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FLYTECH

2017 Annual Report

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Overseas Securities Exchange

N.A

Corporate Website

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I. Letter to Shareholders

Ladies and Gentlemen, Dear Shareholders,

I would like to express thanks for the support of the shareholders and the hard work of all of Flytech, which allowed for a record high consolidated revenue amounting to NT\$6.57 billion in 2017. In retrospect, Flytech could keep its position as the top 3 in the POS industry by shipment volume worldwide. In addition, Flytech continued to work in conjunction with its subsidiary in the UK, the Box Technologies (Holdings) for further development of the local market, which helped to bolster the vertical and integrated synergy of the supply chain and sizably expanded the business territory in the UK. Subsidiaries Poindus Systems Corp, iSAPPOS Systems Company Limited, and iRuggy Systems Company Limited continued to develop new brands and new products and sales which contributed to a perfect product line of Flytech. I would like to present to all the shareholders the financial performance, the credentials and awards, technology and development, operation environment and prospect to all the shareholders specified as follows:

Financial performance

Flytech Technology had revenue of NT\$6.57 billion in 2017, which was an increase of 16% from the same period of 2016. Net income of the Company was affected by the sizable appreciation of TWD and the rising prices of parts, components and materials for which the portion attributable to the parent company amounted to NT\$740 million at NT\$5.06/share.

Credentials and awards

Flytech Technology has won many awards and recognition from all over the world for its outstanding performance. In 2017, Flytech Technology won the iF Design Award of Germany for its latest modularized design. The iF Design Award has been recognized worldwide as the symbol for outstanding design. Flytech Technology commits its resources to the research and development of products and innovation of technologies, condenses the time-to-market of products, and provides the customer with convenient and interactive products. In addition, Flytech Technology has been accredited with the TIPS in intellectual property management in Taiwan by the Industrial Development Bureau, Ministry of Economic Affairs. This is the manifestation of the capacity of the Company in the management of intellectual property with the expectation that the Company will use intellectual property to bolster its operation efficiency.

Flytech Technology surpassed its industry peers in the design and technology of professional and customized POS and the development of process technology. It even leads

the trend of hardware specification in the POS industry with in-depth and innovative technology. For the time being, Flytech Technology has registered for 104 patents in many countries. The Company developed a patented new product – System Diagnostic Recorder (SDR) – and a matching APP for cell phone. Users may just use the APP of the cell phone to monitor the state of operation of the key components of the POS system, and control the key parts and components, system CPU, cooling fan speed and system temperature. In medical, healthcare and industrial applications, Flytech launched a series of industrial use tablet PC products, a multiple-point control tablet PC with dust-proof and water-proof function, which could be used in the food and beverage, leisure, industrial, and medical and health care industries.

The economic environment and operation

The emergence of Mobile POS and the mushrooming of the integrated payment function of the POS system allowed for more extensive application of POS system products. Flytech spared no effort in 2017 to develop end-user customers, which contributed significantly to the operation of Flytech. Strategically, the integration between Flytech and subsidiary Box Technologies (Holdings) continued to yield results. In the future, the concerted effort of the whole group will allow for the augmentation of performance. Furthermore, the 2nd largest business group, industrial use computer operation, continues to gain larger shares of the medical and healthcare and industrial automation markets. Flytech is in the commanding position in terms of research and development capacity, customer relation, and production capacity. In the future, Flytech will be resourceful in further development and growth.

The competitive advantages of Flytech Technology: “Complete Product Line; Advanced Technologies; Manufacturing Excellence; Commitment to Partners”. In the future, Flytech will emerge as a frontier, the best of innovation service-oriented manufacture with these advantages.

May I wish you all

Good health and good luck

Flytech Technology Co., Ltd.
Lam Tai Seng, Chairman

II. Company Profile

2.1 Date of Incorporation: August 13th, 1984

2.2 Company History

In the early years, the company designed and sold 8088XT motherboards, I/O interface cards, network interface cards, industrial control cards, and PC peripherals. Currently, the company's main areas of business are industrial computers and peripherals. The company's timeline is as follows:

Year	Timeline of Important Events
1984 to 1999	<ol style="list-style-type: none">1. The director of the board, Mr. Thomas Lam, established Flytech Technology Co., Ltd on August 13th, 1984, with a starting capital of NT\$1 million. The company develops and produces 8088XT motherboards, I/O interface cards, network interface cards, industrial control cards, etc. At the beginning of the company's operations, because of its R&D and sales capacity, the company performed well and laid a good foundation for its steady growth.2. In 1989, the company developed the world's smallest book-size PC, the 8000 series, which included two personal computers. With them, the company expanded to Europe and North America and received the CEBIT Best Design Award. A German television channel made a special report about the 8000 series, and these computers also received multiple patents domestically and abroad. (Dell has requested authorization for one of the patents).3. In 1990, the company moved to Taipei's Nankang Software Park and successfully developed the 6000 series AT BOOK PC and the 9000 series BOOK desktop PC.4. In 1991, the company successfully developed its 5000 series computer (BOOK PC-2xSlot).5. In 1992, the company received the Best Product Award from the Taiwan External Trade Development Council, and successfully developed the 3000 series 80486 BOOK computers, adding removable disk drive structures for better confidentiality and portable, diversified applications.7. In 1993, the company developed the improved 5000 series, upgrading the BOOK PCs and making them compatible with 80486 processors.8. In 1994, the company successfully developed the 4000 model of the Pentium series, upgrading BOOK PC products' caliber and expanding their applications.9. In 1995, the company's Pentium Book PCs and book-size external multimedia

	<p>connection series were given two awards, including the Taiwan Excellence Award.</p> <p>10. In 1996, the company successfully developed the 1000 model for the Pentium series and received TUV ISO-9002 certification, as well as the Taiwan Excellence Award for the Pentium multimedia book-size PCs.</p> <p>11. In 1997, the company successfully developed the Pentium BOOK PC and Net PC series. The company also expanded to the realm of industrial computers and developed the 9000 industrial computer series.</p> <p>12. In 1998, the company successfully developed the Pentium-II book-size PCs and industrial computers, IPC-1 (1U), and IPC-2(2U), among others. We received Taiwan Excellence Awards for our Pentium multimedia book-size computers, Pentium II book desktop PC, and net PCs.</p> <p>13. In 1999, we passed the ISO-9001 international quality certification and received Taiwan Excellence Awards for our Socket-370 multifunction net PCs, Cyrix multimedia net PCs, and the world's smallest Socket-370 net PCs. We expanded to core application technology in the computer systems and further developed, produced, and sold 1000- and 4000-model detachable POS systems.</p>
2000 to 2008	<p>14. In 2000, the company successfully developed the 400-model touch screen POS system and received a National Quality Award in the second year of the award. The factory moved to the Hsi-Chih District to a space of 900 square meters. The company was home to 130 employees, and the capital amount increased to NT\$180,000,000.</p> <p>15. In 2001, passed ISO-14001 certification, the company received the 4th Rising Star Award and successfully developed a new Touch POS series: POS112/500/430. POS 400/500 were awarded the 2001 Taiwan Design Award. In the same year, the company went public and applied for the OTC stock exchange.</p> <p>16. In 2002, passed certification by ISO-9001: 2000, the company set up its Neihu HQ and successfully developed a new POS series, POS 115/435/600/605/505. The POS 500 received the Taiwan Excellence Award from the Ministry of Economic Affairs, as well as the 9th Innovative Research Award, and the 11th National Awards of Outstanding SMEs. In the same year, the company's stocks were listed on the Taiwan OTC Stock Market.</p> <p>17. In 2013, the company successfully developed a new series of POS products: POS 530/630, Mini Web POS 3 series, and OPOS Driver, which is specifically for POS systems. The company actively expanded its business in China; invested in its subsidiary, Flytech (Shanghai) Co., Ltd; and received the 4th</p>

Industrial Sustainable Development Excellence Award from the Ministry of Economic Affairs (MOEA).

18. In 2004, the company's Neihu HQ was finished, and the company's factories were moved to Wu-Gu Industrial Park, Taipei County. The company's sales team grew and POS, ODM, and KIOSK business offices were established. The company successfully developed its new POS products (POS 430/435 P4) and new kiosk products (K810/K811/K84X). The company received 2nd Taiwan Enterprise Awards - Best Innovative SMB Award, Excellent Innovation and R&D Enterprise, and 2nd Taiwan Golden Root Award, etc. It was ranked as one of the top 500 fastest-growing high-tech companies in the Asia-Pacific region. In the same year, the company was permitted to relist as a high-tech stock.
19. In 2005, the company successfully developed POS 460/660 P4, POS122/125, POS104/105/106. The company also developed the new KIOSK series K845/K892 and the Digital Signage K805/807/809. The company was rated as one of the "Top 500 Fast-growing Companies in Electronics and Technology" by China Credit Information Service Ltd, and the POS 460/660/KIOSK 840 products received the Excellently Designed Products Certificate from the Ministry of Economic Affairs.
20. In 2006, the company developed new POS products (POS 5000, POS 36X) and new KIOSK products (K72X/79X/K81X/K84X/K895). KIOSK K845A received the 2006 14th Industrial Technology Advancement Award from the Industrial Development Bureau, Ministry of Economic Affairs, as well as being one of the 2006 DIMA Photo KIOSK Shoot-Out Winners. The POS 660 series became the 2006 Computex - Best Choice Winner.
21. In 2007, the company developed POS 72X/79X and new KIOSK products (K847/893, K207, KPC5) and Panel PCs (K830/K877). The K870 Series became the 2007 Computex Best Choice Winner, and the company was nominated as one of the "Top 500 Fast-growing Companies in Electronics and Technology." It was rated by CW magazine as one of the "Top 100 Highest-Performing Companies in 2006" and one of Asia's 200 Best Under A Billion by Forbes magazine. The company was also rated as one of Taiwan's "Best Potential 99" manufacturers by ET today.
22. In 2008, the company successfully developed a new POS series and peripherals (POS 370/475/355), a new KIOSK series (K897/795/795T/832.835), and Panel PCs (PA23/24, Bedside Terminal TC200). Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application displays in 2008. The company was rated by Forbes Asia as one of "Asia's 200 Best Under a Billion," one of the "Top 500

	<p>Fast-growing Companies in Electronics and Technology in 2008” by China Credit Information Service, and one of the “Top 100 Taiwan Tech Companies in 2008.”</p>
<p>2009 to 2015</p>	<p>23. In 2009, the company successfully developed industrial computers and peripherals: P335/345/357/88X/234, KPC1/6, K78X, Bedside Terminal PA38. Passed ISO-9001: 2008 and ISO-13485 certification. Again multiple series of the company’s products were selected to be used at the 2009 Computex conference and as computers for application display. The KIOSK series were used as guidance computers by the 2009 World Games. The company was rated by Global View Monthly as part of the “A+ Club,” the top 69 Taiwan companies that are the best money makers for shareholders. Business Next rated the company as one of the Top 100 Tech Companies – Overall Taiwan/China/World Ranking. China Credit Information Service rated it as one of the “Top 500 Fast-Growing Companies in Electronics and Technology in 2009,” and one of the “Top 100 Taiwan Tech Companies in 2009.”</p> <p>24. In 2010, the company developed its industrial computer series and peripherals: P385/78X/137, P223/235, K773/88X, KPC7, and Bedside Terminal K938. The company was again named by Global View Monthly as part of the “A+ Club,” the 69 Taiwan companies that are the best money makers for shareholders. Its POS P235 received the 2010 Reddot Design Award and the 2010 iF Best Product Design Award. For the third year in a row, multiple series of the company’s products were selected by Computex Taipei to be used at the conference and as computers for application display. The company was invited to exhibit at the 2010 Taiwan Design Expo. Our products were also used for ticket sales, checkouts, and guidance systems at the 2010 Taipei International Flora Exposition.</p> <p>25. In 2011, the manufacturing center at Hwa Ya Technology Park, Linkou was finished, giving the company three times as much production capacity as before. We successfully developed a new series of industrial computers and peripherals: P355H/554/485/495, POS8000, P14X/185/195, K75X/787, Bedside Terminal K936. POS562 was awarded Germany’s iF Best Product Design Award. Multiple series of the company’s products were selected by Computex to be used at the conference and as computers for application display. Development Plan for Flytech’s Service-oriented Manufacturing Value Chain System approved by the Industrial Development Bureau of the Ministry of Economic Affairs’ Special Tech Endorsement Project.</p> <p>26. In 2012, the Manufacturing Center officially moved to Linkou’s Hwa Ya Technology Park, and its production capacity was in full power. It successfully</p>

