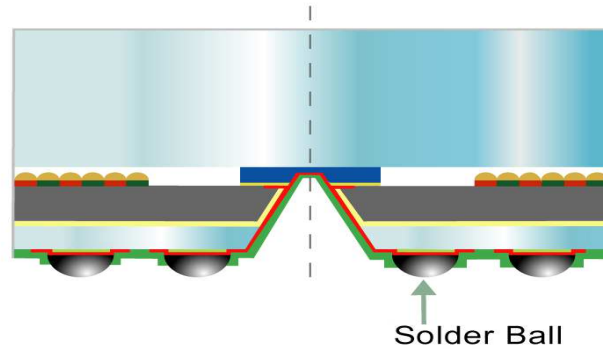
Step C: Etching and Glass-2 bonding



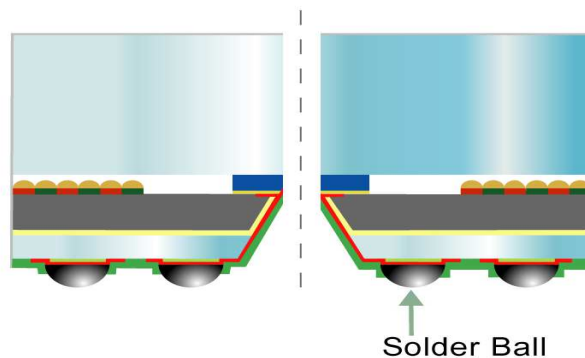
Step D: Barrier deposition and T-contact formation



Step E: Passivation coating and BGA formation



Step F: Dicing and Final inspection

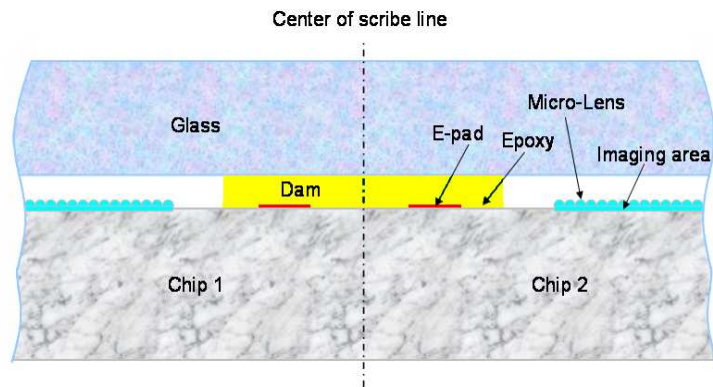


b. TSV (through-silicon via packaging) technology step description:

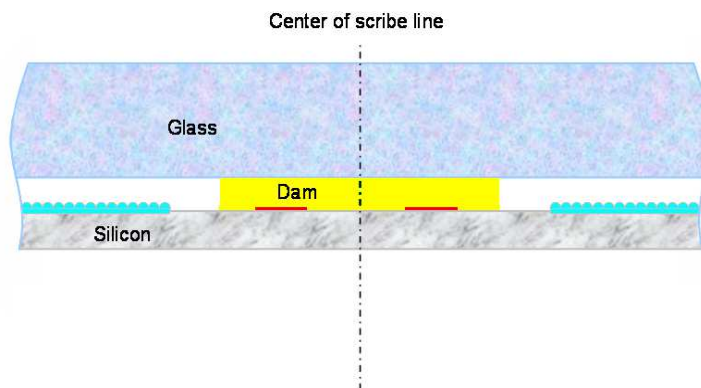
- (a) In a piece of adhesive high light-transmissive thin glass wafer affixed to the front of the customer to protect the wafer surface from contamination.
- (b) After grinding sticky back glass wafer so that the thickness of the wafer becomes thin, thereby reducing the thickness of the package.
- (c) Perform TSV etching as the hole RDL line connection.
- (d) In the surface of the wafer is coated with a silicon dioxide as the insulating layer.
- (e) Sputtering surface of the wafer on the metal layer, then use the three-dimensional exposure, developing and etching processes required to complete the metal line so that the line of the IC pads sectional communicated.
- (f) On the metal line covered with a protective layer.
- (g) BGA type printing element places manner solder paste printed on the entire wafers weld position where, after reflow (Reflow) the formation of solder balls. Finally, the wafer is diced into single pieces to complete the package of IC.

TSV Wafer Level Package – Process Flow

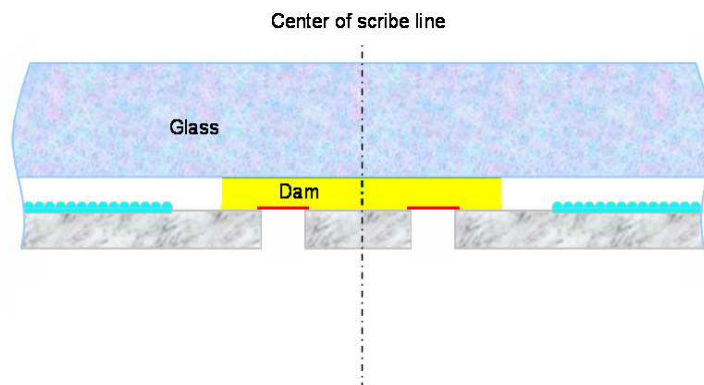
Step A: Glass attachment



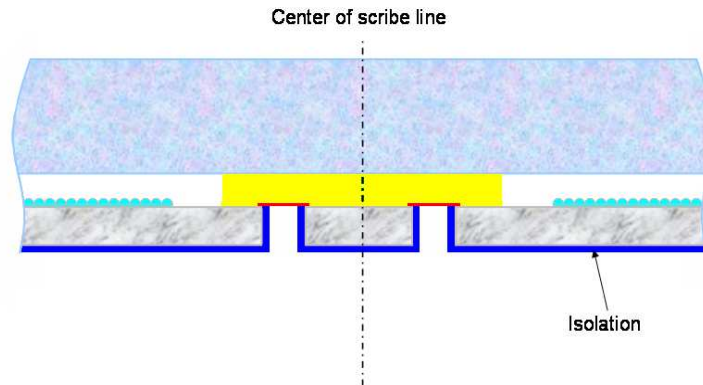
Step B: Wafer thin down



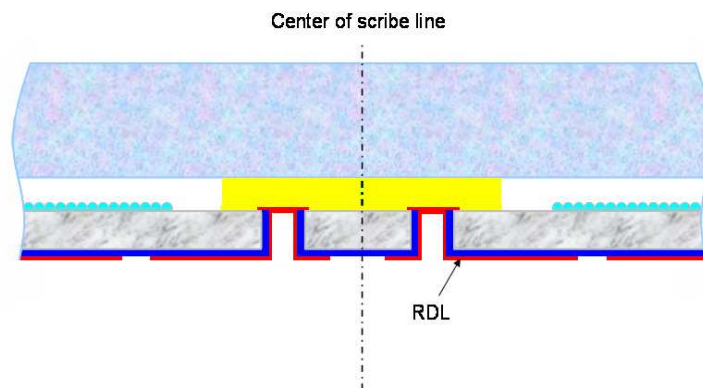
Step C: TSV formation



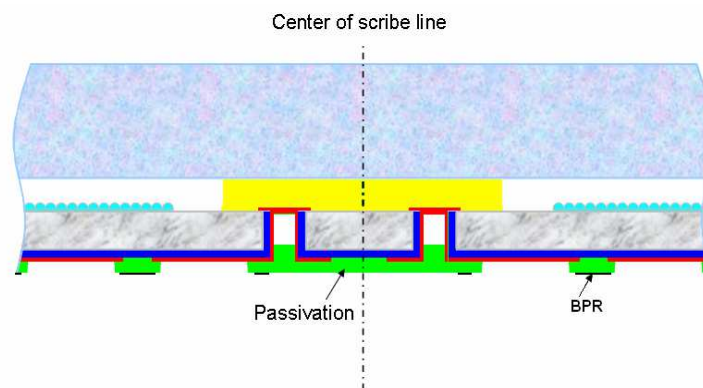
Step D: Isolation formation



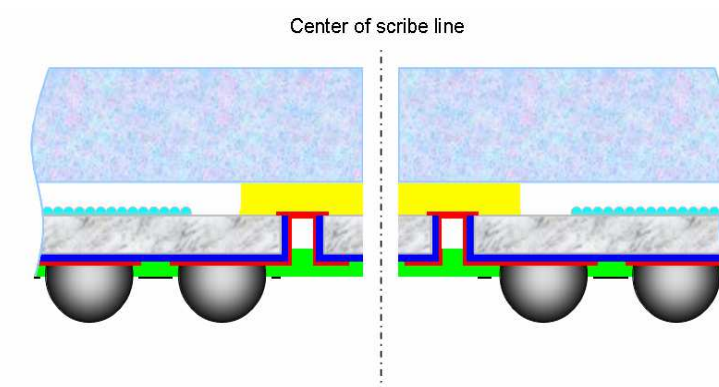
Step E: RDL process



Step F: Passivation process



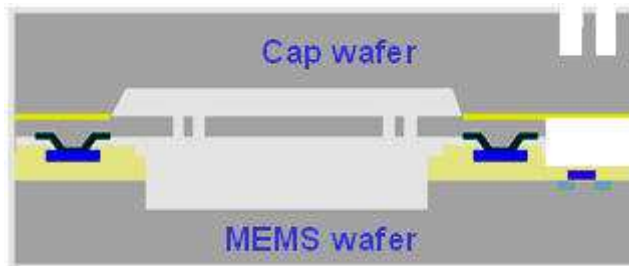
Step G: BGA & Dicing processes



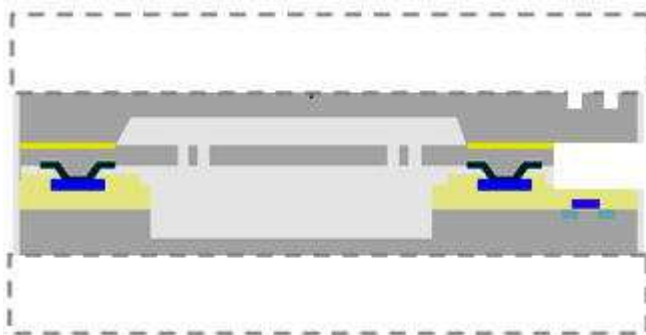
(3) MEMS package flow description:

MEMS Wafer Level Package – Process Flow

Step A: Dicing on reference cuts



Step B: Double-side polishing



Step C: Partial dicing



c. Future development plans:

In order to accelerate the development of advanced optical wafer-level packaging technology to expand in high-end image sensors used in mobile phones market, the future will focus on opening the package type through-silicon via (TSV) application, 3D wafer in a variety of optical sensor elements packaging technology (3D IC package) package and a new generation of improved through-silicon via (TSV CSP) and other wafer-level packaging technology research and development, innovation and wafer-level packaging technology will expand its product line and services to micro-electromechanical (MEMS), power field effect transistors, power control and analog components and other products.

3. Supply situation for the company's major raw materials

Major Raw Materials	Supply Name	Foreign	Domestic	Supply Situation
Thin Glass	SCHOTT · NEG	✓		Good
Electrolysis Photo Resist	Rohm & Haas		✓	Good
Photo Resist	Merk Performance Material		✓	Good
Target	Umicore · Grikin		✓	Good
Solder Mask	Rohm & Haas		✓	Good

4. Major Suppliers and Clients:

(1) A list of any suppliers accounting for 10 percent or more of the company's total procurement amount in either of the 2 most recent fiscal years: None.

(2) A list of any clients accounting for 10 percent or more of the company's total sales amount in either of the 2 most recent fiscal years:

Unit: NT\$Thousand

Item	2014				2015				As of March 31, 2016			
	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer	Company Name	Amount	%	Relation with issuer
1	Tsmc Group	1,732,290	35	Investors that take equity method over the Company	Tsmc Group	1,812,248	37	Investors that take equity method over the Company	Tsmc Group	382,178	36	Investors that take equity method over the Company
2	OVT Group	1,425,860	29	Parent company of the juristic director	OVT Group	1,209,191	25	None	Company C	311,576	30	None
3	Company A	667,339	13	None	Company A	1,015,974	21	None	Company A	157,670	15	None
4	Company B	476,558	10	None	Company B	323,443	7	None	Company B	69,396	6	None
	Others	632,031	13		Others	517,232	10		Others	133,341	13	
	Net Sales	4,934,078	100		Net Sales	4,878,088	100		Net Sales	1,054,161	100	

5. Production in the last two years:

Unit: NT\$Thousand, Thousand pice (8 inch equivalent wafer)

Output Major Products	Year	2014			2015		
		Capacity	Output	Amount	Capacity	Output	Amount
Wafer Level Chip Scale Packaging		437	314	2,783,245	421	267	3,030,653
Wafer Level Post Passivation Interconnection		554	397	1,158,335	615	427	1,054,041
Others		0	0	14,567	0	0	11,110
Total		991	711	3,956,147	1,036	694	4,095,804

6. Shipment and net revenue in the last two years:

Unit: NT\$Thousand, Thousand pice (8 inch equivalent wafer)

Year Shipemet & Revenue Major Products	2014				2015			
	Domestic		Export		Domestic		Export	
	Quantity	Net revenue	Quantity	Net revenue	Quantity	Net revenue	Quantity	Net revenue
Wafer Level Chip Scale Packaging	30	286,285	287	2,742,514	30	295,465	238	2,611,568
Wafer Level Post Passivation Interconnection	311	1,769,507	86	110,463	334	1,810,498	95	135,511
Others	0	13,522	0	11,787	0	6,067	0	18,979
Total	341	2,069,314	373	2,864,764	364	2,112,030	333	2,766,058

C. Personnel Structure

Year		2014	2015	As of April 30, 2016
Number of Employees	Direct Labor	1,278	1,231	1,257
	Indirect Labor	693	749	716
	Total	1,971	1,980	1,973
Average Age (years)		33	33	33
Average Years of Service (years)		3.4	3.9	4.1
Education	Ph.D.	11	15	15
	Masters	305	355	339
	Bachelor's Degree	913	917	918
	Senior High School	688	641	652
	Below Senior High School	54	52	49

D. Environmental Protection Measures

1. The loss or penalty caused by environmental pollution:

2014: None

2015: (1) Additional monitor sensors for wastewater effluent quality were different with the formal document that approved by government. The penalty was NT\$10,000.

(2) Two waste-treatment violations due to employee wrong registration on the EPA's Industrial Waste Report and Management System. The penalty was NT\$120,000.

2. Countermeasures:

Formal document update periodically and second employee double check before waste report register to EPA's Industrial Waste Report and Management System.

Besides operating and maintaining waste water and air pollutant treatment facilities

as well as conducting waste sorting pursuant to environmental regulations, as a member of the global community, the Company constantly follows the latest trends of international environmental protection and is dedicated to developing and implementing various carbon footprint reduction programs. By means of the above actions, the Company hopes to conserve electric energy and reduce greenhouse gas (GHG) emissions in order to alleviate greenhouse effect and global warming.

The Company has obtained Environmental and Safety Management System certifications such as ISO 14001 and OHSAS 18001 for many years. However, it still constantly promotes and improves the environment and safety system as well as the culture of its factories every year. It has further adopted measures to meet the requirements of the Taiwan Occupational Safety and Health Management System (TOSHMS) and has obtained the certification. Additionally, it has passed the Greenhouse Gas Inventory Assessment and the carbon footprint assessment of the main products. The Company is dedicated to its Environment, Health and Safety Policies. (A Sustainable Taiwan, A Beautiful Planet, A Safer Home)

E. Labor Relations

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

(1) Employee Benefit Programs

- a. According to "Employee Welfare Fund Ordinance", Xintec has organized the Employee Welfare Committee for employee benefits and bonuses.
- b. All employees will be participating in the national health insurance, labor insurance and group insurance. Each employee can apply the insurance benefits and participation in training programs.
- c. Xintec's compensation program includes year-end bonuses. When annual settlement, after paying taxes, making up a deficit, reserving dividends and fund, if have any surplus, Xintec will allot bonus in according to related regulations.
- d. Xintec has performance management system. Depending on the quarterly operating results, the President can decide whether to grant quarterly incentive bonus.

(2) Training & Development

In Xintec, we treat our employees as the most important assets. We focus on personal effectiveness, technical, or managerial training program to strengthen and broaden employees' view and competencies for employees' career.

In 2015, Xintec conducted 60 internal training sessions, which translated to a company-wide total of nearly 218.5 training hours with the participation of over 1,904 attendees. And also record or revised 197 e-courses. Employees on average attended over 44.18 hours of training and the total training expenses reached NT\$1,423 thousand. Xintec's training programs include:

a. New Employee Training

Provide basic knowledge and ESH training for new employees.

b. Personal Effectiveness

Provide personal effectiveness training courses to have our employees equipped to work efficiently and effectively. The course includes time management, presentation skill, how to hold the meeting, confrontation management, and so on.

c. Technical Training

Align internal and external experts to develop technical training courses to strengthen our competitiveness.

d. On-the-Job Training

Provide technical and professional training required by different functions within the Company.

e. Managerial Training

According to required manager's competencies, provide different level managerial training courses to enhance manager's managerial skills.

f. Specific Qualification

According to related regulations or their performance, implement certificate training for upgrading the product quality by means of improving the competencies and skills of the employees.

(3) Retirement Policy:

According to the related laws and regulations, Xintec contributes an amount equal to 2% of salaries paid each month to employees' respective pension funds, which are administered by the Labor Pension Fund Supervisory Committee and deposited in the Committee's name in the Bank of Taiwan. According to the related laws and regulations, implement pension payment program. Since July 1, 2005, according to the Labor Pension Act, Xintec has made monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts.