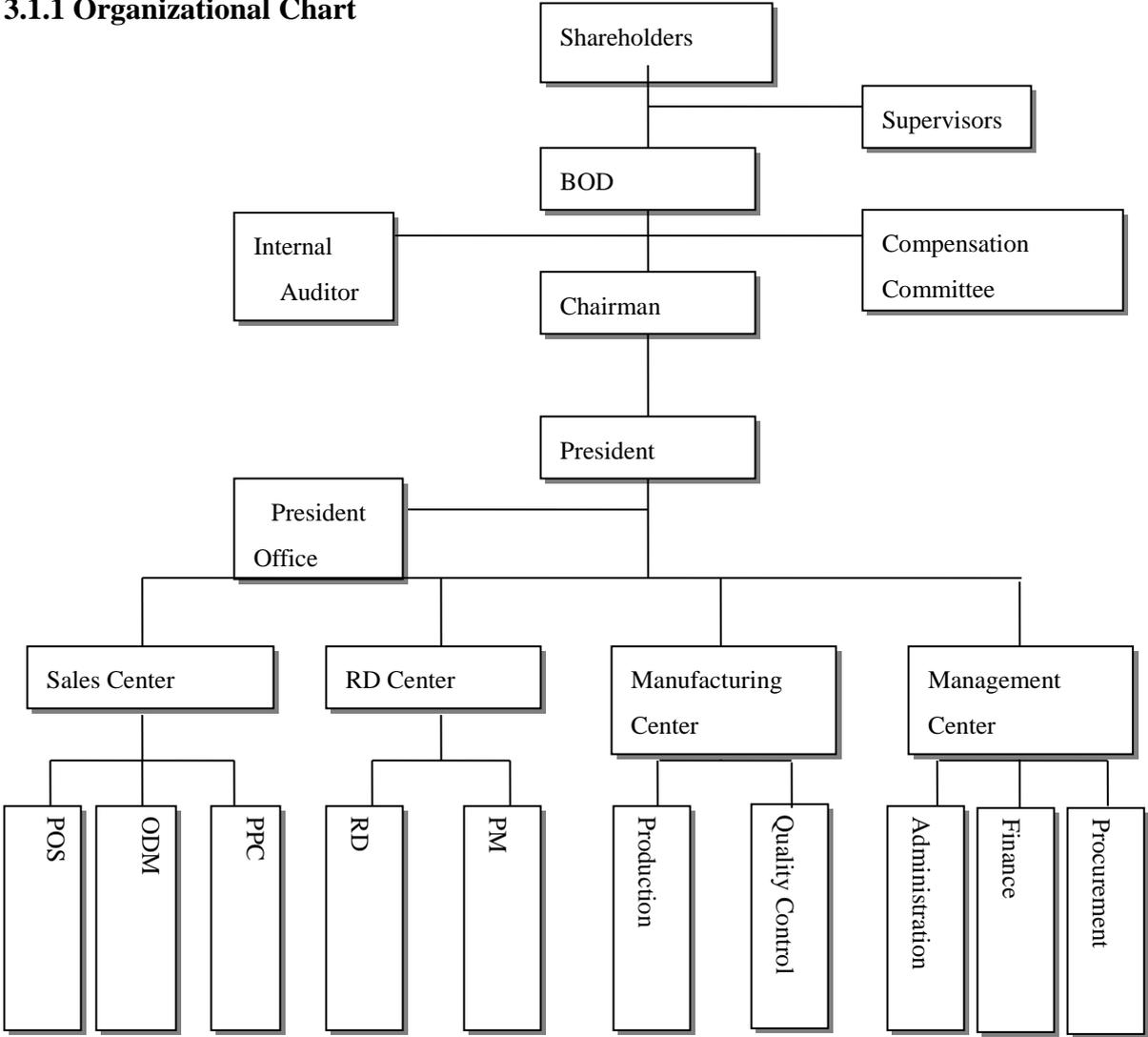
	<p>developed a new series of industrial computers and peripherals: P345N/385N, PA72/93, K755/759, P145/149, Bedside Terminal PA79. Multiple series of the company's products were selected by Computex to be used at the conference and as computers for application display, and its POS products received Germany's iF Best Product Design Award. Again, the company was chosen by China Credit Information Service as one of the "Top 500 Fast-growing Companies in Electronics and Technology."</p> <p>27. In 2013, we successfully developed a new industrial computer series and peripherals: P375N/391/395/425, PA35/97/98, Bedside Terminal K948. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display, and our PA Series POS received the iF Best Product Design Award and passed ISO-27001 Information Security Certification.</p> <p>28. IN 2014, the company celebrated its 30th anniversary and developed a new industrial computer series and peripherals: P314/325/355N/375/485/P495, KPC8, K77X/78X/73X/74X, and Mobile POS series P263/265. Again, the company was named one of the Top 5000 Large Companies in Taiwan, 2014. The company was also ranked 17th in the computer accessory industry, 40th in terms of performance in the manufacturing sector, and 95th in combined ranking for company performance by China Credit Information Service. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display.</p> <p>29. In 2015, the company successfully developed its new industrial computer series and peripherals: J640/690/690L/240, new MB compatible with the Bedside Terminal and Panel PC series, K74X/75A/76X/778, Payment Terminal T635/635M/636/645/646. Awarded at the 3rd Potential Taiwan Mittelstand Awards by the Ministry of Economic Affairs. Received the Intel 2015 Outstanding Business Achievement Award and Microsoft Partner of Year 2015. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display.</p>
2016	<p>30. In 2016, the company successfully developed industrial computers and peripherals: P395/531/P534/255, K735/75C/767, new MB compatible with POS and Panel PC series P325/357/795/K75X, Payment Terminal T635M/602/603, and T605, T606 A/B/C series. We purchased renowned U.K. retail technology provider Box Technologies (Holdings), and we acquired 100% of this subsidiary's shares. Our Panel PC 18.5 achieved the IP67-level waterproof grade. We adopted 304 food-grade and medical-grade stainless steel material for sweat and stain proofing. For this we received the iF 2016, Computex d&I</p>

	<p>awards, and many other honors. We were recognized by the Ministry of Economic Affairs' Bureau of Foreign Trade as one of the top 500 manufacturers in imports/exports. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display.</p>
2017	<ol style="list-style-type: none"> 1. We developed and patented the System Diagnostic Recorder (SDR) and its corresponding app. Users can monitor computer system and main computer components through the phone app. 2. We successfully developed a new industrial computer series and peripherals, including the all-in-one POS series, the new Mobile POS series, and the new Payment terminal series, as well as new MB with POS and Panel PC series P335N2, P455, P655, P544, PB41, PB53, PB55, PB57, PB61, PB62, PB63, PB65, PB66, PB77, P274, T636M. 3. Box Technologies (Holdings), which we acquired in 2016, fully integrating our sales channels. Our strategic markets expanded and fueled Flytech Group's revenue. 4. The company was named one of the Top 5000 Large Companies in Taiwan, 2017. The company was also ranked 100th in terms of performance in the manufacturing sector and 10th in the computer accessory industry by China Credit Information Service. 5. We were recognized by Ministry of Economic Affairs' Bureau of Foreign Trade as one of the top 500 manufacturers in imports/exports. 6. We adopted the Taiwan Intellectual Property Management System (TIPS) from the Industrial Development Bureau, Ministry of Economic Affairs; passed its audit in January 2018; and became officially certified (2016 Version, A-grade). 7. Multiple series of the company's products were selected by Computex Taipei to be used at the conference and as computers for application display. 8. We continued to work with Flytech Foundation, which we founded in 2015, to host events where we care for marginalized groups and promote technological innovation. For example, Design for Taiwan planned a year of lectures and workshops for university/tertiary school students all over Taiwan, receiving the participation of domestic and international specialists. In this way, we strive to promote innovative culture in Taiwan and fulfill our social responsibilities as a corporation.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organizational Chart



3.1.2 Major Corporate Functions

Department	Functions
President's Office	Strategic planning, business planning authorization and supervision, investor relations, public relations, strategic investment and corporate marketing affairs
Audit Office	To identify deficiencies in the internal control system, assess the effectiveness and efficiency of operations, and provide appropriate improvement suggestions to ensure the effectiveness of the internal control system as well as for continuous improvement.
Sales Center	Responsible for marketing and sales activities worldwide, and analyzing industry data and trends. There are POS, ODM and PPC sales business units under sales center.
Research & Development Center	Advanced product and technology research and development.
Manufacturing Center	Responsible for product manufacturing and production capacity allocation. QC department is in charge of planning and execution of quality control systems.
Administration Dept.	Planning and execution of general affairs, and information systems. Responsible for the planning and execution of human resource management.
Finance Dept.	Responsible for the summarization and supply of accounting information, management and operation of finance and investment, annual budgeting, credit control, and stocks services.
Procurement Dept.	Responsible for component purchasing and supply chain management

3.2 Directors, Supervisors and Management Team

3.2.1 Directors and Supervisors

Apr 30, 2018

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C	Lam Tai Seng	June 12, 2015	3	Aug13, 1984	15,451,236	11.08%	16,217,505	11.34%	11,040,443	7.72%	-	-	1.EMBA Guanghua School of Management,Peking University 2.EMBA of National Chengchi University 3. Department of electronic engineering, National Taiwan University 4.Assistant manager of Hai Tong computer 5.President of Flytech Technology	1.Chairman of Flytech Technology (U.S.A) Inc. 2. Director of Flytech Technology (Shanghai)Co.,Ltd 3.Independent Director of Ability Enterprise Co.,Ltd	Director	Wang Wei Wei	Spouse
Director	R.O.C	Wang Wei Wei	June 12, 2015	3	Aug13, 1984	10,518,788	7.54%	11,040,443	7.72%	16,217,505	11.34%	-	-	1.MBA University of Tennessee,USA 2.SVP of Flytech Technology	1.Chirman of Flytech Technology (Shanghai)Co.,Ltd 2.Chairman of Flytech Technology Hong Kong Ltd 3.Chairmanof Flytech USA International Co.,Ltd 4.Chairman of Flytech HK International Co.,Ltd 5.Chairman of Flytech CN International Co.,Ltd 6.Director of Flytech Inc.Beijing	Chairman	Lam Tai Seng	Spouse
Director	R.O.C	Liu Chiu Tsao	June 12, 2015	3	June14, 2006	173,244	0.12%	200,588	0.14%	857,699	0.60%	-	-	1.MBA University of Oklahoma,USA 2.VP of Liteon Technology Corporation	1.President of Flytech Technology 2.Chairman of Flytech Inc.,Beijing 3.Chairman of Fei Shun Investment Co.,Ltd 4.Chairman of Box Technologies(Holdings) Limited 5.Director of Flytech Technology (Shanghai)Co.,Ltd 6.Director of Poindus Systems Corporation 7.Director of Iruggy System Co.,Ltd 8.Director of Box Technologies Limited			
Independent Director	R.O.C	Chen Kuo Hong	June 12, 2015	3	Apr10, 2001	236,988	0.17%	130,000	0.09%	-	-	-	-	1.Department of electronic engineering, National Taiwan University 2.Chairman of Howteh Technology Co., Ltd 3.President of Thilyn Technologies,Inc	1.Vice Chairman and CSO of Stark Technology Inc 2.Chairman of Chaintel Technology Co.,Ltd 3.Chairman of Howteh Technology Co.,Ltd 4.Director of Thilyn Technologies,Inc 5.Independent director of Ability Enterprise Co.,Ltd			

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C	Hsieh Han Chang	June 12, 2015	3	June15, 2012	-	-	-	-	-	-	-	-	1.EMBA of National Chengchi University 2.COO of Shihlin Electric & Engineering Corporation	1.VCEO of Yeangder Group 2.MD & COO of Shihlin Electric and Engineering Corp 3.Director of the Ambassador Hotel Led 4.Director of Rueilin Electric and Engineering Corp. 5.Supervisor of Yeangder Investment Co. 6.Director of Mitsubishi Electric Low Voltage Equipment (Xiamen)Co.,Ltd 7.Chairman of Hsinlin Electric and Engineering Corp 8.Director of Chlin Technology Co.,Ltd 9.Director of Xiamen Shihlin Electric and Engineering Co.,Ltd 10.Director and President of Yeangder Entertainment Co.Ltd 11.Director of HCT Logistics Co.,Ltd 12.Director of SEEC International Trading Ltd 13.Director of SEEC International Holdings Ltd 14.Director of Kingdon Trading Shanghai Co.,Ltd 15.Director of Shihlin Electric (Suzhou) Power Equipment Co.,Ltd 16.Director of Yeangder Culture and Education Foundation 17.Vice CEO of memorial Foundation of Mr.Ching Teh Hsu 18.Director of Kerry Tj Logistics Company Ltd.			
Supervisor	R.O.C	Liaw Jui Tsung	June 12, 2015	3	Aug31, 2000	1,567,150	1.12%	1,644,869	1.15%	-	-	-	-	1.Doctor of Management Central South University,China 2.VP of RD and Manufacturing Department, KYE Systems Corp. 3.EVP of Flytech Technology	Director of KYE Systems Corp.			
Supervisor	R.O.C	Tsay Wen Bin	June 12, 2015	3	Aug31, 2000	-	-	-	-	-	-	-	-	1.MS. EE, State University of New York 2.VP of Ability Enterprise Co.,Ltd	1.Consultant of Ability Enterprise Co.,Ltd 2.President of ViewQuest Technologies (US) 3.Director of Rueilin Electric and Engineering Corp. 4.Director of Ability Enterprise Co.,Ltd			

Title	Nationality/ Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Supervisor	R.O.C	Tseng Ming Jen	June 12, 2015	3	June12, 2015	-	-	-	-	-	-	-	-	1.MBA of Tamkang University 2.President of Ability Enterprise CO., LTD.	1.Chairman of Ability Enterprise Co.,Ltd 2.Chairman of Ability International Investment Co., Ltd 3.Chairman of Viewquest Investment Co.,Ltd. 4.Chairman of Jiujiang Viewquest Electronics Inc. 5.Chairman of Ability Enterprise (BVI) Co., Ltd 6.Chairman of Viewquest Technologies (BVI) Inc. 7.Chairman of Action Pioneer International Ltd. 8.Chairman of Ability Technologies (DongGuan) Co.,Ltd 9.Chairman of Viewquest Tehcnologies (DongGuan) Co.,Ltd 10.Chairman of E-Pin Optical Industry Co.,Ltd 11.Director of Ability Venture Capital Corporation 12.Director of Viewquest Technologies International Inc			

Professional qualifications and independence analysis of directors and supervisors

Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Lam Tai Seng			V					V		V		V	V	Independent Director of Ability Enterprise Co.,Ltd
Wang Wei Wei			V					V		V		V	V	X
Liu Chiu Tsao			V		V	V	V	V	V	V	V	V	V	X
Chen Kuo Hong			V	V	V	V	V	V	V	V	V	V	V	Independent Director of Ability Enterprise Co.,Ltd
Hsieh Han Chang			V	V	V	V	V	V	V	V	V	V	V	X
Liaw Jui Tsung			V	V		V	V	V	V	V	V	V	V	X
Tsay Wen Bin			V	V		V	V	V	V	V	V	V	V	X
Tseng Ming Jen			V	V	V	V	V	V	V	V	V	V	V	X

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
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. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

3.2.2 Management Team

Title	Nationality / Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C	Liu Chiu Tsao	Jan 2004	200,588	0.14%	—	—	—	—	1.MBA, University of Oklahoma,USA 2.VP of Liteon Technology Corporation	1.Chairman of Flytech Inc.,Beijing 2.Chairman of Fei Shiun Investment Co.,Ltd 3.Chairman of Box Technologies(Holdings) Limited 4.Director of Flytech Technology (Shanghai)Co.,Ltd 5.Director of Poindus Systems Corporation 6.Director of Iruggy System Co.,Ltd 7.Director of Box Technologies Limited	NA	NA	NA
Senior VP of Sales Center	R.O.C	Lee Dong Ling	Aug 2013	10,847	0.01%	—	—	—	—	1.Master Degree of Computer Science, University of Liverpool ,UK 2.VP of FuSheng Corporation	1.Director of Flytech Inc.,Beijing 2.Director of Box Technologies Limited	NA	NA	NA
VP of Sales Center	R.O.C	Shyu Jia Horng	Mar 2018	—	—	—	—	—	—	1.MS, NYU Electrical Engineering 2.Sales Div. Director Supply Chain Management Div. Director of Mediatek Inc.	NA	NA	NA	NA

AVP of Sales Center	R.O.C	Hung Tung Chang	Sep 2013	88,246	0.06%	28,054	0.02%	—	—	1.EMBA, Soochow University 2.Manager, Evertop Wire Cable Corporation	NA	NA	NA	NA
VP of RD Center	R.O.C	Liu Yun Ping	Oct 2011	—	—	—	—	—	—	1.EMBANational Cheng-Chi University 2.SAVP, Elitegroup Computer Systems	NA	NA	NA	NA
VP of Manufacturing Center	R.O.C	Chuo Chun Hung	Mar 2010	—	—	1,153	0.00%	—	—	1. Department of Engineering Science NCKU 2. AVP, Uniwill Computer 3.AVP, JPC Company 4. VP, SZBroad Tech.	NA	NA	NA	NA
AVP of Administration Center	R.O.C	Chan Yi Wen	Feb 2013	5,771	0.00%	—	—	—	—	1.Master of HR National Central University 2.Director,Shihlin Electric & Engineering Corporation 3.SAVP, HCT Logistics 4.VP of Ambassador Hotel	NA	NA	NA	NA
AVP of Finance	R.O.C	Lee Mei Huei	Jan 2006	283,986	0.20%	21,027	0.01%	—	—	1.EMBA National Taipei University 2.EMBANational Cheng-Chi University 3.Accounting Director, Flytech Technology	1.Supervisor of Fei Shiun Investment Co.,Ltd 2.Supervisor of Iruggy System Co.,Ltd	NA	NA	NA

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Lam Tai Seng Wang Wei Wei Liu Chiu Tsao Chen Kuo Hong Hsieh Han Chang	Lam Tai Seng Wang Wei Wei Liu Chiu Tsao Chen Kuo Hong Hsieh Han Chang	Wang Wei Wei Chen Kuo Hong Hsieh Han Chang	Wang Wei Wei Chen Kuo Hong Hsieh Han Chang
NT\$2,000,001 ~ NT\$5,000,000	0	0	Lam Tai Seng	Lam Tai Seng
NT\$5,000,001 ~ NT\$10,000,000	0	0	0	0
NT\$10,000,001 ~ NT\$15,000,000	0	0	Liu Chiu Tsao	Liu Chiu Tsao
NT\$15,000,001 ~ NT\$30,000,000	0	0	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0	0	0
Over NT\$100,000,000	0	0	0	0
Total	5	5	5	5

Remuneration of Supervisors

As of 2017/12/31 Unit: NT\$ thousands; shares

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A)		Severance Pay (B)		Directors Compensation(C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Employee Compensation (G)						
		The company	All companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
		Cash	Stock	Cash	Stock																	
supervisor	Liaw Jui Tsung																					
supervisor	Tsay Wen Bin	0	0	1,200,000	1,200,000	380,000	380,000	NA	NA	0.21%	0.21%	NA	NA	NA	NA	NA	NA	NA	NA	0.21%	0.21%	NA
supervisor	Tseng Ming Jen																					

Range of Remuneration	Name of Supervisors	
	Total of (A+B+C)	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	Liaw Jui Tsung Tsay Wen Bin Tseng Ming Jen	Liaw Jui Tsung Tsay Wen Bin Tseng Ming Jen
NT\$2,000,001 ~ NT\$5,000,000	0	0
NT\$5,000,001 ~ NT\$10,000,000	0	0
NT\$10,000,001 ~ NT\$15,000,000	0	0
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	3	3

—

Remuneration of the President and Vice President

As of 2017/12/31 Unit: NT\$ thousands; shares

Title	Name	Salary(A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Exercisable Employee Stock Options		New Restricted Employee Shares		Compensation paid to the President and Vice President from an Invested Company Other Than the Company's Subsidiary	
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements				
								Cash	Stock	Cash	Stock								
President	Liu Chiu Tsao																		
VP	Lee Dong Ling																		
VP	Hsiao Ching Ming	13,327,712	13,327,712	513,000	513,000	2,120,000	2,120,000	15,130,000	0	15,130,000	0	4.20%	4.20%	NA	NA	NA	NA	NA	
VP	Chuo Chun Hung																		
VP	Liu Yun Ping																		

Note: Haiiao Ching Ming resigned on 2017/9/30

Range of Remuneration	Name of President and Vice President	
	The company	Companies in the consolidated financial statements
Under NT\$ 2,000,000	0	0
NT\$2,000,001 ~ NT\$5,000,000	Liu Yun Ping Chuo Chun Hung Hsiao Ching Ming	Liu Yun Ping Chuo Chun Hung Hsiao Ching Ming
NT\$5,000,001 ~ NT\$10,000,000	Lee Dong Ling	Lee Dong Ling
NT\$10,000,001 ~ NT\$15,000,000	Liu Chiu Tsao	Liu Chiu Tsao
NT\$15,000,001 ~ NT\$30,000,000	0	0
NT\$30,000,001 ~ NT\$50,000,000	0	0
NT\$50,000,001 ~ NT\$100,000,000	0	0
Over NT\$100,000,000	0	0
Total	5	5

As of 2017/12/31 Unit: NT\$ thousands; shares

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President	Liu Chiu Tsao	0	19,880,000	19,880,000	2.69%
	SVP	Lee Dong Ling				
	AVP	Hung Tung Chang				
	VP	Liu Yun Ping				
	VP	Chuo Chun Hung				
	AVP	Chan Yi Wen				
	AVP	Lee Mei Huei				

3.2.4 Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, presidents and vice presidents of the Company, to the net income.

Year	Ratio of total remuneration paid to directors, supervisors, presidents and vice presidents to net income (%) of the company		Increase(Decrease)%
	2016	2017	
Board of Directors	1.86 %	2.38%	27.96%
Supervisors	0.18 %	0.21%	16.67%
President and Vice Presidents	3.51 %	4.20%	19.66%

B. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with business performance.