(4) Labor-Management relationship:

Xintec has established the related regulations for recruitment, promotion, retirement, pension and other benefits to enhance Labor-Management relationships.

(5) Working Environment and Employee Safety Protection:

Xintec's ESH policy is focused on establishing a safe working environment, preventing occupational injury and illness, keeping employees healthy, enhancing every employee's awareness and sense of accountability to ESH. The entrances to the company are equipped with access control device; the gym and nursing room with an emergency pressure deduction; the main entrance and public areas have 24 hours security guards to protect the personal safety.

Health promotion activities for employees include fitness programs, body weight control programs, health examination, health lecture, provide the visually-impaired massage station and health care professionals provide health services.

Participate in government activities and obtain "Badge of Accredited Healthy Workplace" from the Ministry of Health and Welfare National Health Agency.

2. List any loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken: None.

F. Major Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Technology license agreement	Engineering and IP Advanced Technologies Ltd. (formerly ShellCase Ltd.)	06/2000~(Note1)	WLCSP (wafer level chip scale packaging technology license)	Duty of confidentiality
Lease agreement	Ministry of economic affairs	08/2015~12/2020	Zhongli Industrial Park (A1-1)	The contract shall not be transferred, gifted, splited or otherwise disposed The contract shall not be subleased, lended or for others to use.
		09/2010~12/2016	Zhongli Industrial Park (A4-1~ A4-4)	
		05/2003~12/2019	Zhongli Industrial Park (A5-3)	
		10/2003~12/2019	Zhongli Industrial Park (A1-3,A1-4, A2-4)	
		11/2003~12/2019	Zhongli Industrial Park (A5-1)	
		03/2016~12/2021	Zhongli Industrial Park(A6-1,A6-2, A8-2)	
		10/2010~12/2016	Zhongli Industrial Park (A8-1)	
		01/2013~12/2018	Zhongli Industrial Park (C7-1,C7-2)	
		08/2015~08/2019	No.6, Zihciang 1nd Rd., Zhongli Industrial Park	
		04/2012~12/2018	Zhongli Industrial Park (A7-3)	
		08/2012~12/2018	Zhongli Industrial Park (A3-1)	
		01/2013~12/2018	Zhongli Industrial Park (C9-1,C9-2)	
		03/2012~12/2018	Zhongli Industrial Park (C8-2,C10-1,C10-2)	
		05/2010~04/2020	Zhongli Industrial Park (A5-4、A7-2、A8-3)	
	Unice E-O services Inc.	11/2010~10/2020	Zhongli Industrial Park (A3-3, A3-4)	
	Argosy Research Inc.	05/2013~04/2017	Zhongli Industrial Park (C2-2)	
	DailyCare BioMedical Inc.	07/2015~12/2016	Zhongli Industrial Park (A8-4)	
Borrowing contracts	Far Eastern International Bank	04/2016~04/2021	Working capital	Line C shall not be a pledge to others or other financial commitments ratio without the consent of the Bank
	Far Eastern International Bank	05/2013~05/2018	Working capital	
	Far Eastern International Bank	05/2013~05/2018	Machinery and equipment collateral	
	Far Eastern International Bank	11/2014~12/2019	Machinery and equipment collateral	
	Taipei Fubon Commercial Bank	05/2013~05/2017	Working capital	
	Taipei Fubon Commercial Bank	05/2013~05/2017	Working capital	
	First Commercial Bank	07/2012~07/2018	Working capital	
	Far Eastern International Bank	11/2014~12/2019	Guarantee	None
Backend service contract	TSMC	06/2013~(Note2)	Backend packing service	Duty of confidentiality

Note1: The contract is still valid except with the consent of the parties to terminate.

Note2: The contract is still valid except with the consent of the parties to terminate.

VI. Operational Highlights

A. Most Recent 5-Year Concise Financial Information

1. Most Recent 5-Year Concise Balance Sheet and Statement of Comprehensive Income

(1) Concise Balance Sheet- IFRS

Unit: NT\$, in thousands

Year		2011	2012	2013	2014	2015	As of March 31, 2016 (Note2)
Current assets			1,413,118	2,211,767	2,035,251	1,771,461	1,740,048
Net property, plant and equipment			4,453,092	6,026,007	6,591,778	6,561,638	6,337,668
Intangible assets			82,535	71,694	87,437	81,986	77,837
Others assets			82,211	52,689	112,803	104,128	116,441
Total asstes			6,030,956	8,362,157	8,827,269	8,519,213	8,271,994
Current liabilities	Befor Distribution		807,479	2,309,199	1,760,450	1,592,892	1,304,576
	After Distribution		831,101	2,439,220	2,046,195	(Note1)	-
Non-current liabilities			1,387,844	1,937,542	2,412,576	1,074,440	1,174,940
Total Liabilities	Befor Distribution		2,195,323	4,246,741	4,173,026	2,667,332	2,479,516
	After Distribution		2,218,945	4,376,762	4,458,771	(Note1)	-
Equity attributable to sharlholders of parent company			3,835,633	4,115,416	4,654,243	5,851,881	5,792,478
Capital stock			2,362,079	2,364,018	2,381,207	2,688,761	2,689,614
Capital surplus			513,458	524,855	547,724	1,580,613	1,582,133
Retained earnings	Befor Distribution		960,096	1,226,824	1,726,135	1,584,281	1,522,283
	After Distribution		936,474	1,096,803	1,440,390	(Note1)	-
Other equity			-	(281)	(823)	(1,774)	(1,552)
Treasury stock			-	-	-	-	-
Non-controlling interests			-	-	-	-	-
Total equity	Befor Distribution		3,835,633	4,115,416	4,654,243	5,851,881	5,792,478
	After Distribution		3,812,011	3,985,395	4,368,498	(Note1)	-

Note 1: Subject to change after shareholders' meeting resolution.

Note 2: Numbers are unreivewed.

(2) Concise Statement of Comprehensive Income- IFRS

Unit: NT\$, in thousands

Year Item	2011	2012	2013	2014	2015	As of March 31, 2016 (Note1)
Operating revenue		3,139,385	4,256,761	4,934,078	4,878,088	1,054,161
Gross profit		249,852	695,142	948,204	691,371	(75)
Operating income (loss)		(96,240)	380,636	675,630	234,619	(69,855)
Non-operating income and expense		(11,529)	(31,873)	(15,704)	(20,354)	(4,841)
Income (loss) before income tax		(107,769)	348,763	659,926	214,265	(74,696)
Profit (loss) from continuing operations		(90,205)	288,881	628,653	146,799	(61,998)
Loss from discontinuing operations		-	-	-	-	-
Net income (loss)		(90,205)	288,881	628,653	146,799	(61,998)
Other comprehensive income (loss)	N/A	571	1,188	137	(3,859)	222
Total comprehensive income (loss)		(89,634)	290,069	628,790	142,940	(61,776)
Net income (loss) attributable to owner of the corporation		(90,205)	288,881	628,653	146,799	(61,998)
Net income (loss) attributable to non-controlling interests		-	-	-	-	-
Comprehensive income (loss) attributable to owner of the corporation		(89,634)	290,069	628,790	142,940	(61,776)
Comprehensive income (loss) attributable to non-controlling interests		-	-	-	-	-
Earnings (loss) per share		(0.38)	1.22	2.65	0.56	(0.23)

Note 1: Numbers are unreviewed.

(3) Concise Balance Sheet- R.O.C. GAAP

Unit: NT\$, in thousands

Item	Year		2011	2012	2013	2014	2015
Current assets			1,362,652	1,396,755			
Fund and investment			-	-			
Fixed assets			4,980,991	4,453,092			
Intangible assets			-	-			
Other assets			148,801	166,917			
Total assets			6,492,444	6,016,764			
Current liabilities	Befor Distribution		920,559	776,126			
	After Distribution		943,922	799,748		N/A	
Long-term liabilities			1,612,036	1,383,911			
Other liabilities			-	-			
Total Liabilities	Befor Distribution		2,532,595	2,160,037			
	After Distribution		2,555,958	2,183,659			
Capital Stock			2,335,811	2,362,079			
Capital surplus			505,177	513,458			
Retained earnings	Befor Distribution		1,119,093	981,190			
	After Distribution		1,072,367	957,568			
Unrealized gain(loss) on financial instruments			(232)	-			
Cumulative translation adjustments			-	-			
Loss on unrecognized pension costs			-	-			
Total shareholders' equity	Befor Distribution		3,959,849	3,856,727			
	After Distribution		3,936,486	3,833,105			

(4) Concise Income Statement –R.O.C. GAAP

Unit: NT\$, in thousands

Item	Year				
	2011	2012	2013	2014	2015
Net revenue	3,866,586	3,139,385			
Gross profit	587,154	249,240			
Operating income (loss)	248,699	(82,100)			
Non-operating income and gain	49,556	36,050			
Non-operating expense and losses	141,186	62,691			
Income from continuing operations before income taxes	157,069	(108,741)			
Net income for continuing operations	134,422	(91,177)		N/A	
Income from discontinued operations	-	-			
Extraordinary gain (loss)	-	-			
Translation adjustments and other equity adjustment	-	-			
Net income (loss)	134,422	(91,177)			
Earnings (loss) per share	0.57	(0.39)			

2. CPAs and Their Opinions for Most Recent 5-Years

Year	Name of CPA	Auditor's Opinion
2011	Huang Hung Wen Lin Hung Peng	An Unqualified Opinion
2012	Lin Hung Peng Huang Yu Feng	An Unqualified Opinion
2013	Lin Hung Peng Huang Yu Feng	An Unqualified Opinion
2014	Lin Hung Peng Huang Yu Feng	An Unqualified Opinion
2015	Huang Yu Feng Lin Cheng Chih	An Unqualified Opinion

B. Most Recent 5-Year Financial Analysis

1. Financial Analysis- IFRS

Item		Year					As of March 31, 2016 (Note1)
		2011	2012	2013	2014	2015	
Capital Structure Analysis	Debts Ratio (%)		36.40	50.79	47.27	31.31	29.97
	Long-term Fund to Property, Plant and Equipment (%)		117.30	100.45	107.21	105.56	109.94
Liquidity Analysis	Current Ratio (%)		175.00	95.78	115.61	111.21	133.38
	Quick Ratio (%)		147.64	83.34	99.33	90.25	112.04
	Times Interest Earned (Times)		(4.75)	13.39	20.43	9.71	(12.39)
Operating Performance Analysis	Average Collection Turnover (Times)		7.05	7.28	5.84	6.40	6.44
	Average Collection Days		51.77	50.13	62.50	57.03	56.67
	Average Inventory Turnover (Times)		19.17	19.45	18.52	18.46	19.12
	Average Payment Turnover (Times)		18.53	17.83	15.02	14.83	16.43
	Average Inventory Turnover Days		19.04	18.76	19.70	19.77	19.08
	Property, Plant and Equipment Turnover (Times)	N/A	0.70	0.81	0.78	0.74	0.65
	Total Assets Turnover (Times)		0.52	0.59	0.57	0.56	0.50
Profitability Analysis	Return on Total Assets (%)		(1.26)	4.34	7.64	1.93	(2.73)
	Return on Total Equity (%)		(2.32)	7.27	14.34	2.79	(4.26)
	Pre-tax Income to Paid-in Capital Ratio (%)		(4.56)	14.75	27.71	7.97	(11.11)
	Net Margin (%)		(2.87)	6.79	12.74	3.01	(5.88)
	Basic Earnings Per Share (NT\$)		(0.38)	1.22	2.65	0.56	(0.23)
Cash flow	Cash Flow Ratio (%)		80.22	88.09	67.99	104.59	(8.86)
	Cash Flow Adequacy Ratio (%)		96.53	85.96	79.63	73.71	81.13
	Cash Flow Reinvestment Ratio (%)		6.65	18.09	8.05	9.76	(0.81)
Leverage	Operating Leverage		(13.34)	4.82	3.42	8.73	(6.27)
	Financial Leverage		0.88	1.08	1.05	1.12	0.93

The reasons for all financial ratio changes within the most recent two years are as follows (if less than 20% are exempt from analysis):

1. Debts ratio decreased was mainly due to repayment of long-term bank loans.
2. Times interest earned decreased was mainly due to the decrease in the income before income tax.
3. Return on total assets and return on total equity decreased was mainly due to the decrease in the net income.
4. Pre-tax income to paid-in capital ratio, net margin and EPS decreased was mainly due to the decrease in the net income.
5. Cash flow ratio and cash flow reinvestment ratio increased was mainly due to cash flow from operating activities increased in 2015.
6. Operating Leverage increased was mainly due to the decrease in the operating income in 2015.

Note 1: Numbers are unreviewed.

Formula :

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

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 and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover (Times) = Net Sales / Average Trade Receivables

(2) Average Collection Days = $365 / \text{Average Collection Turnover}$

(3) Average Inventory Turnover (Times) = Cost of Sales / Average Inventory

(4) Average Payment Turnover (Times) = Cost of Sales / Average Trade Payables

(5) Average Inventory Turnover Days = $365 / \text{Average Inventory Turnover}$

(6) Property, Plant and Equipment Turnover (Times) = Net Sales / Average Net Property, Plant and Equipment

(7) Total Assets Turnover (Times) = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = $(\text{Net Income} + \text{Interest Expenses} * (1 - \text{Effective Tax Rate})) / \text{Average Total Assets}$

(2) Return on Total Equity = Net Income / Average Total equity

(3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(4) Net Margin = Net Income / Net Sales

(5) Earnings Per Share = $(\text{Net Income Attributable to Shareholders of the Parent} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = $\text{Five-year Sum of Cash from Operations} / \text{Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend}$

(3) Cash Flow Reinvestment Ratio = $(\text{Cash Provided by Operating Activities} - \text{Cash Dividends}) / (\text{Gross Property, Plant and Equipment} + \text{Long-term Investments} + \text{Other Noncurrent Assets} + \text{Working Capital})$

6. Leverage

(1) Operating Leverage = $(\text{Net Sales} - \text{Variable Cost}) / \text{Income from Operations}$

(2) Financial Leverage = $\text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

2. Financial Analysis- R.O.C GAAP

Item		Year					
		2011	2012	2013	2014	2015	
Capital Structure Analysis	Debts Ratio (%)	39.01	35.90	N/A			
	Long-term Fund to Property, Plant and Equipment (%)	111.86	117.69				
Liquidity Analysis	Current Ratio (%)	148.02	179.96				
	Quick Ratio (%)	126.29	151.49				
	Times Interest Earned (Times)	8.90	(4.80)				
Operating Performance Analysis	Average Collection Turnover (Times)	9.82	7.63				
	Average Collection Days	37.16	47.83				
	Average Inventory Turnover (Times)	22.03	19.18				
	Average Payment Turnover (Times)	21.15	18.54				
	Average Inventory Turnover Days	16.56	19.03				
	Fixed Assets Turnover (Times)	0.78	0.70				
	Total Assets Turnover (Times)	0.60	0.52				
Profitability Analysis	Return on Total Assets (%)	2.39	(1.28)				
	Return on Total Shareholders' Equity (%)	3.38	(2.33)				
	to Paid-in Capital Ratio (%)	Operating income (loss)	10.65				(3.48)
		Pre-tax Income	6.72				(4.60)
	Net Margin (%)	3.48	(2.90)				
	Basic Earnings Per Share (NT\$)	0.57	(0.39)				
Cash flow	Cash Flow Ratio (%)	94.60	82.36				
	Cash Flow Adequacy Ratio (%)	79.75	96.34				
	Cash Flow Reinvestment Ratio (%)	7.21	6.67				
Leverage	Operating Leverage	6.77	(15.65)				
	Financial Leverage	1.04	0.86				
The reasons for all financial ratio changes within the most recent two years are as follows (if less than 20% are exempt from analysis): N/A							

Formula :

1. Capital Structure Analysis

(1) Debt Ratio = Total Liabilities / Total Assets

(2) Long-term Fund to Property, Plant and Equipment Ratio = (Shareholders' Equity + Noncurrent Liabilities) / Net Property, Plant and Equipment

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 and Taxes / Interest Expenses

3. Operating Performance Analysis

(1) Average Collection Turnover (Times) = Net Sales / Average Trade Receivables

(2) Average Collection Days = $365 / \text{Average Collection Turnover}$

(3) Average Inventory Turnover (Times) = Cost of Sales / Average Inventory

(4) Average Payment Turnover (Times) = Cost of Sales / Average Trade Payables

(5) Average Inventory Turnover Days = $365 / \text{Average Inventory Turnover}$

(6) Fixed Assets Turnover (Times) = Net Sales / Average Fixed Assets

(7) Total Assets Turnover (Times) = Net Sales / Average Total Assets

4. Profitability Analysis

(1) Return on Total Assets = (Net Income + Interest Expenses * (1 - Effective Tax Rate)) / Average Total Assets

(2) Return on Total Shareholders' Equity = Net Income / Average Total shareholders' equity

(3) Pre-tax Income to Paid-in Capital Ratio = Income before Tax / Paid-in Capital

(4) Net Margin = Net Income / Net Sales

(5) Earnings Per Share = (Net Income Attributable to Shareholders of the Parent - Preferred Stock Dividend) / Weighted Average Number of Shares Outstanding

5. Cash Flow

(1) Cash Flow Ratio = Net Cash Provided by Operating Activities / Current Liabilities

(2) Cash Flow Adequacy Ratio = Five-year Sum of Cash from Operations / Five-year Sum of Capital Expenditures, Inventory Additions, and Cash Dividend

(3) Cash Flow Reinvestment Ratio = (Cash Provided by Operating Activities - Cash Dividends) / (Gross Property, Plant and Equipment + Long-term Investments + Other Noncurrent Assets + Working Capital)

6. Leverage

(1) Operating Leverage = (Net Sales - Variable Cost) / Income from Operations

(2) Financial Leverage = Income from Operations / (Income from Operations - Interest Expenses)

C. Audit Committee's Review Report

Audit Committee's Review Report

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements, and proposal for allocation of profits. The CPA firm of Deloitte & Touche was retained to audit Xintec's Financial Statements and has issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and Profit Allocation Proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of Xintec Inc. According to Article 14-4, 14-5 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

Xintec Inc.