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company's compensation and benefits policies, plans and programs, and the evaluation of the directors' and executives' compensation. Remuneration is appropriated according to the business performance of the Company in the year and the stipulated percentage in Article 23 of the Articles of Incorporation, which stipulate that: "From the profit earned by the Company as shown through the annual account closing, the sum to pay all taxes and to make good previous loss, if any, shall be first withheld, then 10% for legal reserve and then for special reserve as required by law. The final surplus, if any, shall have 3%~15% taken for bonus to employees, and no higher than 3% taken as remuneration to the directors and supervisors". The annual earning distribution status is submitted to the Board of Directors for discussion before being sent to the shareholders' meeting for resolution. The year of 2016 and 2017 total payment to Board Directors and Supervisors amount was NT\$3,200,000 which not exceed the limitation. The allowance of the year 2017 and 2016 was NT\$1,060,000 and NT\$1,140,000 respectively.

The compensation key management personnel were determined by the Remuneration Committee of the Company in accordance with the individual performance and the market trends. The compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market averages.

3.3 Implementation of Corporate Governance

3.3.1 Board of Directors

A total of 7 (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Chairman	Lam Tai Seng	7	0	100	Continuously served
Director	Wang Wei Wei	6	0	85	2015/6/12 new elected
Director	Liu Chiu Tsao	7	0	100	Continuously served
Independent director	Chen Kuo Hong	7	0	100	Continuously served
Independent director	Hsieh Han Chang	7	0	100	Continuously served

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: None

Board of Directors	Acknowledges and discusses issues with the proposal's contents and follow-up solutions	Issues listed in the Securities Exchange Act, Article 14, Part 3	Independent directors opposed or reserved their opinions
2017/1/18	1. Operational Plan for year 2017		
10th Board of Directors	2. The Remuneration Committee discussed and passed the 2016 performance bonus		

14th Meeting	proposal		
	3. The Remuneration Committee discussed and passed the 2016 performance bonus proposal for managers		
	Opinion of independent director: None. Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2017/3/1 10th Board of Directors 15th Meeting	Proposal to determine the date and location of the 2017 General Shareholders Meeting, and the time frame and location for accepting proposals from shareholders holding more than 1%.		
	Opinion of independent director: None. Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2017/3/29 10th Board of Directors 16th Meeting	1. Remuneration proposal for 2016 supervisors and employees		
	2. 2016 financial report (including the consolidated report)		
	3. Proposal to distribute the company's surplus profits of 2016		
	4. Proposal to modify parts of the company's "Articles of Association"		
	5. Proposal to modify the Processing Procedure for Asset Acquisition and Disposal	V	
	6. 2016 "Internal Control System Announcement"		
	7. Establishing the company's "Job Responsibilities and Regulations for Independent Directors" and "Board Performance Evaluation Protocols"		
Opinion of independent director: None. Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal			
2017/5/11 10th Board of Directors 17th Meeting	Modify and correct the company's 2016 surplus profit distribution plan (as required by the financial report, list and assess earned surplus, which is the same net amount as deduction of profits and losses)		

	Opinion of independent director: None. Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2017/8/8 10th Board of Directors 18th Meeting	1. Proposal to evaluate the independence of accountants in charge of drafting the company's financial report		
	2. Proposal to apply for a line of credit at Chang Hwa Bank's Nangang Branch.		
	3. Proposal to apply for a line of credit at Cathay United Bank		
	Opinion of independent director: None. Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2017/9/26 10th Board of Directors 19th Meeting	1. The Remuneration Committee discussed and passed the 2017 Remuneration Adjustment Principles and Manager Remuneration Adjustment Plan.		
	2. The Remuneration Committee discussed and passed the 2016 Director and Supervisor Remuneration Distribution Plan		
	3. The Remuneration Committee discussed and passed the 2016 Dividend Distribution Plan for Managers and Employees		
	4. Proposal to buy back the company's stocks according to the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies		
	5. Proposal to have the Board of Directors issue a statement on having taken the company's financial status into consideration and the fact that its capital will not be affected		
	Opinion of independent director: None. Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		
2017/11/8 10th Board of Directors 20th Meeting	1. 2018 Audit Plan		
	2. Subsidiary company Box Technologies Limited established its internal control system, Subsidiary Sign-Off Authority Overview		
	Opinion of independent director: None. Company's response to independent director's opinion: not applicable Resolution: All present directors agreed and passed every proposal		

2. Implementation of Avoidance of Conflicts of Interests within the board: None
3. Evaluate goals and status of strengthening the board's job functions in the past few years:
 - (1) In 2002, the company created two independent director positions, both of which actively participate in discussing company affairs and communicating with management in order to strengthen corporate governance. Additionally, in 2006, the

company made and implemented the Board Meeting Protocols, and auditing and accounting chiefs have been present in all board meetings (as of 2017, attendance rate was 100%). Directors discuss projects and proposals and also require management to report in detail regarding operational performance, market analysis, business strategies, product positioning, management operations, HR, financial data, and department operation status in their quarterly reports. These methods allow directors to supervise members of management and ensure that they fulfill their responsibilities.

(2) The company created the Board Performance Evaluation Protocols, including: evaluation cycle and time frame, evaluation range, executive units, evaluation processes, and evaluation criteria:

① Evaluation criteria for the board include five main aspects: level of participation in the company's operations, improvement in the board's decision making, organization and structure of the board, election of directors and continued education, internal control, etc

② Evaluation criteria for directors include six main aspects: mastery of the company's goals and tasks, knowledge of director's job responsibilities, level of participation in the company's operations, management of internal relationships and communication, expertise, continued education of directors, internal control, etc.

③ At the end of every year, designated executive units are in charge of evaluating the performance of the board and of directors, and the results are included in the Board Report during the first quarter so that the board can review aspects needing improvement and discuss ways to improve job functions. In 2017, the board evaluation results were reported in March 2017 in the Board Report. Individual directors and the board performed well.

3.3.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

A. Audit Committee

Flytech has not set up audit committee so far.

B. Attendance of Supervisors at Board Meetings

A total of 7(A) meetings of the Board of Directors were held in the previous period. The attendance of supervisors was as follows:

Title	Name	Attendance in Person (B)	Attendance Rate (%) 【 B / A 】	Remarks
Supervisor	Liaw Jui Tsung	7	100	Continuously served
Supervisor	Tsay Wen Bin	7	100	2015/6/12 new elected
Supervisor	Tseng Ming Jen	5	71	2015/6/12 new elected

Other mentionable items:

1. Composition and responsibilities of supervisors:

(1) Communications between supervisors and the Company's employees and shareholders: Supervisors will not only join the BOD meeting for getting quarterly financial report, CPA audit report and join AGM, they will also arrange meetings to company management team or get necessary information for supervising company.

(2) Communications between supervisors and the Company's chief internal auditor and CPA :

A. Communications with the chief internal auditor: Chief internal auditor present at the meetings to report on audit operations and major internal auditing matters, including execution, reporting, and monitoring of the supervisors' instructions. In addition, Chief internal auditor will provide report on regular basis for all directors and supervisors or report in person if necessary.

B. Communications with the CPA: CPA will report on BOD for audit results, important findings, important accounting rules and new regulations by the government. All supervisors attended on each occasion, and the CFO, chief internal auditor and CPAs were also present at the meetings to discuss related subjects, including execution, reporting and monitoring of the supervisors' instructions.

2. If a supervisor expresses an opinion during a meeting of the Board of Directors, the dates of the meetings, sessions, contents of motion, resolutions of the directors' meetings and the company's response to the supervisor's opinion should be specified: None

3.3.3 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 has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on May 2015. The information has been disclosed on the Company’s website.	None
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?	v		In addition to the existing hotline and email channels, the Company has established an internal operating procedure, and has designated appropriate departments, such as spokesman, deputy spokesman, investor Relations, to handle shareholders’ suggestions, doubts, disputes and litigation. The Finance & Shared Services Division is responsible for collecting the updated information of major	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?</p> <p>(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure?</p>			<p>shareholders and the list of ultimate owners of those shares.</p> <p>The company has created the Regulations for Transactions among Stakeholding Corporate Groups and Specific Companies, the Regulations for Company-Invested Enterprises, internal control’s Supervision and Management of Subsidiary Companies, the Regulations for Transactions Between Stakeholders, and other relevant management standards, in which we clearly specify and regulate management authority and control methods among companies with connected interests. Moreover, we can supervise our subsidiaries as they establish and carry out necessary internal control systems, and as they build good risk-control systems and firewalls in compliance with our Company Governance Principles</p> <p>The company has made the following management</p>	

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
(4) Does the company establish internal rules against insiders trading with undisclosed information?			<p>regulations</p> <ol style="list-style-type: none"> 1. The Ethical Management Principles and the Company Ethical Behavior Principles, which stipulate that internal personnel should not take advantage of unpublicized information and engage in insider trading or disclose information to others so they can engage in insider trading. 2. The Procedures for Handling Major Internal News state that internal personnel aware of major internal news should not disclose the information to others. <p>The above regulations are all compliant with our Company Governance Principles, In 2017, the above tasks were verifiably implemented.</p>	
<p>3. Composition and Responsibilities of the Board of Directors</p> <p>(1) Does the Board develop and implement a</p>	V		The company made its Company Governance Principles based on the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies. In these	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
diversified policy for the composition of its members?			<p>principles, below the strengthening of the board’s job functions part, is a regulation that reads, “the Board of Directors should consist of a diverse group of members. The company’s operations, management models and development needs should embrace a principle of diversity that shall include but not be limited to two major aspects: (1) Basic personal information and values: gender, age, nationality, and cultural background; (2) Expertise and skills: specialized background (such as law, accounting, industry, finance, sales, or technology), specialized skills, industry experience, etc.”</p> <p>All of the company’s directors should be equipped with knowledge, skills, and personal qualities required for performing their jobs. In order to reach ideal company management, the Board of Directors should have the following abilities: (1) Operation Judgement Ability (2)</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>Accounting and Financial Analysis Ability, (3) Operational and Management Ability, (4) Crisis Response Ability, (5) Knowledge of Industry, (6) Understanding of International Markets, (7) Leadership, and (8) Decision Making.</p> <p>In reality, the diversity profile of our directors is as follows:</p> <table border="1"> <thead> <tr> <th>Core diversity aspects</th> <th>Specialized Background</th> <th>Gender</th> <th>Operation Judgement Ability</th> <th>Accounting and Financial Analysis Ability</th> <th>Operational and Management Ability</th> <th>Crisis Response Ability</th> <th>Knowledge of Industry</th> <th>Understanding of International Markets</th> <th>Leadership</th> <th>Decision Making</th> </tr> </thead> <tbody> <tr> <td>Name of Director</td> <td></td> </tr> <tr> <td>Thomas Lam</td> <td>Industry, Technology, Sales, Management</td> <td>Male</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Wang Wei-wei</td> <td>Sales, Finance, Design, Management</td> <td>Female</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Liu Chiu-Chao</td> <td>Industry, Technology, Sales, Management</td> <td>Male</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Chen Kuo-Hung</td> <td>Industry, Technology, Sales, Management</td> <td>Male</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> <tr> <td>Hsieh Han-Chang</td> <td>Industry, Finance, Sales, Management</td> <td>Male</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> <td>√</td> </tr> </tbody> </table>								Core diversity aspects	Specialized Background	Gender	Operation Judgement Ability	Accounting and Financial Analysis Ability	Operational and Management Ability	Crisis Response Ability	Knowledge of Industry	Understanding of International Markets	Leadership	Decision Making	Name of Director											Thomas Lam	Industry, Technology, Sales, Management	Male	√	√	√	√	√	√	√	√	Wang Wei-wei	Sales, Finance, Design, Management	Female	√	√	√	√	√	√	√	√	Liu Chiu-Chao	Industry, Technology, Sales, Management	Male	√	√	√	√	√	√	√	√	Chen Kuo-Hung	Industry, Technology, Sales, Management	Male	√	√	√	√	√	√	√	√	Hsieh Han-Chang	Industry, Finance, Sales, Management	Male	√	√	√	√	√	√	√	√	
Core diversity aspects	Specialized Background	Gender	Operation Judgement Ability	Accounting and Financial Analysis Ability	Operational and Management Ability	Crisis Response Ability	Knowledge of Industry	Understanding of International Markets	Leadership	Decision Making																																																																														
Name of Director																																																																																								
Thomas Lam	Industry, Technology, Sales, Management	Male	√	√	√	√	√	√	√	√																																																																														
Wang Wei-wei	Sales, Finance, Design, Management	Female	√	√	√	√	√	√	√	√																																																																														
Liu Chiu-Chao	Industry, Technology, Sales, Management	Male	√	√	√	√	√	√	√	√																																																																														
Chen Kuo-Hung	Industry, Technology, Sales, Management	Male	√	√	√	√	√	√	√	√																																																																														
Hsieh Han-Chang	Industry, Finance, Sales, Management	Male	√	√	√	√	√	√	√	√																																																																														

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?			<p>The company has established the following functional committee</p> <ol style="list-style-type: none"> 1. In October 2011, the company set up the Remuneration Committee and established the Organizational Protocols of the Remuneration Committee by which the committee will be guided. 2. In January 2016, the company set up a Merger and Purchase Special Committee and established the Organizational Protocols of the Merger and Purchase Special Committee, as well as the Self-disciplinary Regulations for Merger and Purchase Information. Because the company is still relatively small, we have not yet set up other functional committees. The three supervisors are responsible for monitoring the company’s business operations and job fulfillment of the directors and managers. 	

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?			<p>The company has created the Board Performance Evaluation Protocols, which includes evaluation cycle and time frame, evaluation range, executive units, evaluation processes, and evaluation criteria.</p> <ol style="list-style-type: none"> 1. Evaluation criteria for the board include level of participation in the company’s operations, improvement in the board’s decision making, organization and structure of the board, election of directors, continued education, internal control, etc. 2. Evaluation criteria for board members include mastery of the company’s goals and tasks, knowledge of director’s job responsibilities, level of participation in the company’s operations, management of internal relationships and communication, expertise, continued education of directors, internal control, etc. 3. From the end of the year and into the beginning of 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(4) Does the company regularly evaluate the			<p>the next year, the executive unit of the general manager’s office is responsible for evaluating the performance of the board and its members. The evaluation results are reported to the board in the first quarter so that the board can review aspects needing improvement and discuss ways to improve job functions.</p> <p>The results of the 2017 board evaluation were reported to the Board in March 2018. Individual directors and the board performed well.</p> <p>During the board meeting on August 8, 2017, according to the Statement of Independence made by Chang Hui-Chen and Shih Wei-Ming from KPMG Taiwan, the company audited the following items in order to evaluate the accountants' independence. All directors agreed that there were no violations and that accountants auditing the company’s financial report were sufficiently</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
independence of CPAs?			<p>objective and independent:</p> <ol style="list-style-type: none"> 1. Whether the service provided by the accountants violate the terms of independence 2. Whether the audit of the company’s financial reports and the quality of verification are accurate and professional 3. Whether the accountants have major exchange of interests or financing guarantees with the company’s clients, directors, or supervisors <p>In 2017, the above tasks were verifiably implemented.</p>	
4. Does the company set up one full/part time employee to be in charge of corporate governance issues?	V		The company established the Sustainable Development Task Group with the general manager’s office and the management office. This group is part of the Corporate Social Responsibility Task Group. The Sustainable Development Task Group is led by the highest-level manager of the management office, who will guide and supervise the group’s members to collect information;	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>research, draft, and implement company governance policies; evaluate risks that impact company governance and conditions for sustainable development; implement improvement plans accordingly; provide directors and supervisors with necessary data needed for performing their jobs; arrange further education/training plans; and lawfully arrange affairs related to board and shareholders meetings. The task group will also be in charge of handling company registration changes and making memos for board and shareholders meetings.</p> <p>The tasks implemented by the group in 2017 are as follows:</p> <ol style="list-style-type: none"> 1. Assisted independent directors and directors with fulfilling their responsibilities and provided them with data/information 2. Planned further education/training for directors 3. Arranged meetings between directors, internal 	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>auditors, and auditing accountants</p> <p>4. Arranged meetings between the board and leaders of the company’s business branches to better understand the company</p> <p>5. Followed legislation updates relevant to the company’s operations and governance</p> <p>6. Made notifications and summons for board meetings and shareholders meetings, provided meeting information and memos, etc.</p>	
5. 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 provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	V		The Company designates Capital Securities Inc. to deal with shareholder affairs.	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (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)?	V		The Company has set up a Chinese/English website (www.flytech.com.tw) to disclose information regarding the Company’s financials, business and corporate governance status. The company has in place its Procedures for Handling Major Internal News, and the PR and accounting departments will organize news about company finances and operations, as well as about Results Conference Calls, which are legally required to be revealed for public knowledge. The news will then be sent by a spokesperson to the Market Observation Post System as well as the company’s corporate website (http://www.flytech.com).	None

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>Important information about the company’s financial state and governance includes company governance, important regulations, board resolutions, communications between independent directors and internal auditors and accountants, internal control organization and operations, corporate social responsibility, implementation of ethical management, environmental and energy conservation policies, supplier management, employee benefits, specialized space for stakeholders, etc.</p> <p>In 2017, the above tasks were verifiably implemented.</p>	
8. 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	V		<p>1. The company has been in existence for 33 years and has remained dedicated to its principles: “Focus on expertise, operate sustainably, and pursue excellence.” We have the advantages of “Complete products, advanced technologies, excellent production, and steadfast commitment to our partners.” We have been ISO9001/13485 Quality</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?			<p>Management certified, ISO 14001 environmental management certified, and ISO27001 data security certified. We are certified by the Ministry of Economic Affairs for the Taiwan Intellectual Property Management System (TIPS) (Version 2016, Grade A). These qualifications allow us to provide high-quality products and services while protecting intellectual property. With our faith in ethics and steady growth, we have built a sophisticated corporate governance environment with excellent risk-control structures. We have created an Internal Control System, Management Regulations, Accounting Regulations, Budgeting Regulations, ISO compliance procedures, TIPS management regulations, and risk-control designs such as the MIS system. Each will be fulfilled by employees doing their jobs at their different authorization levels, and</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>at the same time they will be supervised and checked by internal control, the board, and supervisors. In 2016, all abovementioned systems were implemented.</p> <p>2. The company has made the following management regulations related to company governance:</p> <p>(1) Company Governance Principles: Clearly stipulates systems and regulations that should be covered.</p> <p>(2) Ethical Management Principles, Ethical Management and Behavior Guidelines, Company Ethical Behavior Principles, Regulations for Transactions among Stakeholding Corporate Groups and Specific Companies, Regulations for Transactions Between Stakeholders, Management Regulations for Company-Invested Enterprises, and related regulations:</p>	

Evaluation Item	Implementation Status		Abstract Illustration	Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<p>These regulations stipulate moral principles that should be followed during exchanges among stakeholders, clients, suppliers, investors, employees, and other people of interest so that they can build harmonious and trust-based relationships.</p> <p>(3) Board Performance Evaluation Protocols: These protocols determine the evaluation cycle and time frame, evaluation range, executive units, evaluation processes, evaluation criteria, etc. Through periodical evaluation, we will continue to discuss how to improve the board’s functions.</p> <p>3. The company has created the Employee Benefits Committee and the Labor Safety and Sanitation Committee, providing each employee with benefits and guarantees of safety and sanitation. In the company HR Guidelines, the committee also clearly</p>	

Evaluation Item	Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			defines employee behavior guidelines, job clearance, safety and sanitation, benefits/bonuses/penalties, raise evaluation, education/training, etc. The company offers employees a safe, steady, communicative, and excellent work environment.	

(1) The Company has purchased D&O insurance for its directors and supervisors on Jan 2017.

(2) Directors’ and supervisors’ training records:

Title	Name	Training hours	Study period	Sponsoring Organization	Course
Chairman	Lam Tai Seng	3H	2017/10/11	Securities & Futures Institute	The Corruption Development Trend and Prevention Behavior of Enterprises: from the view Corporate Governance
		3H	2017/10/11		Discussion the Function of Board of Directors from Prevention of Corporate Fraud
Director	Liu Chiu Tsao	3H	2017/09/06	Taiwan Corporate Governance Association	How BOD to Management the Risk of IT Securities

Evaluation Item			Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
			Yes	No	Abstract Illustration	
		3H	2017/09/22			How BOD to “the obligation of the awareness”
Director	Wang Wei Wei	3H	2017/05/18		Taiwan Corporate Governance Association	Corporate Governance
		3H	2017/10/17			Study Key Message from Financial Report
Independent Director	Hsieh Han Chang	3H	2017/03/28		C.N.A.I.C	The Important Awareness of Year 2017 BOD and AGM
		3H	2017/10/31			Business Considerations for Business Decisions and Legal Risk
Independent Director	Chen Kuo Hong	3H	2017/10/17		Securities & Futures Institute	How the Supervisors Supervise the Company to Improve Fraud Detection and Prevention and Strengthen Corporate Governance
		3H	2017/10/17			Discussion on Legal Responsibilities of Supervisors in Financial Reporting Cases
Supervisor	Liaw Jui Tsung	3H	2017/9/06		Taiwan Corporate Governance Association	How BOD supervise IT Security Risk Management
		3H	2017/9/26			The Key Audit Issues and Actions by BOD
Supervisor	Tsay Wen Bin	3H	2017/10/19		Securities & Futures Institute	Discussion of the Development for the International and Taiwan Anti Tax Trend and the Actions by the

Evaluation Item				Implementation Status			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
				Yes	No	Abstract Illustration	
						Company	Enterprise Financial Crisis Early Warning and Type Analysis
Supervisor	Tseng Ming Jen	3H	2017/08/29	Taiwan Corporate Governance Association	The Trend of CSR and sustainable development	Case Analysis of Major Economic Crimes in Enterprises and Discussion on Related Legal Responsibilities	
			2017/09/12				
<p>9. Please explain the improvements which have been made in accordance with the results of the Corporate Governance Evaluation System released by the Corporate Governance Center, Taiwan Stock Exchange, and provide the priority enhancement measures.</p> <p>Flytech 2016 Corporate Governance Evaluation System results ranked 21%-35%, and no improvement issues required by Taiwan Stock Exchange. Flytech will improve our corporate governance continuously by improvement of information disclosure, electronic voting and voting by each item in 2016 AGM.</p>							

3.3.4 Composition, Responsibilities and Operations of the Remuneration Committee

The Remuneration Committee assists the Board in discharging its responsibilities relating to the Company’s compensation and benefits policies, plans and programs, and the evaluation of the directors’ and executives’ compensation.

A. Professional Qualifications and Independence Analysis of Remuneration Committee Members

Title	Name	Meets One of the Following Professional Qualification Requirements, Together with at Least Five Years’ Work Experience			Independence Criteria (Note)								Number of Other Public Companies in Which the Individual is Concurrently Serving as a Remuneration Committee Member	Remarks
		An instructor or higher position in a department of commerce, law, finance, accounting, or other academic department related to the business needs of the Company in a public or private junior college, college or university	A judge, public prosecutor, attorney, Certified Public Accountant, or other professional or technical specialist who has passed a national examination and been awarded a certificate in a profession necessary for the business of the Company	Has work experience in the areas of commerce, law, finance, or accounting, or otherwise necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent Director	Chen Kuo Hong			v	v	v	v	v	v	v	v	v	1	
Other	Liaw Dar Lii			v	v	v	v	v	v	v	v	v	2	
other	Chen Yu			v	v	v	v	v	v	v	v	v	0	

Note:

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.