Chairman of the Audit Committee: Robert Hsieh

February 3, 2016

D. Financial Statements and Independent Auditors' Report

Xintec Inc.

**Financial Statements for the
Years Ended December 31, 2015 and 2014 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Xintec Inc.

We have audited the accompanying balance sheets of Xintec Inc. (the "Company") as of December 31, 2015 and 2014 and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Xintec Inc. as of December 31, 2015 and 2014, and its financial performance and its cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the International Financial Reporting Standards, International Accounting Standards, interpretations as well as related guidance translated by the Accounting Research and Development Foundation and endorsed by the Financial Supervisory Commission of the Republic of China.

The statements of major accounting items listed in the financial statements of Xintec Inc. as of and for the year ended December 31, 2015 are presented for the purpose of additional analysis. Such statements have been subjected to the auditing procedures applied in our audits of the financial statements mentioned above. In our opinion, such statements are consistent in all material respects in relation to the financial statements as a whole.

Deloitte & Touche

February 3, 2016

Notice to Readers

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

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

XINTEC INC.

BALANCE SHEETS

(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2015		December 31, 2014		LIABILITIES AND EQUITY	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Note 6)	\$ 824,386	10	\$ 806,445	9	Financial liabilities at fair value through profit or loss (Note 7)	\$ 5,423	-	\$ 12,644	-
Financial assets at fair value through profit or loss (Note 7)	-	-	389	-	Derivative financial liabilities for hedging (Note 8)	1,774	-	823	-
Accounts receivable, net (Note 9)	344,108	4	265,766	3	Accounts payable (Note 31)	277,606	3	287,046	3
Receivables from related parties (Notes 9 and 31)	240,676	3	673,319	8	Salary and bonus payable	159,670	2	199,664	2
Other receivables from related parties (Note 31)	27,720	-	-	-	Accrued profit sharing bonus to employees and compensation to directors (Notes 19 and 28)	21,965	-	87,187	1
Inventories (Notes 5 and 10)	239,935	3	213,777	2	Payables to contractors and equipment suppliers	424,941	5	460,129	5
Other financial assets	672	-	2,697	-	Current tax liabilities (Note 26)	1,866	-	83,678	1
Other current assets (Notes 14 and 31)	93,964	1	72,858	1	Provisions - current (Notes 5 and 15)	83,115	1	60,155	1
Total current assets	<u>1,771,461</u>	<u>21</u>	<u>2,035,251</u>	<u>23</u>	Long-term borrowings - current portion (Notes 17 and 32)	336,000	4	275,000	3
NONCURRENT ASSETS					Accrued expenses and other current liabilities (Note 31)	280,532	4	294,124	4
Financial assets measured at cost (Note 11)	-	-	-	-	Total current liabilities	<u>1,592,892</u>	<u>19</u>	<u>1,760,450</u>	<u>20</u>
Property, plant and equipment (Notes 5, 12 and 32)	6,561,638	77	6,591,778	75	NONCURRENT LIABILITIES				
Intangible assets (Note 13)	81,986	1	87,437	1	Long-term borrowings (Notes 17 and 32)	1,049,000	12	2,387,500	27
Deferred income tax assets (Notes 5 and 26)	94,857	1	102,010	1	Provisions - non-current (Notes 5 and 15)	25,076	-	25,076	-
Refundable deposits	9,271	-	8,904	-	Net defined benefit liabilities (Note 18)	364	-	-	-
Net defined benefit assets (Note 18)	-	-	1,889	-	Total noncurrent liabilities	<u>1,074,440</u>	<u>12</u>	<u>2,412,576</u>	<u>27</u>
Total noncurrent assets	<u>6,747,752</u>	<u>79</u>	<u>6,792,018</u>	<u>77</u>	Total liabilities	<u>2,667,332</u>	<u>31</u>	<u>4,173,026</u>	<u>47</u>
TOTAL	\$ 8,519,213	100	\$ 8,827,269	100	EQUITY (Notes 19 and 28)				
					Share capital	2,688,761	32	2,381,207	27
					Capital surplus	1,580,613	18	547,724	6
					Retained earnings				
					Appropriated as legal reserve	259,553	3	196,688	2
					Appropriated as special reserve	823	-	281	-
					Unappropriated earnings	1,323,905	16	1,529,166	18
						1,584,281	19	1,726,135	20
					Other	(1,774)	-	(823)	-
					Total equity	<u>5,851,881</u>	<u>69</u>	<u>4,654,243</u>	<u>53</u>
					TOTAL	\$ 8,519,213	100	\$ 8,827,269	100

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

XINTEC INC.

STATEMENTS OF COMPREHENSIVE INCOME

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

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 5, 21 and 31)	\$ 4,878,088	100	\$ 4,934,078	100
OPERATING COSTS (Notes 10, 28 and 31)	<u>4,186,717</u>	<u>86</u>	<u>3,985,874</u>	<u>81</u>
GROSS PROFIT	<u>691,371</u>	<u>14</u>	<u>948,204</u>	<u>19</u>
OPERATING EXPENSES (Notes 28 and 31)				
Sales and marketing	43,315	1	39,809	1
General and administrative	109,767	2	147,006	3
Research and development	<u>359,845</u>	<u>7</u>	<u>276,680</u>	<u>5</u>
Total operating expenses	512,927	10	463,495	9
OTHER OPERATING INCOME AND EXPENSES, NET (Notes 12, 22, 28 and 31)	<u>56,175</u>	<u>1</u>	<u>190,921</u>	<u>4</u>
INCOME FROM OPERATIONS	<u>234,619</u>	<u>5</u>	<u>675,630</u>	<u>14</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 23)	4,807	-	6,114	-
Finance costs (Note 24)	(24,614)	(1)	(33,958)	-
Other gains and losses (Note 25)	<u>(547)</u>	<u>-</u>	<u>12,140</u>	<u>-</u>
Total non-operating income and expenses	<u>(20,354)</u>	<u>(1)</u>	<u>(15,704)</u>	<u>-</u>
INCOME BEFORE INCOME TAX	214,265	4	659,926	14
INCOME TAX EXPENSE (Note 26)	<u>(67,466)</u>	<u>(1)</u>	<u>(31,273)</u>	<u>(1)</u>
NET INCOME	<u>146,799</u>	<u>3</u>	<u>628,653</u>	<u>13</u>
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans (Note 18)	(2,908)	-	679	-
Items that may be reclassified subsequently to profit or loss				
Cash flow hedge (Note 19)	<u>(951)</u>	<u>-</u>	<u>(542)</u>	<u>-</u>
Other comprehensive income for the year	<u>(3,859)</u>	<u>-</u>	<u>137</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 142,940</u>	<u>3</u>	<u>\$ 628,790</u>	<u>13</u>
Earnings Per Share (Note 27)				
Basic earnings per share	<u>\$ 0.56</u>		<u>\$ 2.65</u>	
Diluted earnings per share	<u>\$ 0.56</u>		<u>\$ 2.60</u>	

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

XINTEC INC.
STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Share Capital - Common Stock			Retained Earnings			Total	Other Cash Flow Hedges	Total Equity
	Share (In Thousands)	Amount	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings			
BALANCE, JANUARY 1, 2014	236,402	\$ 2,364,018	\$ 524,855	\$ 167,800	\$ -	\$ 1,059,024	\$ 1,226,824	\$ (281)	\$ 4,115,416
Appropriation and distribution of 2013 earnings									
Legal reserve	-	-	-	28,888	-	(28,888)	-	-	-
Special reserve	-	-	-	-	281	(281)	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(130,021)	(130,021)	-	(130,021)
Total	-	-	-	28,888	281	(159,190)	(130,021)	-	(130,021)
Net income in 2014	-	-	-	-	-	628,653	628,653	-	628,653
Other comprehensive income in 2014, net of income tax	-	-	-	-	-	679	679	(542)	137
Total comprehensive income in 2014	-	-	-	-	-	629,332	629,332	(542)	628,790
Issuance of stock from exercise of employee stock options	1,719	17,189	18,058	-	-	-	-	-	35,247
Compensation cost of employee stock options	-	-	4,811	-	-	-	-	-	4,811
BALANCE, DECEMBER 31, 2014	238,121	2,381,207	547,724	196,688	281	1,529,166	1,726,135	(823)	4,654,243
Appropriation and distribution of 2014 earnings									
Legal reserve	-	-	-	62,865	-	(62,865)	-	-	-
Special reserve	-	-	-	-	542	(542)	-	-	-
Cash dividends to shareholders	-	-	-	-	-	(285,745)	(285,745)	-	(285,745)
Total	-	-	-	62,865	542	(349,152)	(285,745)	-	(285,745)
Net income in 2015	-	-	-	-	-	146,799	146,799	-	146,799
Other comprehensive income in 2015, net of income tax	-	-	-	-	-	(2,908)	(2,908)	(951)	(3,859)
Total comprehensive income in 2015	-	-	-	-	-	143,891	143,891	(951)	142,940
Issue of ordinary shares for cash	30,000	300,000	960,000	-	-	-	-	-	1,260,000
Issuance of stock from exercise of employee stock options	755	7,554	9,518	-	-	-	-	-	17,072
Compensation cost of employee stock options	-	-	63,371	-	-	-	-	-	63,371
BALANCE, DECEMBER 31, 2015	268,876	\$ 2,688,761	\$ 1,580,613	\$ 259,553	\$ 823	\$ 1,323,905	\$ 1,584,281	\$ (1,774)	\$ 5,851,881

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

XINTEC INC.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 214,265	\$ 659,926
Adjustments for:		
Depreciation	1,247,814	1,289,574
Amortization	36,329	26,877
(Reversal of impairment loss) Impairment loss recognized on accounts receivable	(166)	522
Finance costs	24,614	33,958
Interest income	(4,807)	(6,114)
Compensation cost of employee stock options	63,371	4,811
Gain on disposal of property, plant and equipment, net	(550)	(236)
Reclassification of property, plant and equipment into expense	-	15,222
Impairment loss recognized on property, plant and equipment	24,411	86,067
Gain on foreign exchange, net	(867)	(2,946)
Changes in operating assets and liabilities:		
Derivative financial instruments	(6,832)	5,192
Accounts receivable, net	(78,384)	(30,731)
Receivables from related parties	432,851	(157,097)
Other receivables from related parties	(1,571)	141,190
Inventories	(26,158)	2,993
Other current assets	(17,389)	5,213
Other financial assets	10,326	177
Accounts payable	(9,440)	43,189
Salary and bonus payable	(39,994)	51,806
Provisions	22,960	9,515
Guarantee deposits received	-	(1,016,977)
Accrued expenses and other current liabilities	(12,779)	26,426
Net defined benefit liabilities	(655)	(1,716)
Accrued profit sharing bonus to employees and compensation to directors	(65,222)	44,026
Cash generated from operations	1,812,127	1,230,867
Income tax paid	(146,109)	(33,970)
Net cash generated from operating activities	<u>1,666,018</u>	<u>1,196,897</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property, plant and equipment	(1,332,499)	(1,808,000)
Intangible assets	(30,878)	(42,620)
Proceeds from disposal of:		
Property, plant and equipment	22,208	236
Refundable deposits paid	(3,157)	(3,564)
Refundable deposits refunded	2,790	3,210
Interest received	<u>4,792</u>	<u>6,054</u>
Net cash used in investing activities	<u>(1,336,744)</u>	<u>(1,844,684)</u>

(Continued)

XINTEC INC.

STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term borrowings	\$ 300,000	\$ 1,650,000
Repayments of long-term borrowings	(1,577,500)	(1,096,875)
Cash dividends paid	(285,745)	(130,021)
Issue of ordinary shares for cash	1,260,000	-
Proceeds from exercise of employee stock options	17,072	35,247
Interest paid	<u>(25,160)</u>	<u>(35,261)</u>
Net cash (used in) generated from financing activities	<u>(311,333)</u>	<u>423,090</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
	17,941	(224,697)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>806,445</u>	<u>1,031,142</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 824,386</u>	<u>\$ 806,445</u>

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

(Concluded)

XINTEC INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

1. GENERAL

Xintec Inc. (the “Company”) was incorporated on September 11, 1998. The Company is a dedicated subcontractor of advanced packaging services in the semiconductor industry which engages mainly in wafer level chip scale packaging (CSP) and wafer level post passivation interconnection services. The Company’s shares have been listed on the Taipei Exchange since March 30, 2015. The address of its registered office and principal place of business is 9F, No.23, Jilin Rd., Zhongli Dist., Taoyuan City 32062, Taiwan.

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorized by the board of directors for issue on February 3, 2016.

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 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards (IFRIC), and Interpretations of IASs (SIC) endorsed by the Financial Supervisory Commission (FSC) (collectively, “2013 IFRSs version”)

According to Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC, the 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers should be adopted by the Company starting 2015.

The Company believes that as a result of the adoption of aforementioned 2013 IFRSs version and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the following items have impacted the Company’s financial statements.

1) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the past standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required for financial instruments only are extended by IFRS 13 to cover all assets and liabilities within its scope.

The measurement requirements of IFRS 13 have been applied prospectively from January 1, 2015. Please refer to Note 30 for related disclosures.

2) Amendments to IAS 1, “Presentation of Items of Other Comprehensive Income”

According to the amendments to IAS 1, the items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss. In addition, income tax on items of other comprehensive income is also required to be allocated on the same basis. The aforementioned allocation basis was not strictly enforced prior to the adoption of amendments.

Items not expected to be reclassified to profit or losses are remeasurements of the defined benefit plans. Items expected to be reclassified to profit or losses are cash flow hedges. However, the application of the above amendments did not have any impact on the net income for the year, other comprehensive income for the year and total comprehensive income for the year.

3) Amendments to IAS 19, “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerates the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

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

The Company has not applied the following IFRSs issued by the IASB but not endorsed by the FSC. As of the date the financial statements were authorized for issue, the initial adoption to the following standards and interpretations is still subject to the effective date to be published by the FSC.

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 Financial Instruments	January 1, 2018
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception	January 1, 2016
Amendment to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations	January 1, 2016
IFRS 14 Regulatory Deferral Accounts	January 1, 2016
IFRS 15 Revenue from Contracts with Customers	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017

(Continued)

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Issued by IASB (Note 1)
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	January 1, 2016
Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants	January 1, 2016
Amendment to IAS 19 Defined Benefit Plans: Employee Contributions	July 1, 2014
Amendment to IAS 27 Equity Method in Separate Financial Statement	January 1, 2016
Amendment to IAS 36 Recoverable Amount Disclosures for Non-financial Assets	January 1, 2014
Amendment to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	January 1, 2014
IFRIC 21 Levies	January 1, 2014

(Concluded)

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

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

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

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

1) IFRS 9, “Financial Instruments”

All recognized financial assets currently in the scope of IAS 39, “Financial Instruments: Recognition and Measurement,” are subsequently measured at amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Company that have the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

- a) If the objective of the Company’s business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.
- b) If the objective of the Company’s business model is to hold the financial asset both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When such financial asset is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are 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.

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost and financial assets mandatorily measured at fair value through other comprehensive income. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Company should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. However, a loss allowance for full lifetime expected credit losses is required for accounts receivables that do not constitute a financing transaction.

The main changes in hedge accounting amended the application requirements for hedge accounting to better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) IFRS 15, "Revenue from Contracts with Customers"

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 Company shall recognize 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 contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

3) 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 Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset and the interest expense accrued on the lease liability that is computed by using effective interest method. On the statements of cash flows, cash payments for the principal of the lease liability and interest expense should present within financing activities.

When IFRS 16 becomes effective, the Company 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.

4) Amendments to IAS 36, “Recoverable Amount Disclosures for Non-Financial Assets”

The amendments to IAS 36 clarify that the Company is only required to disclose the recoverable amount in the year of impairment accrual or reversal. Moreover, if the recoverable amount of impaired assets is based on fair value less costs of disposal, the Company should also disclose the discount rate used. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the convenience of readers, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 financial statements shall prevail.

Statement of Compliance

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

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Classification of Current and Noncurrent Assets and Liabilities

Current assets are assets held for trading purposes and assets expected to be converted to cash, sold or consumed within twelve months from the end of the reporting period. Current liabilities are obligations incurred for trading purposes and obligations expected to be settled within twelve months from the end of the reporting period. Assets and liabilities that are not classified as current are noncurrent assets and liabilities, respectively.

Foreign Currencies

In preparing the financial statements, 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. Such exchange differences are recognized in profit or loss in the year in which they arise. 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 year except for exchange differences arising on 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 foreign currencies are not retranslated.

Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Inventories

Inventories consist of raw materials, work-in-process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made on an item-by-item basis, 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 necessary selling costs. Inventories are recorded at weighted-average cost on the balance sheet date.

Property, Plant and Equipment and Assets Leased to Others

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment. 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.

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

Depreciation is recognized so as to write off the cost of the assets less their residual values over their useful lives, and it is computed using the straight-line method over the following estimated useful lives:

Buildings	3 to 35 years
Machinery and equipment	3 to 8 years
Office equipment	3 to 11 years
Leased improvements	3 to 16 years
Other equipment	3 to 11 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimates accounted for on a prospective basis. Freehold land is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible Assets

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 using the straight-line method over the following estimated useful lives:

Acquired special technology	20 years
Software	3 years
Others	2 to 6 years

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Expenditure on research activities is recognized as an expense when incurred. An internally-generated intangible asset arising from development activities is capitalized and then amortized on a straight-line basis over its useful life if the recognition criteria for an intangible asset have been met; otherwise, the development expenditure is recognized as an expense when incurred.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset or a cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed 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 immediately in profit or loss.

Financial Instruments

Financial assets and liabilities shall be recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and liabilities are initially recognized at fair values. 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. Fair value is determined in the manner described in Note 30.

Financial Assets

Financial assets are classified into the following categories: Financial assets “at fair value through profit or loss” (FVTPL), “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

a. Financial assets at fair value through profit or loss

Derivative financial instruments that do not meet the criteria for hedge accounting are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

b. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity financial assets or (c) financial assets at fair value through profit or loss.

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

c. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalents, notes and accounts receivable (including receivables from related parties) and other receivables are measured at amortized cost using the effective interest method less any impairment, except for those receivables with immaterial discounted effect.

d. Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Those 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 assets; their estimated future cash flows have been affected.

For financial assets carried at amortized cost, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Company assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

e. Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the financial 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 and accumulated in equity is recognized in profit or loss.

Financial Liabilities and Equity Instruments

a. Classification as debt or equity

Debt and equity instruments issued by the Company 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.

b. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

c. Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL.

Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

d. Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its market risk exposure to foreign exchange rate and interest rate, including forward exchange contracts and interest rate swap contracts.

Derivative financial instruments 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 financial instrument is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedges reserve. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the period when the hedged item is recognized in profit or loss.

Provision

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is 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.

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.

Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

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

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Company 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.

Leases

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.

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Employee Benefits

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 service rendered by employees.

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), and net interest on the net defined benefit liability (asset) are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses 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 Company'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.

Share-based Payment Arrangements

The Company elected to take the optional exemption under IFRS 1, "First-time Adoption of International Financial Reporting Standards" for the share-based payment transactions granted and vested before the date of transition to IFRSs.

Employee stock options that were granted after January 1, 2012 are measured at the fair value of the stock options at the grant date. The fair value of the stock option granted determined at the grant date of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee stock option. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from original estimates. It is recognized as an expense in full at the grant date if vesting immediately.

For cash-settled share-based payments, a liability is recognized for the goods or services acquired, measured initially at the fair value of the liability incurred. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognized in profit or loss.

Taxation

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

Current tax

Income tax on unappropriated earnings at a rate of 10% is expensed in the year the shareholders approved the appropriation of earnings which is the year subsequent to the year the earnings are generated.

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements 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, unused loss carryforwards, and unused tax credits from purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 deferred tax asset to be recovered. The deferred tax assets which originally not recognized is also reviewed at the end of each reporting period and recognized to the extent that it is probable that sufficient taxable profits will be available to allow all or part of 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 year in which the liability is settled or the asset is realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 4, the directors are 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 to be 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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

The following are the critical judgments, apart from those involving assumptions and estimations, that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Revenue Recognition

The Company recognizes revenue when the conditions described in Note 4 are satisfied. The Company also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

Impairment of Property, Plant and Equipment

In the process of evaluating the potential impairment of property, plant and equipment, the Company 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 the industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges in future years.

Realization of Deferred Income Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate including the future revenue growth and profitability, tax holidays, the amount of tax credits that can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

Valuation of Inventory

Inventories are stated at the lower of cost or net realizable value, and the Company has to use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period.

Due to the rapid technological changes, the Company estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash and deposits in banks	\$ 725,886	\$ 632,945
Repurchase agreements collateralized by corporate bonds	<u>98,500</u>	<u>173,500</u>
	<u>\$ 824,386</u>	<u>\$ 806,445</u>

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	2015	2014
<u>Derivative financial assets</u>		
Forward exchange contracts	\$ <u>-</u>	\$ <u>389</u>
<u>Derivative financial liabilities</u>		
Forward exchange contracts	\$ <u>5,423</u>	\$ <u>12,644</u>

The Company entered into derivative contracts to manage exposures due to fluctuations of foreign exchange rates. The derivative contracts entered into by the Company did not meet the criteria for hedge accounting. Therefore, the Company did not apply hedge accounting treatment for derivative contracts.

Outstanding forward exchange contracts consisted of the following:

	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2015</u>		
Sell US\$/Buy NT\$	January 2016-March 2016	US\$20,960/NT\$684,056
<u>December 31, 2014</u>		
Sell US\$/Buy NT\$	January 2015-February 2015	US\$26,000/NT\$809,449

8. DERIVATIVE FINANCIAL INSTRUMENT FOR HEDGING

	<u>December 31</u>	
	2015	2014
<u>Financial liabilities - current</u>		
Cash flow hedge		
Interest rate swap contracts	\$ <u>1,774</u>	\$ <u>823</u>

The Company entered into interest rate swap contracts to mitigate the risk of changes in interest rates on the cash flow exposure related to the outstanding variable rate debt.

Outstanding interest rate swap contracts consisted of the following:

Contract Amount (In thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>December 31, 2015</u>			
\$ 500,000	December 15, 2016	1.108%	0.805%-0.876%

(Continued)

Contract Amount (In thousands)	Maturity Date	Range of Interest Rates Paid	Range of Interest Rates Received
<u>December 31, 2014</u>			
\$ 500,000	December 15, 2016	0.979%-1.108%	0.868%-0.885% (Concluded)

For the years ended December 31, 2015 and 2014, net loss arising from changes in fair value of the hedged items recognized in other comprehensive income and accumulated in other equity were NT\$1,625 thousand and NT\$1,042 thousand, respectively. For the years ended December 31, 2015 and 2014, losses of hedging instruments reclassified from equity to loss recognized as financial costs in comprehensive income were NT\$674 thousand and NT\$500 thousand, respectively.

9. ACCOUNTS RECEIVABLE

	<u>December 31</u>	
	2015	2014
<u>Unrelated Parties</u>		
Accounts receivable	\$ 344,464	\$ 266,080
Allowance for doubtful receivables	<u>(356)</u>	<u>(314)</u>
Accounts receivable, net	<u>344,108</u>	<u>265,766</u>
<u>Related Parties</u>		
Accounts receivable	240,676	673,527
Allowance for doubtful receivables	<u>-</u>	<u>(208)</u>
Accounts receivable, net	<u>240,676</u>	<u>673,319</u>
	<u>\$ 584,784</u>	<u>\$ 939,085</u>

In principle, the payment term granted to customers is due 30 days to 45 days from the end of the month of when the invoice is issued. The term granted to some customers is 30 days from the invoice date, and to few customers is 60 days or 75 days from the end of the month when the invoice is issued. The allowance for doubtful receivables is assessed by reference to the collectability of receivables by performing the account aging analysis, historical experience and current financial condition of customers.

Except for those impaired, for the rest of the accounts receivable, the account aging analysis at the end of the reporting period is summarized in the following table. Accounts receivable include amounts that are past due but for which the Company has not recognized a specific allowance for doubtful receivables after the assessment since there has not been a significant change in the credit quality of its customers and the amounts are still considered recoverable.

Aging analysis of accounts receivable, net

	<u>December 31</u>	
	2015	2014
Not past due	<u>\$ 584,784</u>	<u>\$ 939,085</u>

Movements of the allowance for doubtful receivables

	Collectively Assessed for Impairment
Balance at January 1, 2015	\$ 522
Reversal	<u>(166)</u>
Balance at December 31, 2015	<u>\$ 356</u>
Balance at January 1, 2014	\$ -
Provision	<u>522</u>
Balance at December 31, 2014	<u>\$ 522</u>

Aging analysis of accounts receivable that was impaired

	<u>December 31</u>	
	2015	2014
Not past due	<u>\$ 356</u>	<u>\$ 522</u>

10. INVENTORIES

	<u>December 31</u>	
	2015	2014
Finished goods	\$ 20,582	\$ 16,424
Work in process	45,155	53,601
Raw materials	<u>174,198</u>	<u>143,752</u>
	<u>\$ 239,935</u>	<u>\$ 213,777</u>

The cost of inventories recognized as cost of goods sold consisted of the following:

	<u>Years Ended December 31</u>	
	2015	2014
Write-downs of inventory	<u>\$ 3,383</u>	<u>\$ 10,446</u>
Revenue from sale of scraps	<u>\$ 6,028</u>	<u>\$ 10,706</u>

11. FINANCIAL ASSETS MEASURED AT COST

The Company invested in Compositeltd. in 1998 which was delisted in 2002. The Company believed that the investment had been fully impaired; thus, in 2002, the Company recognized the whole investment amount as impairment loss.

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Office Equipment	Leased Improvement	Other Equipment	Equipment under Installation and Construction in Progress	Total
Cost								
Balance at January 1, 2015	\$ 772,029	\$ 1,392,371	\$ 8,149,599	\$ 116,352	\$ 641,844	\$ 641,762	\$ 1,072,083	\$12,786,040
Additions	-	205,550	1,765,579	48,580	10,735	128,549	(860,815)	1,298,178
Disposals or retirements	-	-	(297,161)	-	-	-	-	(297,161)
Reclassification	-	-	-	-	-	-	(8,287)	(8,287)
Balance at December 31, 2015	<u>\$ 772,029</u>	<u>\$ 1,597,921</u>	<u>\$ 9,618,017</u>	<u>\$ 164,932</u>	<u>\$ 652,579</u>	<u>\$ 770,311</u>	<u>\$ 202,981</u>	<u>\$13,778,770</u>
Accumulated depreciation and impairment								
Balance at January 1, 2015	\$ -	\$ 332,594	\$ 5,181,038	\$ 74,683	\$ 418,721	\$ 187,226	\$ -	\$ 6,194,262
Depreciation	-	109,940	993,564	15,682	49,158	79,470	-	1,247,814
Disposals or retirements	-	-	(249,355)	-	-	-	-	(249,355)
Impairment losses	-	-	24,411	-	-	-	-	24,411
Balance at December 31, 2015	<u>\$ -</u>	<u>\$ 442,534</u>	<u>\$ 5,949,658</u>	<u>\$ 90,365</u>	<u>\$ 467,879</u>	<u>\$ 226,696</u>	<u>\$ -</u>	<u>\$ 7,217,132</u>
Carrying amount at January 1, 2015	<u>\$ 772,029</u>	<u>\$ 1,059,777</u>	<u>\$ 2,968,561</u>	<u>\$ 41,669</u>	<u>\$ 223,123</u>	<u>\$ 454,536</u>	<u>\$ 1,072,083</u>	<u>\$ 6,591,778</u>
Carrying amount at December 31, 2015	<u>\$ 772,029</u>	<u>\$ 1,155,387</u>	<u>\$ 3,668,359</u>	<u>\$ 74,567</u>	<u>\$ 184,700</u>	<u>\$ 503,615</u>	<u>\$ 202,981</u>	<u>\$ 6,561,638</u>
Cost								
Balance at January 1, 2014	\$ 772,029	\$ 1,016,543	\$ 7,947,877	\$ 84,641	\$ 653,944	\$ 437,283	\$ 80,934	\$10,993,251
Additions	-	375,828	302,144	34,433	28,606	222,043	1,003,725	1,966,779
Disposals or retirements	-	-	(87,631)	(2,722)	(40,706)	(17,564)	-	(148,623)
Reclassification	-	-	(12,791)	-	-	-	(12,576)	(25,367)
Balance at December 31, 2014	<u>\$ 772,029</u>	<u>\$ 1,392,371</u>	<u>\$ 8,149,599</u>	<u>\$ 116,352</u>	<u>\$ 641,844</u>	<u>\$ 641,762</u>	<u>\$ 1,072,083</u>	<u>\$12,786,040</u>
Accumulated depreciation and impairment								
Balance at January 1, 2014	\$ -	\$ 260,813	\$ 4,080,049	\$ 70,783	\$ 405,901	\$ 149,698	\$ -	\$ 4,967,244
Depreciation	-	71,781	1,102,553	6,622	53,526	55,092	-	1,289,574
Disposals or retirements	-	-	(87,631)	(2,722)	(40,706)	(17,564)	-	(148,623)
Impairment losses	-	-	86,067	-	-	-	-	86,067
Balance at December 31, 2014	<u>\$ -</u>	<u>\$ 332,594</u>	<u>\$ 5,181,038</u>	<u>\$ 74,683</u>	<u>\$ 418,721</u>	<u>\$ 187,226</u>	<u>\$ -</u>	<u>\$ 6,194,262</u>
Carrying amount at January 1, 2014	<u>\$ 772,029</u>	<u>\$ 755,730</u>	<u>\$ 3,867,828</u>	<u>\$ 13,858</u>	<u>\$ 248,043</u>	<u>\$ 287,585</u>	<u>\$ 80,934</u>	<u>\$ 6,026,007</u>
Carrying amount at December 31, 2014	<u>\$ 772,029</u>	<u>\$ 1,059,777</u>	<u>\$ 2,968,561</u>	<u>\$ 41,669</u>	<u>\$ 223,123</u>	<u>\$ 454,536</u>	<u>\$ 1,072,083</u>	<u>\$ 6,591,778</u>

The significant part of the Company's buildings includes main plants, mechanical and electrical power equipment and clean rooms, and the related depreciation is calculated using the estimated useful lives of 18 to 32 years, 7 to 11 years and 10 to 11 years, respectively. The significant part of the Company's machinery and equipment includes etching machines and sputters, and the related depreciation is calculated using the estimated useful lives of 3 to 8 years.

For the years ended December 31, 2015 and 2014, the Company recognized impairment loss of NT\$24,411 thousand and NT\$86,067 thousand, respectively since the carrying amount of some of property, plant and equipment is expected to be unrecoverable. Such impairment loss was included in other operating income and expenses.

The Company leased certain machinery and equipment to Taiwan Semiconductor Manufacturing Company Limited (TSMC) under operating lease agreement. The lease term and rental were both determined in accordance with mutual agreements. The lease term was from May 2013 to December 2015 and the rental was received quarterly. The related rental and depreciation of such leased assets were included in other operating income and expenses.

The carrying amount and future minimum lease payments of leased of leased assets were as follows:

	<u>December 31</u>	
	<u>2015</u>	<u>2014</u>
Carrying amount of leased machinery and equipment	\$ <u>269,844</u>	\$ <u>725,907</u>
Future minimum lease payments	\$ <u>-</u>	\$ <u>518,926</u>

Machinery and equipment pledged as collateral for bank borrowings were set out in Note 32.

13. INTANGIBLE ASSETS

<u>Cost</u>	<u>Acquired Special Technology</u>	<u>Software</u>	<u>Patents and Others</u>	<u>Total</u>
Balance at January 1, 2015	\$ 113,340	\$ 49,915	\$ 71,885	\$ 235,140
Additions	<u>-</u>	<u>10,889</u>	<u>19,989</u>	<u>30,878</u>
Balance at December 31, 2015	<u>\$ 113,340</u>	<u>\$ 60,804</u>	<u>\$ 91,874</u>	<u>\$ 266,018</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2015	\$ 75,088	\$ 25,824	\$ 46,791	\$ 147,703
Additions	<u>5,667</u>	<u>12,477</u>	<u>18,185</u>	<u>36,329</u>
Balance at December 31, 2015	<u>\$ 80,755</u>	<u>\$ 38,301</u>	<u>\$ 64,976</u>	<u>\$ 184,032</u>
Carrying amount at January 1, 2015	<u>\$ 38,252</u>	<u>\$ 24,091</u>	<u>\$ 25,094</u>	<u>\$ 87,437</u>
Carrying amount at December 31, 2015	<u>\$ 32,585</u>	<u>\$ 22,503</u>	<u>\$ 26,898</u>	<u>\$ 81,986</u>
<u>Cost</u>				
Balance at January 1, 2014	\$ 113,340	\$ 30,351	\$ 48,829	\$ 192,520
Additions	<u>-</u>	<u>19,564</u>	<u>23,056</u>	<u>42,620</u>
Balance at December 31, 2014	<u>\$ 113,340</u>	<u>\$ 49,915</u>	<u>\$ 71,885</u>	<u>\$ 235,140</u>
<u>Accumulated amortization</u>				
Balance at January 1, 2014	\$ 69,421	\$ 16,652	\$ 34,753	\$ 120,826
Additions	<u>5,667</u>	<u>9,172</u>	<u>12,038</u>	<u>26,877</u>
Balance at December 31, 2014	<u>\$ 75,088</u>	<u>\$ 25,824</u>	<u>\$ 46,791</u>	<u>\$ 147,703</u>
Carrying amount at January 1, 2014	<u>\$ 43,919</u>	<u>\$ 13,699</u>	<u>\$ 14,076</u>	<u>\$ 71,694</u>
Carrying amount at December 31, 2014	<u>\$ 38,252</u>	<u>\$ 24,091</u>	<u>\$ 25,094</u>	<u>\$ 87,437</u>

14. OTHER CURRENT ASSETS

	December 31	
	2015	2014
Prepaid expenses	\$ 55,485	\$ 52,423
Tax receivable	23,603	12,032
Prepayments to Suppliers	2,669	1,177
Others	<u>12,207</u>	<u>7,226</u>
	<u>\$ 93,964</u>	<u>\$ 72,858</u>

15. PROVISIONS

	December 31	
	2015	2014
Sales returns and allowances	\$ 83,115	\$ 60,155
Decommissioning cost	<u>25,076</u>	<u>25,076</u>
	<u>\$ 108,191</u>	<u>\$ 85,231</u>
Current portion	\$ 83,115	\$ 60,155
Noncurrent portion	<u>25,076</u>	<u>25,076</u>
	<u>\$ 108,191</u>	<u>\$ 85,231</u>

	Sales Returns and Allowances	Decommissioning Cost	Total
<u>Year Ended December 31, 2015</u>			
Balance, beginning of year	\$ 60,155	\$ 25,076	\$ 85,231
Provision	100,823	-	100,823
Payment	<u>(77,863)</u>	<u>-</u>	<u>(77,863)</u>
Balance, end of year	<u>\$ 83,115</u>	<u>\$ 25,076</u>	<u>\$ 108,191</u>
<u>Year Ended December 31, 2014</u>			
Balance, beginning of year	\$ 50,640	\$ 24,536	\$ 75,176
Provision	105,277	540	105,817
Payment	<u>(95,762)</u>	<u>-</u>	<u>(95,762)</u>
Balance, end of year	<u>\$ 60,155</u>	<u>\$ 25,076</u>	<u>\$ 85,231</u>

Provisions for sales returns and allowances are estimated based on historical experience, management judgment, and any known factors that would significantly affect the returns and allowances, and are recognized as a reduction of revenue in the same year of the related product sales.