B. Attendance of Members at Remuneration Committee Meetings

There are 3 members in the Remuneration Committee. A total of 3 (A) Remuneration Committee meetings were held in the previous period. 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	Chen Kuo Hong	3	0	100	Continuously served
Committee Member	Liaw Dar Lii	3	0	100	Continuously served
Committee Member	Chen Yu	1	0	33	Continuously served

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.

3.3.5 Corporate Social Responsibility

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
<p>1. Corporate Governance Implementation</p> <p>(1) Does the company declare 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>	V		<p>1. Flytech has set up “Corporate Social Responsibility Code of Practice” based on “Corporate Governance Best Practice Principles for TWSE List Companies” and approved it on 2015 May board of director meeting. It has been disclosed on company official website: http://www.flytech.com and M.O.P.S.</p> <p>2. Flytech has set up a task force team for corporate social responsibility and led by administration department. We set up three sub team for implementing this: Social responsibility sustainable team (including president office and administration department), product development innovation team (including RD and marketing center) and environmental protection manufacturing team (including manufacturing center). Administration department is in charge of supervising three teams and implementing the corporate social responsibility code of practice and review the results every year. Flytech carries out regular trainings sessions and propaganda on corporate social responsibility with its employees, board of directors, supervisors every year. The following is the content and details of three teams:</p>	None

Evaluation Item	Implementation Status ¹		Abstract Explanation ²	Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No		
			<ol style="list-style-type: none"> 1. Sustainable Development Task Group (1) Drafts, discusses, modifies and implements corporate social responsibility policies; (2) implements various governance policies; (3) evaluates risks that impact company governance and sustainable development, and implements improvement plans; (4) pays attention to and protects stakeholders’ equity; (5) organizes charity and volunteer activities and events; (6) advising suppliers to build green supply chains and reduce the environmental impacts of primary materials and their transportation. 2. Product Development Innovation Group (1) R&D of environmentally friendly product designs; (2) R&D of low-consumption/high-efficiency/low toxins/recyclable/low-impact innovative products; (3) R&D of innovative products that are more durable and reduce waste caused by replacement; (4) collects and analyzes market and technological trends, and designs and develops innovative products that help social and technological progress. 3. Environmentally Friendly Manufacturing Task Group (1) Designs lead-free manufacturing processes, drafts and implements energy conservation and carbon-reduction goals, reduces emission of greenhouse gas and carbon, conserves energy and properly uses water resources; (2) complies with environmental legislation and ISO14001, builds safe and sanitary working environments; (3) complies with environmental legislation, builds waste management and resource 	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
			recycling plans, increases resource repurposing rate, and reduces environmental pollution.	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	V		3. The highest-level manager of the management office is responsible for supervising the three groups as they fulfill the company’s social responsibility policies. He or she will supervise and discuss the fulfillment. Based on the Basic Service Regulations and the Reward/Penalty Management Methods, the groups will periodically evaluate employees’ compliance to ensure that the social responsibility policies are followed. In the first quarter of each year, the groups will present their work results and improvement plans to the board. The implementation of the 2017 corporate social responsibility policies was reported to the board in March 2018.	
(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?	V		4. The company’s Articles of Association stipulate that if the company turns a profit every year, 3%-15% should be used for employee bonuses. The company has also created the Remuneration and Bonus Management Methods, Performance Evaluation Management Methods, and Reward/Penalty Management Methods, which determine the company’s remuneration policies, including fixed salaries, professional stipends, manager stipends, performance bonus calculation formulas, etc. These policies will be discussed and audited by the Remuneration Committee. In tandem with evaluation work, the committee will also evaluate employee performance, internal control compliance status, and compliance with company policies, including social responsibility policies. Then employees will be rewarded/penalized according to the remuneration and bonus policies.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
			In 2017, the above tasks were verifiably implemented.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	V		1. The company’s Corporate Social Responsibility Guidelines have set principles for sustainable development by which the company should abide. These principles including obeying environmental legislation and related international guidelines, increasing resource utility efficiency, building a proper environmental management system, setting up dedicated departments/units/staff for environmental management that will draft, implement and maintain related environmental management systems and concrete action plans; organize environmental educational classes for management and employees; properly utilize water resources; and conduct company greenhouse gas emission audits to reduce the company’s environmental impact on the environment. With ethical and sustainability as principles, we will build a positive operational environment. We will focus on our expertise and develop excellent products to generate revenue and profit that we can share with customers, suppliers, shareholders, employees, and other stakeholders, all the while fulfilling our social responsibilities.	None
(2) Does the company establish proper environmental management systems based on the	V		2. Since 2015, the company started self-auditing its greenhouse emissions and has made management strategies, methods, and emission reduction goals. Below are the CO2 emission of Linko Factory in 2016 and 2017, and the company will continue to monitor and reduce emissions. The results of the audits over the two years have been revealed in the Market Observation Post	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons																				
	Yes	No	Abstract Explanation ²																					
characteristics of their industries?			<p>System:</p> <p>(1) In 2016, overall emissions were 1,364,989kg, and the CO2 equivalent was 1,364t</p> <p>(2) In 2017, overall emissions were 1,270,563kg, and the CO2 equivalent was 1,271t</p> <table border="1"> <thead> <tr> <th></th> <th>Kilowatt-hour</th> <th>Revenue</th> <th>Labor</th> <th>Kilowatt-hours/person</th> </tr> </thead> <tbody> <tr> <td>2016</td> <td>2,408,469 kilowatt-hours</td> <td>4.54 billion</td> <td>269</td> <td>8,953 kilowatt-hours</td> </tr> <tr> <td>2017</td> <td>2,405,367 kilowatt-hours</td> <td>4.59 billion</td> <td>281</td> <td>8,560 kilowatt-hours</td> </tr> <tr> <td>Percentage</td> <td>-0.12 %</td> <td>+1.08%</td> <td>+4.2 %</td> <td>-4.5%</td> </tr> </tbody> </table>		Kilowatt-hour	Revenue	Labor	Kilowatt-hours/person	2016	2,408,469 kilowatt-hours	4.54 billion	269	8,953 kilowatt-hours	2017	2,405,367 kilowatt-hours	4.59 billion	281	8,560 kilowatt-hours	Percentage	-0.12 %	+1.08%	+4.2 %	-4.5%	
	Kilowatt-hour	Revenue	Labor	Kilowatt-hours/person																				
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Percentage	-0.12 %	+1.08%	+4.2 %	-4.5%																				
(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?	V		<p>3. The company has been ISO 9001/13485 certified (international quality) and ISO 14001 certified (international environmental management). In terms of product design, we adopt energy-conserving, environmentally friendly design, and primary materials that have minimal pollution and are environmentally friendly; in production processes, we adopt lead-free production procedures, and both our spare parts and finished products are RoHS certified; through waste management plans, obeying laws, improving resource recycling, and preventing and monitoring air/water pollution, we continue to reduce carbon emissions and build a sustainable environment while reducing our impact on the environment, and keeping pace with international trends and client expectations.</p> <p>The programs above were led by the company’s Corporate Social Responsibility Task Group, which is dedicated to fulfilling the company’s social responsibilities</p>																					

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
			and is in compliance with the company’s Corporate Social Responsibility Guidelines. In 2017, the above tasks were verifiably implemented.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	√		The company’s Corporate Social Responsibility Guidelines have determined principles we must obey to protect public interests. These principles include obeying related legislation; providing employees with information about labor legislation and workers’ rights in their regions; providing employees with a safe and healthy work environment; creating a good environment for employees’ career development; building periodic communication channels; taking responsibility for products, services, and procedures; obeying legislation for guarantee of product/service quality; evaluating and managing risks involving disruption of operations and minimizing their impact on the environment and society. The implementation of the tasks above is as follows: (1) The company has created the Basic Service Regulations in accordance with basic labor laws, internationally recognized human rights principles, and other related legislation. The regulations guarantee employees’ legal rights and establish management procedures that comply with the above principles. The regulations also will add human rights protection policies based on relevant legislation and the International Bill of Human Rights.	None
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with	√		The company has created the Complaints Protocols, in which the Task Group for Ethical Management is the complaint recipient in 2016. The group regulates and receives complaints, confidential information, appeals, audits, logs, and news distribution, among other procedures. It has also set up a complaint email	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
appropriate solutions?			box on the company website and internal website, providing channels for employees and other stakeholders to make complaints.	
(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?	V		<p>The company follows the ISO 14001 Environmental Management System and maintains a good work environment. It has also created a Labor Safety and Sanitation Committee, which is in charge of supervising various labor safety and sanitation plans, and providing workers with safe, sanitary, and healthy work environments. The implementation status is as follows:</p> <ol style="list-style-type: none"> 1. Labor insurance, health insurance, and group insurance for employees. 2. Ensured safe working places based on the Labor Safety and Health Facilities Rules 3. Providing qualified operation machinery 4. Yearly checks and maintenance of fire prevention facilities, fire drills, and educational trainings 5. Sending professional technicians for monthly electric facility checks 6. Yearly health checkups for employees 7. Yearly quality checks for employees’ drinking water 8. Safety training and disaster response drills for employees every half year 9. Improved employee canteen service, offering nutritional and clean food 	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform	V		The company’s high-level management has meetings with managers of four major departments (sales, R&D, manufacturing, management) every week, discusses strategies, and communicates important matters. The managers of these departments can also communicate major changes that might impact company operations through their respective department’s weekly and monthly meetings.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
employees of any significant changes in operations that may have an impact on them?				
(5) Does the company provide its employees with career development and training sessions?	V		The company plans trainings and required study credits for employees of each department to comply with the ISO training/education methods and internal control programs. There are internal and external trainings, and they are categorized as new employee pre-job training, current employee training, training for job levels, and special training projects. These trainings help employees improve their professional expertise. The company has also created the Flytech Knowledge+ internal classes, during which hired specialists and experts give lectures to the entire employee body; we also have in place the Mid-to High-Level Leader Training Plan, a yearly series of professional trainings that help management-level employees improve their expertise, leadership skills, and career planning.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	V		The company is committed to our clients. We comply with ISO 9001 and ISO 13485 in terms of international quality system regulations and regulations for processing products, services, and exchanges with clients. We also set up dedicated customer relations units and overseas service locations to facilitate transparent and effective complaint channels. This allows us to protect our clients’ rights in accordance with stipulations of contracts and principles of ethical management. We always conduct business fairly and transparently.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		The company’s Corporate Social Responsibility Guidelines stipulate that the sale and signage of the company’s products and services should comply with relevant legislation and international guidelines. Behavior such as cheating, misleading, fraud, etc., which breach consumers’ trust and rights, are strictly prohibited.	
(8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships?	V		The company’s Corporate Social Responsibility Guidelines stipulate that before conducting business, the company must evaluate whether the suppliers have records of adversely affecting the environment and society, so that we can avoid doing business with those who go against the company’s social responsibility policies.	
(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	V		The company’s Corporate Social Responsibility Guidelines stipulate that when signing contracts with suppliers, both parties’ social responsibilities policies should be included in the contracts and that if suppliers are suspected of breaching the policies and visibly affecting the supplier source community environmentally and socially, the contracts can be terminated at any time and their terms cancelled. In 2017, the above tasks were verifiably implemented.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
society?				
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)?			The company has revealed all relevant information about its social responsibilities on a dedicated page of its website (http://www.flytech.com), including the social responsibility policies and mission, which is to protect and take care of all stakeholders. The company firmly believes that, through dedication and promises in our field, we can provide the best products to clients; through building the company’s internal culture, Flytech will take care of each employee; through our focus on the industry environment, we maintain excellent, long-term relationships with our suppliers; and, finally, through our promises to clients, employees and suppliers, we are pursuing maximized earnings for our shareholders. Moreover, the company established the Flytech Foundation in 2015, which hosts various charity events and promotional activities for technological innovation. We strive to contribute our love and efforts to society. In 2017, the above tasks were verifiably implemented.	None
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: Flytech has established corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE Listed Companies” and disclosed on our official website and M.O.P.S.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : <ul style="list-style-type: none"> ● Flytech set up Flytech Foundation since 2015, the related activities please refer to http://foundation.flytech.com.tw/ ● Flytech has approved by ISO 9001, ISO 13485, ISO 14001 				