Decommissioning cost represents provision for cost of disassembly and removal of leased equipment and restoration of the location. Such amount of provision is measured using the discounted cash flows estimated to settle future obligation. The estimated decommissioning cost is assessed and adjusted reasonably at the end of each reporting period.

16. GUARANTEE DEPOSITS RECEIVED

The Company was appointed by a certain customer to provide packing service for specific products in 2013 and received NT\$1,016,977 thousand as capacity guarantee deposits in consideration of the risk to lose other future orders. The Company was compensated by such customer for cancelling equipment orders in the amount of NT\$7,778 thousand which was transferred to revenue and recognized in other income and expenses in the first half of 2014. Subsequently, due to the significant reduction of the risk to lose other future orders, both parties reached an agreement to fully return the remaining capacity guarantee deposits as of June 30, 2014.

17. LONG-TERM BORROWINGS

	December 31	
	2015	2014
Unsecured borrowings:		
Repayable quarterly from May 2016 in 5 installments; with annual interest rates at 1.28%-1.51% and 1.45%-1.51% in 2015 and 2014, respectively; early redemption of NT\$290,000 thousand in March 2015	\$ 310,000	\$ 600,000
Repayable quarterly from July 2014 in 16 installments; with annual interest rates at 1.18%-1.24% and 1.23%-1.25% in 2015 and 2014, respectively	187,500	262,500
Repayable quarterly from October 2014 in 16 installments; with annual interest rates at 1.18%-1.24% and 1.23%-1.25% in 2015 and 2014, respectively	103,125	140,625
Repayable with annual interest rates at 1.18%-1.34% and 1.38%-1.42% in 2015 and 2014, respectively and will redeem in May 2017; early redemption of NT\$200,000 thousand in March 2015 and acquired new bank borrowing in the amount of NT\$100,000 thousand in July 2015	100,000	200,000
Repayable with annual interest rates at 1.16% in 2015 and will redeem in August 2018	100,000	-
Repayable quarterly from September 2014 in 16 installments; with annual interest rates at 1.11%-1.24% and 1.23%-1.24% in 2015 and 2014, respectively	62,500	87,500
Repayable quarterly from October 2013 in 16 installments; with annual interest rates at 1.18%-1.24% and 1.23%-1.25% in 2015 and 2014, respectively	21,875	34,375
Repayable with annual interest rates at 1.21%-1.24% in 2014 and will redeem in June 2016; early redemption of NT\$600,000 thousand in March 2015	-	600,000
Repayable quarterly from July 2012 in 16 installments; with annual interest rates at 1.21%-1.25% in 2014; early redemption of NT\$112,500 thousand in March 2015	-	112,500
Repayable quarterly from September 2012 in 16 installments; with annual interest rates at 1.21%-1.25% in 2014; early redemption of NT\$75,000 thousand in March 2015	-	75,000
Repayable with annual interest rates at 1.30% in 2014 and will redeem in December 2019; early redemption of NT\$50,000 thousand in March 2015	-	50,000
		(Continued)

	December 31	
	2015	2014
Secured borrowings:		
Repayable with annual interest rates at 1.11%-1.19% and 1.16%-1.19% in 2015 and 2014, respectively and will redeem in August 2018	<u>\$ 500,000</u>	<u>\$ 500,000</u>
	<u>\$ 1,385,000</u>	<u>\$ 2,662,500</u>
Current	\$ 336,000	\$ 275,000
Non-current	<u>1,049,000</u>	<u>2,387,500</u>
	<u>\$ 1,385,000</u>	<u>\$ 2,662,500</u>

(Concluded)

Under certain bank loan agreements, the Company has to meet certain financial covenants and criteria per semiannual reviewed financial statements and annual audited financial statements. As of December 31, 2015, the Company was in compliance with all of the loan covenants.

Machinery and equipment pledged as collateral for bank borrowings were set out in Note 32.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The pension plan under the Labor Pension Act (the "Act") is deemed a defined contribution retirement plan. Pursuant to the Act, the Company makes monthly contributions equal to 6% of each employee's monthly salary to employees' pension accounts. Accordingly, the Company recognized expenses of NT\$57,554 thousand and NT\$50,932 thousand in the statements of comprehensive income for the years ended December 31, 2015 and 2014, respectively.

b. Defined benefit plans

The Company has defined benefit plans under the Labor Standards Law that provide benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement. The Company contributes an amount equal to 2% of salaries paid each month to their respective pension funds (the Fund), which are administered by the Labor Pension Fund Supervisory Committee (the Committee) and deposited in the Committee's name in the Bank of Taiwan.

Before the end of each year, the Company assesses the balance in the Fund. If the amount of the balance in the Fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The Fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); as such, the Company has no right to influence the investment policy and strategy.

The amounts included in the balance sheets in respect of the Company's defined benefit plans were as follows:

	December 31	
	2015	2014
Present value of defined benefit obligation	\$ 41,984	\$ 38,495
Fair value of plan assets	<u>(41,620)</u>	<u>(40,384)</u>
Net defined benefit liabilities (assets)	<u>\$ 364</u>	<u>\$ (1,889)</u>

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities
Balance at January 1, 2014	<u>\$ 38,198</u>	<u>\$ (37,692)</u>	<u>\$ 506</u>
Service cost	-	-	-
Net interest expense (income)	<u>764</u>	<u>(676)</u>	<u>88</u>
Recognized in profit or loss	<u>764</u>	<u>(676)</u>	<u>88</u>
Remeasurement			
Return on plan assets	-	(212)	(212)
Actuarial gain - changes in demographic assumptions	(30)	-	(30)
Actuarial gain - experience adjustments	<u>(437)</u>	<u>-</u>	<u>(437)</u>
Recognized in other comprehensive income	<u>(467)</u>	<u>(212)</u>	<u>(679)</u>
Contributions from the employer	<u>-</u>	<u>(1,804)</u>	<u>(1,804)</u>
Benefits paid	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2014	<u>\$ 38,495</u>	<u>\$ (40,384)</u>	<u>\$ (1,889)</u>
Balance at January 1, 2015	\$ 38,495	\$ (40,384)	\$ (1,889)
Service cost	-	-	-
Net interest expense (income)	<u>769</u>	<u>(825)</u>	<u>(56)</u>
Recognized in profit or loss	<u>769</u>	<u>(825)</u>	<u>(56)</u>
Remeasurement			
Return on plan assets	-	(241)	(241)
Actuarial loss - changes in demographic assumptions	648	-	648
Actuarial loss - changes in financial assumptions	3,130	-	3,130
Actuarial gain - experience adjustments	<u>(629)</u>	<u>-</u>	<u>(629)</u>
Recognized in other comprehensive income	<u>3,149</u>	<u>(241)</u>	<u>2,908</u>
Contributions from the employer	<u>-</u>	<u>(599)</u>	<u>(599)</u>
Benefits paid	<u>(429)</u>	<u>429</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 41,984</u>	<u>\$ (41,620)</u>	<u>\$ 364</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	Years Ended December 31	
	2015	2014
General and administrative expenses	<u>\$ (56)</u>	<u>\$ 88</u>

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

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

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

	December 31	
	2015	2014
Discount rate	1.50%	2.00%
Expected rate of salary increase	2.00%	2.00%
Turnover rate	1.13%	1.41%

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	
	2015	2014
Discount rate		
0.25% increase	<u>\$ (1,633)</u>	<u>\$ (1,539)</u>
0.25% decrease	<u>\$ 1,716</u>	<u>\$ 1,619</u>
Expected rate of salary increase		
0.25% increase	<u>\$ 1,703</u>	<u>\$ 1,615</u>
0.25% decrease	<u>\$ (1,629)</u>	<u>\$ (1,543)</u>
Turnover rate		
10% increase	<u>\$ (331)</u>	<u>\$ (406)</u>
10% decrease	<u>\$ 335</u>	<u>\$ 413</u>

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

	December 31	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 1,757</u>	<u>\$ 1,812</u>
The average duration of the defined benefit obligation	16 years	16 years

The maturity analysis of undiscounted pension benefit is as follows:

	December 31	
	2015	2014
Less than 1 year	\$ 85	\$ 54
Later than 1 year and not later than 5 years	2,605	2,117
Later than 5 years	<u>50,340</u>	<u>51,355</u>
	<u>\$ 53,030</u>	<u>\$ 53,526</u>

19. EQUITY

a. Share capital

	December 31	
	2015	2014
Authorized shares (in thousands)	<u>300,000</u>	<u>260,000</u>
Authorized capital	<u>\$ 3,000,000</u>	<u>\$ 2,600,000</u>
Issued and paid shares (in thousands)	<u>268,876</u>	<u>238,121</u>
Issued capital	<u>\$ 2,688,761</u>	<u>\$ 2,381,207</u>

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

The authorized shares include 12,000 thousand shares allocated for the exercise of employee stock options.

On February 4, 2015, the Company's board of directors resolved to issue 30,000 thousand new shares, with a par value of NT\$10 each, for consideration of NT\$42 per share. On February 25, 2015, the above transaction was approved by the FSC, and the subscription base date was determined at March 27, 2015 by the board of directors on March 11, 2015.

b. Capital surplus

	December 31	
	2015	2014
Additional paid-in capital	\$ 1,568,222	\$ 534,167
Employee stock options	<u>12,391</u>	<u>13,557</u>
	<u>\$ 1,580,613</u>	<u>\$ 547,724</u>

Under the Company Law, the capital surplus generated from the excess of the issuance price over the par value of capital stock may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus arising from employee stock options may not be used for any purpose.

c. Retained earnings and dividend policy

According to the Company's Articles of Incorporation, if there are no retained earnings for fiscal year, the Company shall not distribute dividends and bonuses. If there is any profit after annual closing, firstly it should be deducted for income tax and accumulated deficits. Then appropriate 10% as legal reserve until the accumulated legal reserve equals the Company's paid-in capital, and appropriate (or reverse) the special reserve in accordance with relevant laws or regulations or as requested by the authorities in charge. Any remaining balance shall be appropriated as follows:

- 1) Profit sharing to employees of not less than 1%;
- 2) Bonus to directors of not more than 2%. Directors who also serve as executive officers of the Company are not entitled to receive the bonus to directors;
- 3) Any remaining balance shall be allocated according to the proposal of the board of directors and the resolution of the shareholders' meeting;
- 4) The Company may issue profit sharing to employees in stock of an affiliated company meeting the conditions set by the board of directors;

The policy on the appropriation of dividends shall take the following factors into account: the Company's capital budget, intermediate and long term operational planning, and financial position. The following principles that shall be followed and earnings shall be allocated according to the resolution of the shareholders' meeting:

- 1) The Company shall consider financial, business and operating factors when distributing profits. The profits may be distributed by way of cash dividend and/or stock dividend. However, due to the Company's business growing stage at present, the proportions of dividends that will be distributed depend on future expansion plans and capital budget needs. The proportion of cash dividends shall not be lower than 50% of the total dividends.
- 2) If there is no profit or the distributable profit is far lower than the previous year's amounts distributed, or in consideration of financial, business and operating factors, the appropriation for capital reserve shall be in accordance with relevant laws or regulations or as requested by the authorities in charge.

Any appropriations of the profits are subject to shareholders' approval in the following year.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. Accordingly, the Company expects to make amendments to the Company's Articles of Incorporation to be approved during the 2016 annual shareholders' meeting. For information about the accrual basis of profit sharing bonus to employees and compensation to directors for the years ended December 31, 2015 and 2014 and the actual appropriations for the years ended December 31, 2014 and 2013, please refer to employee benefits expense in Note 28.

The appropriation for legal capital reserve shall be made until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit, or be distributed as dividends in cash or stocks for the portion in excess of 25% of the paid-in capital if the Company incurs no loss.

Pursuant to existing regulations, the Company is required to set aside additional special reserve equivalent to the net debit balance of the other components of shareholders' equity, such as gain/loss from changes in fair value of hedging instruments in cash flow hedges, etc. For the subsequent decrease in the deduction amount to shareholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

The appropriations of 2014 and 2013 earnings have been approved by the Company's shareholders in their meetings held on June 16, 2015 and on June 12, 2014, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share</u> (NT\$)	
	<u>For Fiscal Year 2014</u>	<u>For Fiscal Year 2013</u>	<u>For Fiscal Year 2014</u>	<u>For Fiscal Year 2013</u>
Legal reserve	\$ 62,865	\$ 28,888		
Special reserve	542	281		
Cash dividends to shareholders	<u>285,745</u>	<u>130,021</u>	\$1.06	\$0.55
	<u>\$ 349,152</u>	<u>\$ 159,190</u>		

The Company's appropriations of earnings for 2015 had been approved in the meeting of the Board of Directors held on February 3, 2016. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>	<u>Dividends Per Share (NT\$)</u>
	<u>For Fiscal Year 2015</u>	<u>For Fiscal Year 2015</u>
Legal reserve	\$ 14,680	
Special reserve	951	
Cash dividends to shareholders	<u>134,438</u>	\$ 0.50
	<u>\$ 150,069</u>	

The appropriations of earnings for 2015 are to be resolved in the shareholders' meeting which is expected to be held on June 14, 2016.

Under the Integrated Income Tax System that became effective on January 1, 1998, the R.O.C. resident shareholders are allowed a tax credit for their proportionate share of the income tax paid by the Company on earnings generated since January 1, 1998.

d. Others

Movement in cash flow hedge was as follows:

	<u>Years Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
<u>Cash flow hedge</u>		
Balance, beginning of year	\$ (823)	\$ (281)
Gain/(loss) arising on changes in the fair value of hedging instruments	(1,625)	(1,042)
(Gain)/loss arising on changes in fair value of hedging instruments reclassified to profit or loss	<u>674</u>	<u>500</u>
Balance, end of year	<u>\$ (1,774)</u>	<u>\$ (823)</u>

The cash flow hedges reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gains or losses arising on changes in fair value of the hedging instruments that are recognized and accumulated in cash flow hedges reserve will be reclassified to profit or loss only when the hedge transaction affects profit or loss.

20. SHARE-BASED PAYMENT

a. Optional exemption from adopting IFRS 2 “Share-based Payment” (IFRS 2)

The Company elected to take the optional exemption from adopting IFRS 2 retrospectively for share-based payment transactions granted and vested before January 1, 2012. Such employee stock option plans are described as follows:

The Company’s Employee Stock Option Plans, consisting of the 2007 Plan and 2006 Plan, were approved by the Securities and Futures Bureau (SFB) on June 26, 2007 and July 3, 2006, respectively. The maximum number of stock options authorized to be granted was 6,000 thousand units for both plans, with each stock option eligible to subscribe for one common stock when exercised. The stock options may be granted to qualified employees of the Company and an affiliated company. The stock options of all the plans are valid for ten years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about the Company’s employee stock options is described as follows:

	<u>2007 Employee Stock Option Plans</u>		<u>2006 Employee Stock Option Plans</u>	
	Number of Stock Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Stock Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Year ended December 31, 2015</u>				
Balance, beginning of year	45	\$ 15.74	73	\$ 10.10
Options exercised	<u>(38)</u>	15.90	<u>(1)</u>	10.10
Balance, end of year	<u>7</u>	14.80	<u>72</u>	9.00
Balance exercisable, end of year	<u>7</u>		<u>72</u>	
<u>Year ended December 31, 2014</u>				
Balance, beginning of year	150	\$ 16.26	165	\$ 10.60
Options exercised	<u>(105)</u>	16.49	<u>(92)</u>	10.33
Balance, end of year	<u>45</u>	15.74	<u>73</u>	10.10
Balance exercisable, end of year	<u>45</u>		<u>73</u>	

The exercise prices of outstanding stock options have been adjusted to reflect the distribution of earnings by the Company in accordance with the plans.

Information about the Company's outstanding stock options was as follows:

December 31, 2015		December 31, 2014	
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life (Years)
\$9.00	0.75	\$10.10	1.75
\$14.80	1.50	\$14.80-\$18.60	2.49-2.95

b. Adoption of IFRS 2

1) Equity-settled share-based compensation

The Company adopted IFRS 2 for the following plans of the shared-based payment transactions granted and vested after January 1, 2012. Such employee stock option plans are described as follows:

On February 4, 2015, the Company's board of directors resolved to issue new shares for cash and reserved 4,500 thousand shares for subscription by employees under employee stock option plans in accordance with the Company Law. The aforementioned employee stock options were wholly vested on the grant date. Information about such employee stock options related to the aforementioned new shares issued was as follows:

	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
<u>Year ended December 31, 2015</u>		
Options granted	4,500	\$ 42.00
Options exercised	<u>(4,500)</u>	42.00
Balance exercisable, end of year	<u>=====</u>	-

The aforementioned stock options granted on March 23, 2015 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Grant date	March 23, 2015
Options granted (in thousand)	4,500
Stock price on grant date (NT\$/share)	\$ 55.50
Exercise price (NT\$/share)	\$ 42.00
Expected volatility	43.91%
Expected life	3 days
Risk-free interest rate	0.87%

The stock price on grant date was determined based on the closing price of the Company's common shares listed on the Emerging Stock market. The expected volatility was based on the historical stock price volatility over the past three months.

Compensation cost of the above stock options recognized was NT\$60,764 thousand for the year ended December 31, 2015.

The Company's Employee Stock Option Plan was approved by the SFB on January 10, 2012 (2011 Plan). The maximum number of stock options authorized to be granted under the 2011 Plan was 6,000 thousand units, with each stock option eligible to subscribe for one common stock when exercised. The stock options may be granted to qualified employees of the Company and an affiliated company. The options of 2011 Plan are valid for five years and exercisable at certain percentages subsequent to the second anniversary of the grant date.

Information about the Company's employee stock options is described as follows:

	2011 Employee Stock Option Plans	
	Number of Stock Options (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Year ended December 31, 2015</u>		
Balance, beginning of year	2,910	\$ 21.40
Options exercised	(716)	22.91
Options canceled	<u>(124)</u>	23.21
Balance, end of year	<u>2,070</u>	23.20
Balance exercisable, end of year	<u>1,039</u>	
<u>Year ended December 31, 2014</u>		
Balance, beginning of year	4,774	\$ 22.10
Options exercised	(1,522)	21.40
Options canceled	<u>(342)</u>	21.98
Balance, end of year	<u>2,910</u>	21.40
Balance exercisable, end of year	<u>704</u>	

The exercise price of outstanding stock options has been adjusted to reflect the distribution of earnings by the Company in accordance with the plan.

Information about the Company's outstanding stock options was as follows:

<u>December 31, 2015</u>		<u>December 31, 2014</u>	
Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life(Years)	Range of Exercise Price (NT\$)	Weighted-average Remaining Contractual Life(Years)
\$23.20	1.46	\$21.40	2.46

The aforementioned stock options granted on June 14, 2012 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Stock price on grant date (NT\$/share)	\$ 19.42
Exercise price (NT\$/share)	\$ 22.30
Expected volatility	43.73%
Expected life	3.88 years
Expected dividend yield	-
Risk-free interest rate	0.96%

The stock price on grant date was determined based on the market approach. The expected volatility was calculated based on the historical stock prices of the competitor companies of the Company.

Compensation cost of the above stock options recognized was NT\$2,607 thousand and NT\$4,811 thousand for the years ended December 31, 2015 and 2014, respectively.

2) Cash-settled share-based compensation

Cash-settled share-based compensation plan (Stock Appreciation Rights, SARs) was approved by the Company's board of directors on June 14, 2012, and the options may be granted to qualified employees of the Company. The aforementioned SARs are valid for ten years and holders of the SARs could exercise their rights at a cumulative proportion basis after the grant date. The Company shall pay the intrinsic value of the SARs to the employees at the date of exercise.

The Company's SARs plan is described as follows:

	2012 SARs
Grant date	June 14, 2012
SARs granted (in thousand)	2,000
Valid period	10 years
Current turnover rate	-
Future turnover rate (estimated)	-
Exercise price on grant date (NT\$/share)	\$ 49.4

Information about the Company's SARs plan was as follows:

	Number of SARs (In Thousands)	Weighted- average Exercise Price (NT\$)
<u>Year ended December 31, 2015</u>		
Balance, beginning of year	2,000	\$ 48.80
SARs exercised	<u>(1,000)</u>	48.80
Balance, end of year	<u>1,000</u>	47.70
Balance exercisable, end of year	<u>600</u>	47.70
<u>Year ended December 31, 2014</u>		
Balance, beginning of year	<u>2,000</u>	\$ 49.30
Balance, end of year	<u>2,000</u>	48.80
Balance exercisable, end of year	<u>1,200</u>	48.80

The exercise price of outstanding SARs has been adjusted to reflect the distribution of earnings by the Company in accordance with the plan.

The aforementioned SARs were priced using the Black-Scholes pricing model at each balance sheet date, and the inputs to the model were as follows:

	December 31	
	2015	2014
Stock price on measurement date (NT\$/share)	\$ 32.40	\$ 50.91
Exercise price (NT\$/share)	\$ 47.70	\$ 48.80
Expected volatility	44.44%-47.29%	44.81%-49.20%
Expected life	1.45-3.45 years	2.45-4.45 years
Expected dividend yield	-	-
Risk-free interest rate	0.44%-0.56%	0.78%-1.15%

The expected volatility was calculated based on the historical stock prices of the competitor companies of the Company.

The Company reversed and recognized total expenses of NT\$15,807 thousand and NT\$22,433 thousand in respect of the SARs for the years ended December 31, 2015 and 2014, respectively. A total of 1,000 thousand SARs were exercised and the Company wrote off the related compensation liabilities of NT\$11,000 thousand for the year ended December 31, 2015. As of December 31, 2015 and 2014, the Company recognized compensation liabilities of NT\$6,000 thousand and NT\$32,807 thousand, respectively; the total intrinsic value of the vested SARs was NT\$0 and NT\$2,532 thousand, respectively; and the weighted-average remaining contractual life of the SARs was 6.45 years and 7.45 years, respectively.

3) Employee Restricted Stock Plans

On February 3, 2016, the Company's board of directors approved a restricted stock plan for employees with a total amount of NT\$15,000 thousand (expected), consisting of 1,500 thousand shares with a par value of NT\$10 each, for consideration of NT\$0 per share (issued for no consideration). The employee restricted stock plan is subject to the resolution of the shareholders' meeting to be held on June 14, 2016.

21. OPERATING REVENUE

The analysis of the Company's operating revenue was as follows:

	Years Ended December 31	
	2015	2014
Wafer Level Chip Scale Packaging	\$ 2,907,033	\$ 3,028,799
Wafer Level Post Passivation Interconnection	1,946,009	1,879,970
Others	<u>25,046</u>	<u>25,309</u>
	<u>\$ 4,878,088</u>	<u>\$ 4,934,078</u>

22. OTHER OPERATING INCOME AND EXPENSES, NET

	Years Ended December 31	
	2015	2014
Income (expenses) of leased assets		
Rental income	\$ 514,095	\$ 697,958
Depreciation of leased assets	(405,323)	(410,563)
Relocation of machinery and equipment	(27,537)	-
Others	<u>(1,199)</u>	<u>(1,481)</u>
	80,036	285,914
Gain on disposal of property, plant and equipment, net	550	236
Impairment loss on property, plant and equipment	(24,411)	(86,067)
Others	<u>-</u>	<u>(9,162)</u>
	<u>\$ 56,175</u>	<u>\$ 190,921</u>

23. INTEREST INCOME

	Years Ended December 31	
	2015	2014
Interest income-Bank deposits	<u>\$ 4,807</u>	<u>\$ 6,114</u>

24. FINANCE COSTS

	Years Ended December 31	
	2015	2014
Interest expense		
Bank loans	\$ 20,673	\$ 31,219
Others	<u>3,267</u>	<u>2,239</u>
	23,940	33,458
Loss arising on cash flow hedge reclassified from equity to profit or loss	<u>674</u>	<u>500</u>
	<u>\$ 24,614</u>	<u>\$ 33,958</u>

25. OTHER GAINS AND LOSSES

	Years Ended December 31	
	2015	2014
Foreign exchange gain, net	\$ 23,818	\$ 49,819
Proceeds of insurance settlement	80	8,856
Net loss arising on financial instruments designated as at FVTPL	(23,526)	(51,338)
Others	<u>(919)</u>	<u>4,803</u>
	<u>\$ (547)</u>	<u>\$ 12,140</u>

26. INCOME TAX

a. Income tax expense recognized in profit or loss

Income tax expense consisted of the following:

	Years Ended December 31	
	2015	2014
Current income tax expense		
Current tax expense recognized in the current year	\$ 24,634	\$ 71,299
Additional income tax on unappropriated earnings	28,018	12,969
Income tax adjustments on prior years	<u>7,661</u>	<u>4,876</u>
	<u>60,313</u>	<u>89,144</u>
Deferred income tax expense (benefit)		
The origination and reversal of temporary differences	(30,948)	(38,503)
Income tax credits and loss carryforwards	<u>38,101</u>	<u>(19,368)</u>
	<u>7,153</u>	<u>(57,871)</u>
Income tax expense recognized in profit or loss	<u>\$ 67,466</u>	<u>\$ 31,273</u>

A reconciliation of income before income tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31	
	2015	2014
Income before tax	<u>\$ 214,265</u>	<u>\$ 659,926</u>
Income tax expense at the statutory rate (17%)	\$ 36,425	\$ 112,187
Tax effect of adjusting items:		
Deductible items in determining taxable income	31,766	37,967
Tax-exempt income	(8,911)	(30,689)
Additional income tax on unappropriated earnings	28,018	12,969
The origination and reversal of temporary differences	(30,948)	(38,503)
Remeasurement of investment tax credits	3,455	(67,534)
Income tax adjustments on prior years	<u>7,661</u>	<u>4,876</u>
Income tax expense recognized in profit or loss	<u>\$ 67,466</u>	<u>\$ 31,273</u>

b. Deferred income tax balance

The analysis of deferred income tax assets in the balance sheets was as follows:

	December 31	
	2015	2014
Investment tax credits and loss carryforwards	\$ -	\$ 32,350
Temporary differences		
Depreciation	72,102	55,278
Provision for sales returns and allowance	14,130	10,226
Unrealized loss on inventories	3,647	3,072
Others	<u>4,978</u>	<u>1,084</u>
	<u>\$ 94,857</u>	<u>\$ 102,010</u>

Movements of deferred income tax assets were as follows:

	Balance, Beginning of Year	Recognized in Profit or Loss	Balance, End of Year
<u>Year ended December 31, 2015</u>			
Investment tax credits and loss carryforwards	\$ 32,350	\$ (32,350)	\$ -
Temporary differences			
Depreciation	55,278	16,824	72,102
Provision for sales returns and allowance	10,226	3,904	14,130
Unrealized loss on inventories	3,072	575	3,647
Others	<u>1,084</u>	<u>3,894</u>	<u>4,978</u>
	<u>\$ 102,010</u>	<u>\$ (7,153)</u>	<u>\$ 94,857</u>
<u>Year ended December 31, 2014</u>			
Investment tax credits and loss carryforwards	\$ 12,982	\$ 19,368	\$ 32,350
Temporary differences			
Depreciation	18,428	36,850	55,278
Provision for sales returns and allowance	8,609	1,617	10,226
Unrealized loss on inventories	1,296	1,776	3,072
Others	<u>2,824</u>	<u>(1,740)</u>	<u>1,084</u>
	<u>\$ 44,139</u>	<u>\$ 57,871</u>	<u>\$ 102,010</u>

- c. Unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets

Unused loss carryforwards for which no deferred tax assets have been recognized in the balance sheets were as follows:

	December 31	
	2015	2014
<u>Expiry Year</u>		
2022	<u>\$ -</u>	<u>\$ 5,751</u>

- d. Information about tax-exemption

As of December 31, 2015, the profits generated from integrated circuit packaging are exempt from income tax for a five-year period:

	Tax-exemption Period
Third construction and expansion	2015 to 2019

- e. Integrated income tax information

	December 31	
	2015	2014
Balance of the Imputation Credit Account	<u>\$ 191,600</u>	<u>\$ 89,836</u>

The estimated and actual creditable ratio for distribution of the Company's earnings of 2015 and 2014 were 14.61% and 11.77%, respectively; however, effective from January 1, 2015, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66 - 6 of the Income Tax Law.

The imputation credit allocated to shareholders is based on its balance as of the date of the dividend distribution. The estimated creditable ratio may change when the actual distribution of the imputation credit is made.

There were no earnings generated prior to December 31, 1997.

f. Income tax examination

The tax authorities have examined income tax returns of the Company through 2013. All investment tax credit adjustments assessed by the tax authorities have been recognized accordingly.

27. EARNINGS PER SHARE

	Years Ended December 31	
	2015	2014
Basic EPS	<u>\$0.56</u>	<u>\$2.65</u>
Diluted EPS	<u>\$0.56</u>	<u>\$2.60</u>

EPS is computed as follows:

	Amounts (Numerator)	Number of Shares (Denominator) (In Thousands)	EPS (NT\$)
<u>Year ended December 31, 2015</u>			
Basic EPS			
Net income available to common shareholders	\$ 146,799	261,574	<u>\$0.56</u>
Effect of dilutive potential common share	<u>-</u>	<u>2,691</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common share)	<u>\$ 146,799</u>	<u>264,265</u>	<u>\$0.56</u>
<u>Year ended December 31, 2014</u>			
Basic EPS			
Net income available to common shareholders	\$ 628,653	237,258	<u>\$2.65</u>
Effect of dilutive potential common share	<u>-</u>	<u>4,551</u>	
Diluted EPS			
Net income available to common shareholders (including effect of dilutive potential common share)	<u>\$ 628,653</u>	<u>241,809</u>	<u>\$2.60</u>

If the Company offered to settle the obligation by cash or by issuing shares, the profit sharing bonus to employees which will be settled in shares were included in the weighted average number of shares outstanding in the calculation of diluted EPS, as the shares have a dilutive effect. The number of shares is estimated by dividing the amount of the profit sharing bonus to employees in stock by the fair value of the common shares at the end of the reporting period. Such dilutive effect of the potential shares is included in the calculation of diluted EPS until the profit sharing bonus to employees to be settled in the form of common stocks is approved in the following year.

28. ADDITIONAL INFORMATION OF EXPENSES BY NATURE

Net income included the following items:

	Years Ended December 31	
	2015	2014
a. Depreciation of property, plant and equipment		
Recognized in operating costs	\$ 828,830	\$ 867,980
Recognized in operating expenses	13,661	11,031
Recognized in other operating income and expenses	<u>405,323</u>	<u>410,563</u>
	<u>\$ 1,247,814</u>	<u>\$ 1,289,574</u>
b. Amortization of intangible assets		
Recognized in operating costs	\$ 11,351	\$ 9,281
Recognized in operating expenses	<u>24,978</u>	<u>17,596</u>
	<u>\$ 36,329</u>	<u>\$ 26,877</u>
c. Research and development costs expensed as incurred	<u>\$ 359,845</u>	<u>\$ 276,680</u>
d. Employee benefits expenses		
Post-employment benefits (Note 18)		
Defined contribution plans	\$ 57,554	\$ 50,932
Defined benefit plans	<u>(56)</u>	<u>88</u>
	<u>57,498</u>	<u>51,020</u>
Share-based payments		
Cash-settled	(15,807)	22,433
Equity-settled	<u>63,371</u>	<u>4,811</u>
	<u>47,564</u>	<u>27,244</u>
Other employee benefits	<u>1,528,594</u>	<u>1,396,442</u>
	<u>\$ 1,633,656</u>	<u>\$ 1,474,706</u>
Employee benefits expense summarized by function		
Recognized in operating costs	\$ 1,328,044	\$ 1,169,403
Recognized in operating expenses	<u>305,612</u>	<u>305,303</u>
	<u>\$ 1,633,656</u>	<u>\$ 1,474,706</u>

Under the Company Act as amended in May 2015, the Company's Articles of Incorporation should stipulate a fixed amount or ratio of annual profit to be distributed as profit sharing bonus to employees. The Company expects to make amendments to the Company's Articles of Incorporation to be approved during the 2016 annual shareholders' meeting.

The Company accrued profit sharing bonus to employees, bonus and compensation to directors based on a percentage of income before income tax (before profit sharing bonus to employees, bonus and compensation to directors during the period under the amended Company Act), which amounted to NT\$23,765 thousand (including NT\$1,800 thousand compensation to independent directors) for the year ended December 31, 2015.

The Company accrued profit sharing bonus to employees, bonus and compensation to directors based on a certain percentage of net income (net of profit sharing bonus to employees, bonus and compensation to directors, legal reserve and special reserve during the period), which amounted to NT\$88,987 thousand (including NT\$1,800 thousand compensation to independent directors) for the year ended December 31, 2014.

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. If a share bonus is resolved by the shareholders' meeting to be distributed to employees, the number of shares is determined by the closing price (after considering the effect of cash and stock dividends) of the shares on the day immediately preceding the shareholders' meeting after the Company became a listed company on the Taipei Exchange; the number of shares is determined by the fair value of shares which is determined by valuation technique before the Company became a listed company on the Taipei Exchange.

The profit sharing bonus to employees, bonus and compensation to directors for 2014 and 2013 which have been approved in the shareholders' meetings on June 16, 2015 and June 12, 2014, respectively, were as follows:

	Profit Sharing Bonus in Cash	
	Years Ended December 31	
	2014	2013
Profit sharing bonus to employees	\$ 84,787	\$ 38,957
Bonus and compensation to directors	<u>4,200</u>	<u>5,194</u>
	<u>\$ 88,987</u>	<u>\$ 44,151</u>

There was no difference between the above amounts approved in shareholders' meetings and the amounts recognized in the financial statements for the years ended December 31, 2014 and 2013, respectively.

The profit sharing bonus to employees, bonus and compensation to directors for 2015 had been proposed by the Company's board of directors on February 3, 2016 were as follows:

	Compensation in cash
Profit sharing bonus to employees	\$ 19,675
Bonus and compensation to directors	<u>4,090</u>
	<u>\$ 23,765</u>

There is no significant difference between the aforementioned proposed amounts and the amounts charged against earnings of 2015. The appropriations of profit sharing bonus to employees, bonus and compensation to directors for 2015 are to be presented for approval in the Company's shareholders' meeting to be held on June 14, 2016 (expected).

The information about the appropriations of the Company's profit sharing bonus to employees, bonus and compensation to directors is available at the Market Observation Post System website.