3.3.6 Ethical Corporate Management

Evaluation Item	Implementation Status ¹			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</p>	V		<p>The company has established Ethical Management Principles based on the Company Ethical Behavior Principles for Exchange-Listed and OTC-Listed Companies, submitted it, and had it approved to take effect by the board in May 2015. The Principles determine that the company and related enterprises/organizations should clearly demonstrate their ethical management policies in both their regulations and documents meant for the public. The board and management must ensure the policies are implemented both in internal management and business operations.</p> <p>The company has established Ethical Management and Behavior Guidelines based on the Ethical Management Principles, which took effect after the board’s approval on November 10, 2016. The</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>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>guidelines stipulate concrete procedures, behavior guides, penalties for violations, and a complaint submission system.</p> <p>The company’s Ethical Management and Behavior Guidelines define concrete ethical and unethical behavior, offering standard procedures during provision/receipt/promise of interests. The guidelines also include yearly educational promotions and management methods for preventing unethical behavior. They include Basic Service Regulations, Reward/Penalty Management Methods, and ethics provisions in employee labor contracts. The provisions stipulate that employees are not allowed to use their positions for personal gain, appropriate public properties and funds, or receive bribes/commissions, etc. The provisions also include avoidance of conflict of interests terms; if violations occur, employees will be penalized based on the severity of the violation. In this way, company business can be ethically conducted.</p> <p>In 2017, the above tasks were verifiably</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			implemented.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?	V		Since its beginning, the company has upheld its core policies of “pursue excellence, be honest and accountable, focus on expertise.” Apart from our risk management system (which was built according to laws and accounting regulations), internal control system, and auditing regulations, we also include in our contracts with clients and suppliers terms regarding liabilities and protection of both parties’ rights. We exclude the possibility of insider trading and conduct business fairly and transparently. We have also created the Ethical Management and Behavior Guidelines, which stipulate that before signing contracts with any party, we must fully understand the extent of their business practices. Observation of our ethical business practice policies should be included in contracts, or issues of ethical transactions should be clearly defined in the contracts. After the	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?			<p>contracts are checked against the Contract Vetting Methods, they can be approved for signing.</p> <p>According the company’s Ethical Management and Behavior Guidelines, we created the Task Group for Ethical Management as the dedicated unit in November 2016. The task group is directly connected to the board and is responsible for modifying, implementing, explaining, and consulting with regard to the guidelines. Moreover, the task group must announce actions regarding the guidelines’ content modification/consolidation and supervise their implementation. Once a year, the group will host an announcement event and report to the board regarding the previous year’s work results and improvement plans in the first quarter of each year. The company’s 2017 ethical management practices were reported at the board meeting in March 2018, and there were neither violations of ethics nor disputes/penalties imposed by government agencies.</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?			The company’s Basic Service Regulations and “Reward/Penalty Management Methods include avoidance of conflict of interest terms, stipulating that employees should not conduct any business outside of work using the name of the company, take part-time jobs without the company’s permission, and operate or invest in enterprises with business profiles similar to those of the company. The Board Meeting Protocols also have in place avoidance of conflict of interest terms, and the company’s Ethical Management and Behavior Guidelines stipulate that directors, supervisors, managers, and other present stakeholders at the meeting should not participate in discussion or voting, vote on behalf of other directors, or be present when the resolution takes place if matters discussed affect their own interests or interests of those whom they represent. Prior to this, they must explain to the board important points in conflicts of interests, especially when these points negatively affect the company’s interests. Directors should also practice self-discipline and not support	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(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?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>			<p>each other’s agendas when conflicts of interest occur. Terms above are implemented and supervised by the Task Group for Ethical Management.</p> <p>The company has set up effective accounting regulations, an internal control system, and relevant management regulations, which will be audited by internal auditors according to yearly plans. The company will conduct self-evaluation during each executive year and report the effectiveness and compliance status of the internal control design at board meetings. High-level management must report in board meetings the performance of business operations and the internal control status of each department.</p> <p>The company has set up Company Ethical Behavior Principles, which stipulate that an internal promotion event should be held once a year. During the event, the director of the board, general manager, and high-level management will</p>	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>express the importance of ethics to directors, employees, and assignees. The company’s Task Group for Ethical Management will arrange a yearly promotional event. During new employee pre-job trainings; the group will explain the internal control system and management regulations related to ethical management.</p> <p>In 2017, the above were implemented and fulfilled, and no important aberrations from ethical management practices were found.</p>	
<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>	V		<p>On November 10, 2016, the company established its Complaints Protocols, which define complaint and reward systems. The Task Group for Ethical Management is the recipient of complaints.</p> <p>The company’s Complaints Protocols regulate receipt of complaints, confidential information, appeals, audits, logs, and news distribution, among other procedures. It has also set up a complaint email box on the company website and internal</p>	None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company provide proper whistleblower protection?			<p>website, providing channels for employees and other stakeholders to make complaints.</p> <p>The company’s Complaints Protocols also establish confidential programs after complaints are received, so that unfair treatment of staff can be prevented.</p> <p>In 2017, the above were implemented and fulfilled, and no important violations were found.</p>	
<p>3. 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>The company’s corporate website (http://www.flytech.com) reveals relevant information, such as prospects and mission, industry application, organizational structure, financial information, shareholders meeting updates, important news, company governance information, important regulations, Board of Directors information, communication status among independent directors and internal auditors and accountants, internal auditing organization and its status, corporate social responsibility, environmental protection and energy conservation</p>	2. None

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
			<p>policies, and supplier management. We also reveal the following in the Market Observation Post System: Company Governance Principles, Company Ethical Behavior Principles, Ethical Management Guidelines, Corporate Social Responsibility Guidelines, Ethical Management Principles, Behavior Guidelines, etc. In 2017, the above tasks were verifiably implemented.</p>	
<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. The company has created the Ethical Management Principles, Company Ethical Behavior Principles, and Complaints Protocols, all of which are published on the corporate website and Market Observation Post System. They are all in compliance with the Company Ethical Behavior Principles for Exchange-Listed and OTC-Listed Companies. In 2017, the Task Group for Ethical Management supervised all departments to ensure they were complying with the guidelines, and no violations of ethical management were found. The above findings were reported to the board in the March 2018 meeting.</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). Based on the Ethical Management Principles, the company has established its Company Ethical Behavior Principles, which was passed by the board on November 10, 2016 and took effect on the same day. The Principles define concrete procedures, behavior guides, penalties for violations, and the complaints system. The task group is directly connected to the board and is responsible for modifying, implementing, explaining, and consulting with regard to the guidelines. Once a year the group will host an announcement event and report to the board, to</p>				

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
express to all employees, directors, and supervisors the importance of ethics and the implementation of the principles. The results of the 2017 ethical management were reported at the March 2018 board meeting.				

3.3.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at <http://flytech.com.tw>.

3.3.8 Other Important Information Regarding Corporate Governance

None.

3.3.9 Internal Control Systems

Please refer to the Statement of Internal Control System showed on pg ***.

3.3.10 Major Resolutions of Shareholders' Meeting and Board Meetings

Please refer to the Chinese annual report and official website: <http://flytech.com.tw>.

3.3.11 Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

1. Important resolutions and their implementation status at the 2017 General Shareholders Meeting

- (1) Passed the 2016 Business Operation Report, Accounting Balance Sheet and the remuneration proposal for employees, directors and supervisors.
- (2) Passed the 2016 surplus profit distribution proposal.

In order to keep dividend policies steady and build a comprehensive financial structure, the company will extract 10% of its profit in 2016, NT\$88,181,547, as the legally required reserve. Another NT\$731,841,620 will be distributed to shareholders as cash dividends as per the company's Articles of Association, which comes to NT\$5 cash dividend per share.

Implementation status: August 23rd, 2017 is set as the distribution base date, and all cash dividends were distributed as per the resolution of the general shareholders meeting on September 22nd, 2017 (NT\$5 cash dividend per share).

- (3) Passed proposals to modify terms in the Articles of Association and the Processing Procedure for Asset Acquisition and Disposal.

Implementation Status: The Articles of Association were approved by the Ministry of Economic Affairs on July 6th, 2017 and registered and publicized on the company's website; The Processing Procedure for Asset Acquisition and Disposal was publicized on the company website on June 8th, 2017 and is now officially implemented.

2. 2017 Board meeting and important resolutions by the Board as of the print day of this yearly report

- (1) Passed the company's 2017 Operation Plan Proposal
- (2) Passed the 2016 performance bonus (yearly bonus) proposal made by the Remuneration Committee
- (3) Passed a proposal to set the 2017 General Shareholders Meeting location, date, and other related issues
- (4) 2017 proposal to report status of liability insurance for directors, supervisors, and managers
- (5) 2016 proposal to report the board's performance evaluation results and the status of ethical management
- (6) Passed the 2016 director/supervisor remuneration and employee remuneration proposals submitted by the Remuneration Committee
- (7) Approved the company's 2016 Financial Report (including the consolidated financial report)
- (8) Passed the company's 2016 surplus profit distribution proposal
- (9) Passed proposals to modify terms in the Articles of Association and the Processing Procedure for Asset Acquisition and Disposal
- (10) Passed the company's 2016 Internal Control System Announcement, which deems effective the company's Internal Control System Design
- (11) Passed a proposal to create the company's Job Responsibilities and Regulations for Independent Directors and the Board Performance Evaluation Protocols.
- (12) Passed a proposal to modify and correct the company's 2016 surplus profit distribution plan (list and assess earned surplus, which is the same net amount as deduction of profits and losses)
- (13) Passed a 2017 proposal to evaluate the independence of accountants in charge of drafting the company's financial report