29. CAPITAL MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividend payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

30. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	<u>December 31</u>	
	2015	2014
<u>Financial assets</u>		
FVTPL		
Held for trading derivatives	\$ -	\$ 389
Loans and receivables		
Cash and cash equivalents	824,386	806,445
Accounts receivable, net (including related parties)	584,784	939,085
Other receivables from related parties	27,720	-
Other receivables	672	2,697
Refundable deposits	<u>9,271</u>	<u>8,904</u>
	<u>\$ 1,446,833</u>	<u>\$ 1,757,520</u>
<u>Financial liabilities</u>		
FVTPL		
Held for trading derivatives	\$ 5,423	\$ 12,644
Derivative financial instruments in designated hedge accounting relationships	1,774	823
Measured at amortized cost		
Accounts payable	277,606	287,046
Payables to contractors and equipment suppliers	424,941	460,129
Accrued expenses and other current liabilities	274,036	287,957
Long-term borrowings	<u>1,385,000</u>	<u>2,662,500</u>
	<u>\$ 2,368,780</u>	<u>\$ 3,711,099</u>

b. Financial risk management objectives and policies

The Company seeks to ensure sufficient cost-efficient funding readily available when needed. The Company manages its exposure to foreign currency risk, interest rate risk, credit risk and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by Board of Directors in accordance with procedures required by relevant regulations and internal controls. During the implementation of such plans, the treasury function must comply with certain treasury procedures that provide guiding principles for overall financial risk management and segregation of duties.

c. Market risk

The Company is exposed to the market risks arising from changes in foreign exchange rates, interest rates, and utilizes some derivative financial instruments to reduce the related risks.

Foreign currency risk

Most of the Company's operating activities are denominated in foreign currencies. Consequently, the Company is exposed to foreign currency risk. To protect against reductions in value and the volatility of future cash flows caused by changes in foreign exchange rates, the Company utilizes derivative financial instruments, including currency forward contracts, to hedge its currency exposure. These instruments help to reduce, but do not eliminate, the impact of foreign currency exchange rate movements.

The Company's sensitivity analysis to foreign currency risk mainly focuses on the foreign currency monetary items at the end of the reporting period. Assuming an unfavorable 10% movement in the levels of foreign exchanges against the New Taiwan dollar, the net income for the years ended December 31, 2015 and 2014 would have increased/decreased by NT\$916 thousand and NT\$4,264 thousand, respectively, after taking into consideration of the hedging contracts and the hedged items.

Interest rate risk

Variable-rate long-term bank borrowings cause the Company to be exposed to cash flow interest rate risk, but not fair value interest rate risk. Consequently, the Company entered into interest rate swap contracts to mitigate the risk of changes in interest rates on cash flow.

The Company's analysis of sensitivity to interest rate risk is prepared assuming the amount of the variable-rate long-term bank borrowings outstanding at the end of the reporting period was outstanding for the whole year. If interest rates had been 100 basis points (1%) higher and all other variables were held constant, the Company's interest expense, net of income tax, for the years ended December 31, 2015 and 2014 would have been higher by NT\$7,346 thousand and NT\$17,949 thousand, respectively.

d. Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company is exposed to credit risk from operating activities, primarily accounts receivable, and from investing activities, primarily deposits with banks. As of the balance sheet date, the Company's maximum credit risk exposure is mainly from the carrying amount of financial assets recognized in the balance sheet.

Business related credit risk

The Company has considerable accounts receivable outstanding with its customers worldwide. A substantial majority of the Company's outstanding accounts receivable are not covered by collateral or credit insurance. While the Company has procedures to monitor and limit exposure to credit risk on accounts receivable, there can be no assurance such procedures will effectively limit its credit risk and avoid losses.

The Company's concentration of credit risk of 62% and 72% in total accounts receivables as of December 31, 2015 and 2014, respectively, was related to the Company's two largest customers.

Financial credit risk

The Company regularly monitors and reviews the transaction limit applied to counterparties and adjusts the concentration limit according to market conditions and the credit standing of the counterparties. The Company mitigates its exposure by selecting creditworthy financial institutions.

e. Liquidity risk management

The objective of liquidity risk management is to ensure the Company has sufficient liquidity to fund its business requirements. The Company manages its liquidity risk by maintaining adequate cash and banking facilities.

The Company relies on bank borrowings as a significant source of liquidity. As of December 31, 2015 and 2014, the unused financing facilities of the Company amounted to NT\$4,244,647 thousand and NT\$3,059,207 thousand, respectively.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments, including principal and interest.

	Less Than 1 Year	2-3 Years	4-5 Years	5+ Years	Total
<u>December 31, 2015</u>					
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 277,606	\$ -	\$ -	\$ -	\$ 277,606
Payables to contractors and equipment suppliers	424,941	-	-	-	424,941
Accrued expenses and other current liabilities	274,036	-	-	-	274,036
Long-term borrowings	350,335	1,062,140	-	-	1,412,475
	<u>1,326,918</u>	<u>1,062,140</u>	<u>-</u>	<u>-</u>	<u>2,389,058</u>
<u>Derivative financial liabilities</u>					
Forward exchange contracts					
Outflows	689,479	-	-	-	689,479
Inflows	(684,056)	-	-	-	(684,056)
	<u>5,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,423</u>
Interest rate swap contracts					
Outflows	5,297	-	-	-	5,297
Inflows	(3,846)	-	-	-	(3,846)
	<u>1,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,451</u>
	<u>\$ 1,333,792</u>	<u>\$ 1,062,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,395,932</u>
<u>December 31, 2014</u>					
<u>Non-derivative financial liabilities</u>					
Accounts payable	\$ 287,046	\$ -	\$ -	\$ -	\$ 287,046
Payables to contractors and equipment suppliers	460,129	-	-	-	460,129
Accrued expenses and other current liabilities	287,957	-	-	-	287,957
Long-term borrowings	307,730	1,792,342	633,044	-	2,733,116
	<u>1,342,862</u>	<u>1,792,342</u>	<u>633,044</u>	<u>-</u>	<u>3,768,248</u>
<u>Derivative financial liabilities</u>					
Forward exchange contracts					
Outflows	821,704	-	-	-	821,704
Inflows	(809,449)	-	-	-	(809,449)
	<u>12,255</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,255</u>
Interest rate swap contracts					
Outflows	5,540	5,297	-	-	10,837
Inflows	(4,440)	(4,245)	-	-	(8,685)
	<u>1,100</u>	<u>1,052</u>	<u>-</u>	<u>-</u>	<u>2,152</u>
	<u>\$ 1,356,217</u>	<u>\$ 1,793,394</u>	<u>\$ 633,044</u>	<u>\$ -</u>	<u>\$ 3,782,655</u>

f. Fair value of financial instruments

1) Fair value of financial instruments carried at amortized cost

The Company considers that the carrying amounts of financial assets and financial liabilities carried at amortized cost recognized in the financial statements approximate their fair values.

2) Fair value measurements recognized in the balance sheets

The Company's financial assets and liabilities are measured at fair value. The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 inputs are unobservable inputs for the asset or liability.

	December 31, 2015			
	Level 1	Level 2	Level 3	Total
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 5,423	\$ -	\$ 5,423
<u>Hedging derivative financial liabilities</u>				
Interest rate swap contracts	\$ -	\$ 1,774	\$ -	\$ 1,774
	December 31, 2014			
	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 389	\$ -	\$ 389
<u>Financial liabilities at FVTPL</u>				
Derivative financial instruments	\$ -	\$ 12,644	\$ -	\$ 12,644
<u>Hedging derivative financial liabilities</u>				
Interest rate swap contracts	\$ -	\$ 823	\$ -	\$ 823

There were no transfers between Level 1 and Level 2 of the fair value hierarchy for the years ended December 31, 2015 and 2014, respectively.

There were no purchases and disposals for financial assets on Level 3 for the years ended December 31, 2015 and 2014, respectively.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

Forward exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair values of other financial assets and financial liabilities were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

31. RELATED PARTY TRANSACTIONS

The transactions between the Company and its related parties are summarized as follows:

a. Operating transactions

	<u>Operating Revenue, Net</u>		<u>Manufacturing Overhead</u>	
	<u>Years Ended December 31</u>		<u>Years Ended December 31</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Investors that have significant influence over the Company	\$ 2,923,500	\$ 3,158,150	\$ 882	\$ 2,034
Other related parties	<u>-</u>	<u>-</u>	<u>32</u>	<u>151</u>
	<u>\$ 2,923,500</u>	<u>\$ 3,158,150</u>	<u>\$ 914</u>	<u>\$ 2,185</u>

	<u>Operating Expenses</u>		<u>Rental Income</u>	
	<u>Years Ended December 31</u>		<u>Years Ended December 31</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Investors that have significant influence over the Company	\$ 22,392	\$ 5,304	\$ 513,342	\$ 697,958
Other related parties	<u>1,693</u>	<u>1,089</u>	<u>753</u>	<u>-</u>
	<u>\$ 24,085</u>	<u>\$ 6,393</u>	<u>\$ 514,095</u>	<u>\$ 697,958</u>

	<u>Purchases</u>	
	<u>Years Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Investors that have significant influence over the Company	<u>\$ 878</u>	<u>\$ 2,127</u>

	<u>Acquisition Price of Property, Plant and Equipment</u>	
	<u>Years Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Investors that have significant influence over the Company	\$ -	\$ 23,447
Other related parties	<u>-</u>	<u>757</u>
	<u>\$ -</u>	<u>\$ 24,204</u>

**Proceeds from Disposal of
Property, Plant and Equipment**

	Years Ended December 31	
	2015	2014
Investors that have significant influence over the Company	\$ 26,149	\$ -
Other related parties	<u>22,151</u>	<u>-</u>
	<u>\$ 48,300</u>	<u>\$ -</u>

**Gains on Disposal of Property,
Plant and Equipment**

	Years Ended December 31	
	2015	2014
Investor that have significant influence over the Company	\$ 11,073	\$ -
Other related parties	<u>10,144</u>	<u>-</u>
	<u>\$ 21,217</u>	<u>\$ -</u>

The outstanding balances at the end of reporting period are as follows:

Receivables from Related Parties

	December 31	
	2015	2014
Investors that have significant influence over the Company	<u>\$ 240,676</u>	<u>\$ 673,319</u>

**Other Receivables from Related
Parties**

	December 31	
	2015	2014
Investors that have significant influence over the Company	\$ 27,632	\$ -
Other related parties	<u>88</u>	<u>-</u>
	<u>\$ 27,720</u>	<u>\$ -</u>

Other Current Assets

	December 31	
	2015	2014
Investors that have significant influence over the Company	<u>\$ 59</u>	<u>\$ 792</u>

Accounts Payable

	December 31	
	2015	2014
Investors that have significant influence over the Company	<u>\$ -</u>	<u>\$ 517</u>

	Accrued Expenses and Other Current Liabilities	
	December 31	
	2015	2014
Investors that have significant influence over the Company	\$ 1,036	\$ 683
Other related parties	<u>507</u>	<u>380</u>
	<u>\$ 1,543</u>	<u>\$ 1,063</u>

The prices and terms of sales to and purchases from related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

The Company leased property, plant and equipment to related parties. The lease terms and prices were both determined in accordance with mutual agreements. The rental income was received quarterly or monthly; the related rental income of leased assets was recognized under other operating income and expenses.

b. Compensation of key management personnel:

The compensation to directors and other key management personnel for the Years ended December 31, 2015 and 2014 were as follows:

	Years ended December 31	
	2015	2014
Short-term employee benefits	\$ 32,964	\$ 44,367
Post-employment benefits	648	729
Share-based payments	<u>(13,048)</u>	<u>23,398</u>
	<u>\$ 20,564</u>	<u>\$ 68,494</u>

The compensation to directors and other key management personnel were determined by the Compensation Committee of the Company in accordance with the individual performance and the market trends.

32. PLEDGED ASSETS

The following assets were provided as collateral for long-term bank borrowings:

	Years Ended December 31	
	2015	2014
Pledged machinery and equipment	<u>\$ 571,360</u>	<u>\$ 684,708</u>

33. OPERATING LEASE ARRANGEMENTS

The Company leases several parcels of plants and offices from the Jhongli Industrial Park. These operating leases expire between March 2016 and December 2020. The lease agreement can be renewed upon expiration, and Jhongli Industrial Park can adjust annual rental amounts by lease agreement.

The Company expensed the lease payments as follows:

	Years Ended December 31	
	2015	2014
Minimum lease payments	<u>\$ 56,384</u>	<u>\$ 51,955</u>

Future minimum lease payments under the above non-cancellable operating leases are as follows:

	December 31	
	2015	2014
Not later than 1 year	\$ 47,004	\$ 45,789
Later than 1 year and not later than 5 years	80,945	97,320
Later than 5 years	<u>-</u>	<u>3,187</u>
	<u>\$ 127,949</u>	<u>\$ 146,296</u>

34. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant contingent liabilities and unrecognized commitments of the Company as of the end of the reporting period, excluding those disclosed in other notes, were as follows:

a. In June 2000, the Company had entered into a technology license agreement with Engineering and IP Advanced Technologies Ltd. (formerly ShellCase Ltd.). According to the agreement, the Company should pay license fee by instalments, which was fully paid as of June 2001. Such license fee was recognized in acquired special technology under intangible assets and was amortized over 20-year useful life. Besides, from April 2003 to April 2015 with a period of 12 years, the Company paid royalties at specific percentages of sales amount of identified products under the agreement.

b. As of December 31, 2015 and 2014, unused letters of credit for purchases of machinery and equipment amounted to NT\$3,593 thousand and NT\$4,243 thousand, respectively.

c. The amounts that the Company has committed to purchase property, plant and equipment were NT\$220,604 thousand.

35. EXCHANGE RATE INFORMATION OF FOREIGN-CURRENCY FINANCIAL ASSETS AND LIABILITIES

The significant financial assets and financial liabilities denominated in foreign currencies were as follows:

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount (In Thousands)
<u>December 31, 2015</u>			
<u>Financial assets</u>			
Monetary items			
USD	\$ 26,341	32.895	\$ 866,476
JPY	46,264	0.2727	12,616
EUR	648	35.88	23,254
CHF	139	33.19	4,612

(Continued)

	Foreign Currencies (In Thousands)	Exchange Rate (Note)	Carrying Amount (In Thousands)
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 5,699	32.895	\$ 187,456
JPY	46,264	0.2727	12,616
EUR	664	35.88	23,827
CHF	139	33.19	4,612

December 31, 2014

Financial assets

Monetary items			
USD	32,882	31.604	1,039,207
JPY	21,090	0.2646	5,580
EUR	1,451	38.47	55,831
CHF	178	31.98	5,681

Financial liabilities

Monetary items			
USD	5,256	31.604	166,126
JPY	21,126	0.2646	5,590
EUR	1,451	38.47	55,831
CHF	178	31.98	5,681
			(Concluded)

Note: Exchange rate represents the number of N.T. dollars for which one foreign currency could be exchanged.

The significant (realized and unrealized) foreign exchange gain (loss) was as follows:

Foreign Currencies	Years Ended December 31			
	2015		2014	
	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
USD	32.895	\$ 23,351	31.604	\$ 49,496
JPY	0.2727	441	0.2646	(36)
EUR	35.88	13	38.47	369
CHF	33.19	<u>13</u>	31.98	<u>(10)</u>
		<u>\$ 23,818</u>		<u>\$ 49,819</u>

36. OPERATING SEGMENT INFORMATION

a. Operating segments

The Company operates in individual industry on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The basis for the measurement of the operating segment profit (loss), assets and liabilities is the same as that for the preparation of financial statements. Please refer to the financial statements for the related operating segment information.

b. Geographic operating revenue information

<u>Region</u>	Years Ended December 31	
	2015	2014
Taiwan	\$ 2,112,030	\$ 2,069,314
United States	1,309,416	1,528,052
Europe	1,068,168	650,535
Asia	<u>388,474</u>	<u>686,177</u>
	<u>\$ 4,878,088</u>	<u>\$ 4,934,078</u>

The geographic information is presented by billed regions. Non-current assets were all placed in Taiwan, so the disclosure of non-current asset information was not required.

c. Production information

Production	Years Ended December 31	
	2015	2014
Wafer Level Chip Scale Packaging	\$ 2,907,033	\$ 3,028,799
Wafer Level Post Passivation Interconnection	1,946,009	1,879,970
Others	<u>25,046</u>	<u>25,309</u>
	<u>\$ 4,878,088</u>	<u>\$ 4,934,078</u>

d. Major customers representing at least 10% of operating revenue

	Years Ended December 31			
	2015		2014	
	Amount	%	Amount	%
Customer A	\$ 1,812,248	37	\$ 1,732,290	35
Customer B	1,209,191	25	1,425,860	29
Customer C	1,015,974	21	667,339	14
Customer D	323,443	7	476,558	10

37. ADDITIONAL DISCLOSURES

a. Significant transactions

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

b. Information on investees: None;

c. Information on investments in mainland China: None.

E. Consolidated Financial Statements and Independent Auditors' Report: None

F. The Financial Impact to the Company due to Company or Affiliate Companies Financial Difficulties: None

VII. Financial Position, Operating Results and Risk Management

A. Financial Position

Unit: NT\$, in Thousands

Item \ Year	2015	2014	Difference	
			Amount	%
Current assets	1,771,461	2,035,251	(263,790)	(12.96)
Property, plant and equipment	6,561,638	6,591,778	(30,140)	(0.46)
Intangible assets	81,986	87,437	(5,451)	(6.23)
Other assets	104,128	112,803	(8,675)	(7.69)
Total assets	8,519,213	8,827,269	(308,056)	(3.49)
Current liabilities	1,592,892	1,760,450	(167,558)	(9.52)
Non current liabilities	1,074,440	2,412,576	(1,338,136)	(55.47)
Total liabilities	2,667,332	4,173,026	(1,505,694)	(36.08)
Capital stock	2,688,761	2,381,207	307,554	12.92
Capital Surplus	1,580,613	547,724	1,032,889	188.58
Retained earnings	1,584,281	1,726,135	(141,854)	(8.22)
Other equity	(1,774)	(823)	(951)	115.55
Total equity	5,851,881	4,654,243	1,197,638	25.73

Items will be analyzed and explained if ratio changed more than $\pm 20\%$ and changed amount excess NT\$10 millions:

1. Noncurrent liabilities and total liabilities decreased was mainly due to issue of new shares for cash and repayment of long-term bank loans.
2. Capital surplus and total equity increased was mainly due to issue of new shares for cash at a premium.

B. Financial Performance

1. Financial Performance in Most Recent 2 Years:

Unit: NT\$, in Thousands

Item \ Year	2015	2014	Difference	%
Operating revenues	4,878,088	4,934,078	(55,990)	(1.13)
Operating costs	4,186,717	3,985,874	200,843	5.04
Gross profit	691,371	948,204	(256,833)	(27.09)
Operating expense	512,927	463,495	49,432	10.67
Other revenue and expense	56,175	190,921	(134,746)	(70.58)
Income from operation	234,619	675,630	(441,011)	(65.27)
Non-operating income and expense	(20,354)	(15,704)	(4,650)	29.61
Income before income tax	214,265	659,926	(445,661)	(67.53)
Income tax	(67,466)	(31,273)	(36,193)	115.73
Net income	146,799	628,653	(481,854)	(76.65)
<p>Items will be analyzed and explained if ratio changed more than $\pm 20\%$ and changed amount excess NT\$10 millions:</p> <ol style="list-style-type: none"> 1. Gross margin decreased was mainly due to 300mm capacity built up in 2015 and cost continually occurred but benefit hadn't yet happened. 2. Other revenue and expense decreased was due to decrease in rental income of NT\$205,878 thousands and decrease in impairment loss of NT\$61,656 thousands. 3. Income from operation, income before income tax and net income decreased was mainly due to 300mm capacity built up in 2015 and cost continually occurred but benefit hadn't yet happened. Another reason was rental income decreased. 4. Income tax increased was due to (1) NT\$ 15,049 thousands of additional income tax on unappropriated earnings in 2015 ; (2) recognized deferred income tax benefit in 2014 for expected future performance improve. 				

2. Sales Volume Forecast and Related Information, Major Impact and Future Plan on Financial Performance

(1) Depending on macroeconomic, industry trend, future direction, the revenue will grow up slightly, compare to 2015.

(2) Major Impact and Future Plan on Financial Performance: None.

C. Cash Flow

1. Analysis of Cash Flow

Unit: NT\$, in Thousands

Item \ Year	2015	2014	Difference	%
Operating activities	1,666,018	1,196,897	469,121	39.19
Investing activities	(1,336,744)	(1,844,684)	507,940	(27.54)
Financial activities	(311,333)	423,090	(734,423)	(173.59)
Total	17,941	(224,697)	242,638	(107.98)

1. Cash flow from operating activities increased was mainly due to decrease in guarantee deposits in 2014.

2. Cash flow from investing activities decreased was mainly due to decrease in capital expenditures.

3. Cash flow from financial activities decreased was mainly due to increase in repayment of long-term bank loans of NT\$1,830,625 thousands, issue of new shares for cash of NT\$1,260,000 thousands, increased in cash dividends of NT\$145,724 thousands.

2. Remedial Actions for Liquidity Shortfall

Cash flow generated from operation and long term debt. Not applicable for liquidity shortfall.

3. Cash Flow Projection for Next Year

Unit: NT\$, in Thousands

Cash Balance 2015/12/31	Net cash provided by operating activities in 2016	Net cash used in investing and financing activities in 2016	Cash Balance 2016/12/31	Remedy for Liquidity Shortfall	
				Investme nt Plan	Financing Plan
824,386	549,203	(514,566)	859,023	—	Bank loans

1. Analysis of cash flow for 2016:

(1) Cash provided by operating activities was mainly from cash receipted from customers.

(2) Cash used in investing and financing activities was mainly due to capital expenditures.

2. Remedial actions for cash shortfall and liquidity analysis: increase bank loans ◦

D. Major Capital Expenditure

Capital expenditure was to expand production equipment in 2015, which cash flow generated from operation and long term debt. There was no unfavorable impact on the finance and operation.

E. Long Term Investment: Not applicable.

F. Risk Management

1. Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures:

(1) Interest Rate Fluctuation

The interest rate was in the rising trend recently and it is impacted the Company's profit and loss. The interest revenue was increased with the rising interest rate and also the interest expense was. To avoid the higher interest rate in the future and the uncertainty of the financing cost, the Company entered into interest rate swap contracts to mitigate the risk of changes in interest rates on the cash flow exposure related to the outstanding variable rate debt. The net impact to the Company's profit and loss was not significant.

If interest rates had been 100 basis points (1%) higher and all other variables were held constant, the Company's interest expense, net of income tax, for the year of 2015 would have been higher by NT\$7,346 thousands.

(2) Foreign Exchange Volatility

The Company's revenues were mainly denominated in US dollars, and some of the manufacturing costs were denominated in currencies other than NT dollars. Therefore, any significant fluctuation to its disadvantage in such exchange rates would have an adverse effect on the Company's profit and loss. The Company utilizes derivative financial instruments, including currency forward contracts and cross currency swaps, to partially hedge its currency exposure. For more derivative transactions information, please refer to pages 134 of the Annual Report.

(3) Inflation Volatility

Faced with oil and electricity power price raising pressure, the Company monitors the supply status of the raw material, seeks the second source of the both good quality and price advantage, and improves the manufacturing process and products yield, and cost reduction to reduce the impact of rising prices.

2. Risks Associated with High-risk/high-leveraged Investment; Lending, Endorsements, and Guarantees for Other Parties; and Financial Derivative Transactions:

The Company did not make high-risk or high-leveraged financial investments, loan to other parties, either the endorsements recently. The nature of the derivative transactions that Xintec entered into were strictly for hedging purposes to hedge foreign currency exposure. To control various types of financial transactions, The Company has established internal policies and procedures based on sound

financial and business practices, all in compliance with the relevant rules and regulations issued by the Taiwan Securities and Futures Bureau. The policies and procedures are “Procedures for Lending Funds to Other Parties”, “Procedures for Acquisition or Disposal of Assets,” (“Policies and Procedures for Financial Derivative Transactions” included) and “Procedures for Endorsement and Guarantee”.

3. Future Research & Development Projects and Corresponding Budget:

In order to accelerate the development of advanced optical wafer-level packaging technology to expand in high-end image sensors used in mobile phones market, the future will focus on opening the package type through-silicon via (TSV) application, 3D wafer in a variety of optical sensor elements packaging technology (3D IC package) package and a new generation of improved through-silicon via (TSV CSP) and other wafer-level packaging technology research and development, innovation and wafer-level packaging technology will expand its product line and services to micro-electromechanical (MEMS), power field effect transistors, power control and analog components and other products. The budget for R&D expense will be NT\$ 352,425 thousands on 2016.

4. Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales:

The Company consistently pays close attention to any changes in Policies and Regulations Relating to Corporate Finance and Sales. Changes in related laws during 2015 have not had a significant impact on our operations.

5. Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales:

The Company carefully monitors market trends and assesses the impact they may have on the company's operations and attaches great importance to improvements in technology.

6. The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures:

The company attaches great importance to preparing for emergency management in natural or manmade disasters (like typhoon, earthquake, environmental pollution, communication outage, labor strike, shortage of raw material and of public supplies of water, gas and electricity, etc.). A comprehensive plan of emergency response has already been formulated, which specifies relevant procedures in setting up an emergency response team to cope with disasters. In an emergency, we can follow the plan to thoroughly analyze the cause of the

incident and its consequence and then explore alternative schemes and relevant solutions in different circumstances; besides, the plan will also give us guidance in formulating appropriate precautionary measures and disaster recovery strategies. In this way, we can survive an emergency while keeping damages from personnel injury, service interruption and financial impact to a minimum and maintaining the smooth operation of the company. Up to the printing date of this Annual Report, the company has not been faced with risks which may have a major impact on the daily operation and on the corporate image.

7. Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans: None.

8. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans: please refer to pages 147 of the Annual Report.

9. Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration:

The Company procured raw materials from different suppliers as far as possible to ensure the smooth supply of raw materials and reduce the risk of centralized purchasing. Although the Company still made part of the raw materials from a single supplier, but the Company will continue to look for other suppliers to reduce the risk of centralized purchasing.

The largest customer, TSMC Group's net sales accounted for 37% of the company's sales of 2015, and decline to 36% as of March 31, 2016. The company will continue to actively develop new markets and new customers and maintain a good relationship with the existing customers continue to reduce risk.

10. Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%:

The price of the Company's stock may be impacted by possible future sales of the Company's shares owned by the major shareholders.

For the Company's IPO, the major shareholder and Directors sold their Xintec's shares for green show. The Director, TSMC, obtained 10.2% Xintec ownership from its purchase of OmniVision Technologies, Inc.'s 49.1% ownership in VisEra Holding Cayman, Ltd. and 100% ownership in Taiwan OmniVision Investment Holding Co. Inc. (renamed as Chi Cherng Investment Co., Ltd.) on November 20, 2015. Of the above 10.2% Xintec ownership, 5.1% was sold on November 30, 2015. The remaining 5.1% was sold on April 8, 2016. After the Xintec shares sales, TSMC will remain as the largest shareholder of Xintec with

approximately 41% ownership after the Xintec shares sold. TSMC announces to continue its close collaboration with Xintec in the business areas of CMOS image sensor, MEMS, and etc.

11. Effects of, Risks Relating to and Response to the Changes in Management Rights: None

12. Litigation or Non-litigation Matters

(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit

a. Civil Litigation for Returning the Purchase Payment

(a) Feng Hua Matter

The Company ordered several chip tray rotating machines in an amount equal to NT\$3,150,000 (tax included) with Fen Hua Technology Corporation ("Feng Hua"), and has already paid an 80% deposit in an amount equal to NT\$2,520,000 (tax included). But because Feng Hua was unable to provide the chip wafer rotating machines in accordance with the specification as stated in the purchase order, the Company provided Feng Hua a cancellation notice on December 31, 2013, and filed a civil law suit demanding the refund of the deposit with interest with Taiwan Taoyuan District Court on January 10, 2014. The Company has lost at the Taiwan Taoyuan District Court, because we already paid the 80% deposit, therefore we are ordered to pay the remaining 20% payment. This matter has no material effect to the Company's finance or operation.

(b) Yi Bao Matter

The Company ordered a LAM 4528 Etcher machine in an amount equal to NT\$394,000 (tax included) with Yi Bao Technology Corporation ("Yi Bao"), and has already paid a 90% deposit in an amount equal to NT\$354,000 (tax included) to Yi Bao. But because Yi Bao was unable to provide the LAM 4528 Etcher machine in accordance with the Company's specification, continued demanding extensions, and were unable to correct the unconformity, the Company provided Yi Bao a notification notice to correct the unconformity on February 19, 2014, of which Yi Bao rejected our demand. As a result, the Company provided Yi Bao with a cancellation notice on March 10, 2014, and filed a civil law suit with Taiwan Taoyuan District Court demanding the refund of the deposit on March 31, 2014. Yi Bao has lost in Taiwan Taoyuan District Court on July 3, 2014 and filed an appeal on July 28, 2014, Due to its failure to pay the court cost in time, however, the Court of Second Instant has rejected its claim on September 9, 2014, and Yi Bao has failed to file an appeal during the statutory time limit for appeal. We have obtained the verdict and have

filed a motion for compulsory enforcement of the verdict accordingly. The parties have reached a settlement on April 10, 2015, therefore the Company withdrew its motion for compulsory enforcement of the verdict. Unfortunately, Yi Bao so far has failed to carry out its obligation as of today, as a result we have filed a motion for compulsory enforcement of the verdict again. This matter has no material effect to the Company's finance or operation.

(c) B.F.L. International Co., Ltd. Matter

The Company ordered a thermal shock tester in an amount equal to NT\$997,500 (tax included) with Bei Fuli International Co., Ltd. ("B.F.L."), and has already paid the full amount. But because B.F.L. was unable to provide the thermal shock tester in accordance with the specification as stated in the purchase order the machine could not pass inspection. The Company has demanded B.F.L. to correct the unconformity, but so far B.F.L. is unable to do so in the provided time period. Therefore, the Company provided B.F.L. with a cancellation notice on May 28, 2015, and filed a civil law suit demanding the refund of the payment with interest with Taiwan Taoyuan District Court in July, 2015. The Company has lost at the Taiwan Taoyuan District Court on April 18, 2016, therefore we cannot retrieve the payment. This matter has no material effect to the Company's finance or operation.

b. Transactional Matter: None.

As described above, as of today, we have lost two (2) cases and won one (1) case. The litigation matters described above will not cause the Company to be dissolved, amending its organization, capital, operational plan, financial plan, or production, nor would influence the market or damage public interest.

(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors, supervisors or shareholders with over 10% shareholdings

Major ongoing lawsuits, non-lawsuits or administrative lawsuit by the director of the company, TSMC:

- a. In June 2010, Keranos, LLC. filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, and several other leading technology companies infringe three expired U.S. patents. In response, TSMC, TSMC North America, and several co-defendants in the Texas case filed a lawsuit against Keranos in the U.S. District Court for the Northern District of California in November 2010, seeking a judgment declaring that they did not infringe the asserted patents, and that those patents were invalid. These two litigations have been

consolidated into a single lawsuit in the U.S. District Court for the Eastern District of Texas. In February 2014, the Court entered a final judgment in favor of TSMC, dismissing all of Keranos' claims against TSMC with prejudice. Keranos appealed the final judgment to the U.S. Court of Appeals for the Federal Circuit, and in August 2015, the Federal Circuit remanded the case back to the Texas court for further proceedings. The outcome cannot be determined at this time.

- b. In December 2010, Ziptronix, Inc. filed a complaint in the U.S. District Court for the Northern District of California accusing TSMC, TSMC North America and one other company of infringing several U.S. patents. In September 2014, the Court granted summary judgment of noninfringement in favor of TSMC and TSMC North America. Ziptronix, Inc. can appeal the Court's order. In August 2015, Tessera Technologies, Inc. announced it had acquired Ziptronix. The outcome cannot be determined at this time.
- c. In September 2013, Zond Inc. filed a complaint in U.S. District Court for the District of Massachusetts against TSMC, certain TSMC subsidiaries and other companies alleging infringing of several U.S. patents. Subsequently, TSMC and Zond initiated additional legal actions in the U.S. District Courts for the District of Delaware and the District of Massachusetts over several additional patents owned by Zond. In March 2015, all pending litigations between the parties in the U.S. District Courts for the District of Massachusetts and the District of Delaware were dismissed.
- d. In March 2014, DSS Technology Management, Inc. (DSS) filed a complaint in the U.S. District Court for the Eastern District of Texas alleging that TSMC, TSMC North America, TSMC Development and several other companies infringe one U.S. patent. TSMC Development has subsequently been dismissed. In May 2015, the Court entered a final judgment of noninfringement in favor of TSMC and TSMC North America. DSS has appealed the final judgment to the U.S. Court of Appeals for the Federal Circuit. In November 2015, the Patent Trial and Appeal Board (PTAB) determined after concluding an Inter Partes Review that the patent claims asserted by DSS in the District Court litigation are unpatentable. DSS appealed the PTAB's decision in January 2016. The outcome cannot be determined at this time.

As described above, TSMC's litigations are causing from commercial acts and there is no relationship with us, it has no materially affect shareholders' equity or the prices of the company's securities.

13. Other Major Risks: None.

G. Other Important Matters: None

VIII. Corporate Social Responsibility

Xintec Inc. pursues sustainable enterprise development based on the principal of “integrity, innovation, and customer focus.” In addition to our core expertise, we also believe in practicing sound management to safeguard employees’ and shareholders’ interests and achieving transparency by establishing clear communication channels with our partners. We have set 2016 as the beginning and first year for the Corporate Sustainable Development project, and have formally established our Corporate Social Responsibility Committee. This committee shall be responsible in establishing various social responsibility plans that will foster and develop policies that will focus on our customers, protect our environment and human rights, and manage our suppliers.

Our core business is wafer level packaging. As a member of the semiconductor industry, we warrant and declare that we shall follow the code of conduct as stated below: We are committed to:

1. Respect employees’ right to choose his or her employment, and forbid any or all forms of forced labor.
2. Not use any child labor.
3. Offer reasonable salary and benefit package.
4. Respect employees’ basic human rights and restrict any forms or acts of harassment, discrimination, or humiliation.
5. Respect applicable local laws relating to employees’ freedom of association and collective bargaining.
6. Provide a safe and healthy working environment.
7. Reduce the impact on our community, environment, and natural resources.
8. Comply with regulations and business ethics code of conduct, as well as meet customer requirements.
9. Protect the confidentiality of customers’, suppliers’, and employees’ personal information.
10. Continue the policy of not buying conflict minerals.

We will request all our partners who provide products or services to us to support the above policy. We will conduct unscheduled audits to our suppliers to ensure they follow the applicable policies and codes of conduct.

Chairman of Board: Robert Kuan

September 16, 2015

IX. Special Notes

A. Affiliated Information: None.

B. Private Placements Securities: None.

C. Common Shares Acquired, Disposed of and Held by Subsidiaries: Not applicable.

D. Any Events in Y2015 That Had Significant Impacts on Shareholders' Right or Security Prices as Started in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

E. Other Necessary Supplement: None.

Xintec Inc.

Chairman : Robert Kuan