- (14) Passed a 2016 proposal to apply for a line of credit at Chang Hwa Bank's Nangang Branch.
- (15) Passed a proposal to apply for a line of credit at Cathay United Bank
- (16) Passed the 2017 Remuneration Adjustment Principles and the Managers' Remuneration Adjustment Plan.
- (17) Passed the 2016 Director/Supervisor remuneration and employee remuneration proposals submitted by the remuneration committee.
- (18) Passed a proposal to buy back the company's stocks according to the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.
- (19) Proposal to have the Board of Directors issue a statement on having taken the company's financial status into consideration and the fact that its capital will not be affected
- (20) Passed the company's 2018 Audit Plan
- (21) Passed a proposal by subsidiary Box Technologies Limited to build its own internal control system
- (22) Proposal to dispose of long-term equity investment: subsidiary company Fei-Syun investment, together with subsidiary company Poindus System, became listed on the emerging stock market on December 25th, 2017 and offered 401 Poindus stocks to be claimed by securities brokers
- (23) Proposal to report buyback status of treasury stocks
- (24) 2018 proposal to report status of liability insurance for directors, supervisors, and managers
- (25) Passed the company's 2018 Operation Plan proposal
- (23) Passed the 2016 performance bonus (yearly bonus) proposal made by the Remuneration Committee
- (24) Passed a proposal to apply for a line of credit at Chang Hwa Bank's Nangang Branch for subsidiary company Box Technologies Limited and to authorize the director of the board to handle the procedures, such as applying and signing agreement
- (25) Passed a proposal to apply for a line of credit at HNCB
- (26) Proposal to cancel the company's treasury stocks
- (27) Passed a proposal to set the 2018 General Shareholders Meeting location, date, and other related issues
- (28) 2017 proposal to report the board's performance evaluation results and implementation status of ethical management
- (29) Passed the 2017 director/supervisor remuneration and employee remuneration proposals submitted by the Remuneration Committee
- (30) Approved the company's 2017 Financial Report (including the consolidated financial report)
- (31) Passed the company's 2017 surplus profits distribution proposal
- (32) Passed the company's 2017 Internal Control System Announcement, which deems effective the company's Internal Control System Design
- (33) 2016 proposal to report the board's performance evaluation results and the status of ethical management
- (34) Passed the 2017 director/supervisor remuneration and employee remuneration proposals submitted by the Remuneration Committee
- (35) Approved the company's 2017 Financial Report (including the consolidated financial report)
- (36) Passed the company's 2017 surplus profits distribution proposal
- (37) Passed a proposal to change the company's accountants starting in the first quarter of 2018 as a result of of KPMG's internal personnel adjustment
- (38) Passed a proposal to re-elect the company's directors
- (39) Passed a proposal to terminate prohibitions/restrictions on new directors and their representatives participating in competitive businesses.
- (40) Passed a proposal to modify terms in the company's Shareholders Meeting Protocols, Election Method of Directors and Supervisors, Money Lending Procedures, Endorsement Guarantee Procedures, Processing Procedure for Asset Acquisition and Disposal, Board Meeting Protocols, Job Responsibilities and Regulations for Independent Directors, and Organizational Protocols of the Remuneration Committee.
- (41) Passed a proposal to create new Organizational Protocols for the Audit Committee.
- (42) Passed a proposal for the company's 2018 General Shareholders Meeting to accept nomination of shareholders holding 1% and more of the company's shares as director candidates, and shareholders' proposals
- (43) Passed a proposal to modify terms in the company's Articles of Association

3.3.12 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.4 Information Regarding the Company's Audit Fee and Independence

3.4.1 Audit Fee

- I. The payment for CPA and accounting firm of none audit fee / audit fee reached to 25% in 2017.
- II. Flytech did not change accounting firm in 2017 to annual report published date.
- III. Audit fee in 2017 decreased from 2016 and not reached to 15%.

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
KPMG	Chang Huei Chen	2017.01.01~2017.12.31	
KPMG	Shih Wei Ming	2017.01.01~2017.12.31	

3.4.2 Replacement of CPA

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000			956,000	956,000
2	NT\$2,000,001 ~ NT\$4,000,000		3,775,000		3,775,000
3	NT\$4,000,001 ~ NT\$6,000,000				
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000				
6	Over NT\$100,000,000				

A. Regarding the former CPA

Replacement Date	January 1, 2016		
Replacement reasons and explanations	Internal restructuring at KPMG firm		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties		
	Status	CPA	The Company
	Termination of appointment	NA	NA
	No longer accepted (continued) appointment	NA	NA
Other issues (except for unqualified issues) in the audit reports within the last two years	None		
Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps

		-	Others
	None	✓	
	Remarks/specify details:		
Other Revealed Matters	None		

B. Regarding the successor CPA

Name of accounting firm	KPMG
Name of CPA	Chang Huei Chen and Shih Wei Ming
Date of appointment	Jan 1st, 2016
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

3.4.3 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2017.

None

3.5 Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

Title	Name	2017		As of Apr. 30, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Lam Tai Seng				
Director	Wang Wei Wei				
Director/President	Liu Chiu Tsao	(23,400)*			
Independent Director	Chen Kuo Hong	(118,740)*			
Independent Director	Hsieh Han Chang				

Supervisor	Liaw Jui Tsung				
Supervisor	Tsay Wen Bin				
Supervisor	Tseng Ming Jen				
Senior VP of Sales Center	Lee Dong Ling				
VP of Sales Center	Shyu Jia Horng				
AVP of Sales Center	Hung Tung Chang				
VP of RD Center	Liu Yun Ping				
VP of Manufacturing Center	Chuo Chun Hung				
AVP of Administration Center	Chan Yi Wen				
AVP of Finance	Lee Mei Huei				

Note: * Grant to children

3.5.1 Shares Trading with Related Parties

None

3.5.2 Shares Pledge with Related Parties

None

3.6 Relationship among the Top Ten Shareholders

As of 4/30/2018

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	
Lam Tai Seng	16,217,505	11.34 %	11,040,443	7.72 %			Wang Wei Wei	Spouse	
Wang Wei Wei	11,040,443	7.72 %	16,217,505	11.34 %			Lam Tai Seng	Spouse	
Franklin Templeton Investment Fund - Asia Small Company Fund Investment Account	5,722,753	4.00 %							
Cathay Life Insurance Co., Ltd.	5,098,993	3.56 %							
Fubon Life Insurance Co., Ltd.	4,453,000	3.11 %							
Gite Investment Development Co., Ltd.	4,158,253	2.91 %							
Bida Investment Development Co., Ltd.	3,840,925	2.69 %							
Feite Investment Co., Ltd.	2,425,729	1.70 %							
Zhongchuan Investment Development Co., Ltd.	2,324,133	1.63 %							
Invesco Fund - Invesco Asia Balanced Fund	2,286,025	1.60 %							

3.7 Ownership of Shares in Affiliated Enterprises

None

3.8 Statement of Internal Control

Flytech Technology Co., Ltd. Statement of Internal Control System

Date: Mar 20th 2018

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

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

Flytech Technology Co.,Ltd.

Chairman
Thomas Lam

President
James Liu

IV. Financial Statements

Independent Auditors' Report

To the Board of Directors
Flytech Technology Co., Ltd:
Opinion

We have audited the consolidated financial statements of Flytech Technology Co., Ltd. and its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretations as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Group's consolidated financial statements for the year ended December 31, 2017 are stated as follows:

1. Valuation of inventories

Please refer to Note 4(h) "Inventories" for the significant accounting policies, Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and Note 6(d) "Inventories" for the related disclosures.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid development of technology and innovation of production technology, the stocks for materials may become obsolete and cannot meet the market demand. Furthermore, the product price may fluctuate due to fierce market competition. Accordingly, the management need to determine its net realizable value at the end of the reporting date based on its judgment and estimation to recognize the possible write-down of inventories. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the inventory valuation documentation to inspect whether inventories were measured in accordance with the Group's accounting policies; obtaining the inventory aging report, analyzing the fluctuation of inventory aging and selecting samples to verify the accuracy of inventory aging classification; and understanding and testing the net realizable value of inventories to evaluate the reasonableness of inventory provisions.

2. Business Combination

Please refer to Note 4(t) "Business Combination" for the significant accounting policies and Note 6(e) "Business Combination" for the related disclosures.

Description of key audit matter:

The Group acquired 100% ownership of Adasys GmbH Elektronische Komponenten in 2017. To adopt the accounting treatment of business combination, the management needs to determine the purchase price and the fair value of the identifiable assets and liabilities. The assessment is complex and involves significant assumptions and estimation. Accordingly, the assessment of business combination has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, reading the share purchase agreement to understand its scope of acquisition and purchase price tracing payments to bank statements; obtaining the purchase price allocation report with valuation of intangible assets conducted by an external expert engaged by the management and auditing the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist us in evaluating the reasonableness of the valuation method and key assumptions used. We have also confirmed that correct accounting treatment has been applied and appropriate disclosures with respect to the acquisition has been made.

3. Impairment of Goodwill

Please refer to Note 4(m) "Impairment of non-financial assets" for the significant accounting policy on goodwill impairment, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of impairment of goodwill, and Note 6(g) "Intangible assets" for the related disclosures.

Description of key audit matter:

Goodwill arising from acquisition of subsidiaries are annually subject to impairment test or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management's judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the assessment of assets impairment provided by the management and inspecting whether all assets subject to impairment test are included in the assessment; assessing the appropriateness of the valuation model and key assumptions, including the discount rate and expected growth rate, used by the management in measuring the recoverable amount; performing a sensitivity analysis of the key assumptions and results. In addition to the above audit procedures, we have also inquired from a valuation specialist to evaluate the appropriateness of the weighted-average cost of capital and its underlying assumptions; and assessed the adequacy of the Group's disclosures with respect to the related information.

Other Matter

Flytech Technology Co., Ltd. has additionally prepared its parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016, on which we have issued an unqualified audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting standards, interpretation as well as related guidance endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remained solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers

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

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

FLYTECH TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents (note 6(a))	\$ 1,796,799	29	2,257,734	37
1150-1170	Notes and accounts receivable, net (notes 6(c) and 8)	1,391,562	23	1,126,040	18
130X	Inventories (notes 6(d) and 8)	847,568	14	816,996	13
1410-1470	Prepayments and other current assets (note 6(c))	47,462	1	46,341	1
1476	Other financial assets— current (notes 6(a) and 8)	<u>99,319</u>	<u>2</u>	<u>131,064</u>	<u>2</u>
Total current assets		<u>4,182,710</u>	<u>69</u>	<u>4,378,175</u>	<u>71</u>
Non-current assets:					
1600	Property, plant and equipment (note 6(f))	1,207,027	20	1,145,713	18
1780	Intangible assets (notes 6(e) and (g))	535,467	9	587,900	10
1840	Deferred income tax assets (note 6(l))	42,301	1	27,575	-
1915	Prepayments for equipment	5,284	-	10,129	-
1980	Other financial assets— non-current (notes 6(a) and 8)	<u>78,074</u>	<u>1</u>	<u>51,875</u>	<u>1</u>
Total non-current assets		<u>1,868,153</u>	<u>31</u>	<u>1,823,192</u>	<u>29</u>
Total assets		<u>\$ 6,050,863</u>	<u>100</u>	<u>6,201,367</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2100	Short-term borrowings (notes 6(h) and 8)	\$ 114,569	2	69,143	1
2120	Financial liabilities at fair value through profit or loss – current (notes 6(b) and (e))	34,862	1	-	-
2150-2170	Notes and accounts payable	771,024	13	724,920	12
2200	Other payables (notes 6(e) and (q))	288,609	5	258,818	4
2230	Current income tax liabilities	89,808	1	103,072	2
2250	Provisions (note 6(i))	31,322	-	12,823	-
2300	Other current liabilities	<u>52,080</u>	<u>1</u>	<u>44,316</u>	<u>1</u>
	Total current liabilities	<u>1,382,274</u>	<u>23</u>	<u>1,213,092</u>	<u>20</u>
Non-current liabilities:					
2570	Deferred income tax liabilities (note 6(l))	70,892	1	77,505	1
2640	Net defined benefit liabilities (note 6(k))	43,287	1	25,411	-
2670	Other non-current liabilities (notes 6(e))	<u>-</u>	<u>-</u>	<u>31,688</u>	<u>1</u>
	Total non-current liabilities	<u>114,179</u>	<u>2</u>	<u>134,604</u>	<u>2</u>
	Total liabilities	<u>1,496,453</u>	<u>25</u>	<u>1,347,696</u>	<u>22</u>
Equity (notes 6(k), (l), (m) and (n)):					
3110	Common stock	1,463,683	24	1,463,683	24
3200	Capital surplus	762,804	13	761,822	12
Retained earnings:					
3310	Legal reserve	841,757	14	753,576	12
3320	Special reserve	22,370	-	-	-
3350	Unappropriated earnings	1,468,367	24	1,572,392	25
3400	Other equity	(37,221)	-	(22,370)	-
3500	Treasury shares	<u>(285,953)</u>	<u>(5)</u>	<u>-</u>	<u>-</u>
	Equity attributable to shareholders of the Company	<u>4,235,807</u>	<u>70</u>	<u>4,529,103</u>	<u>73</u>
36XX	Non-controlling interests	<u>318,603</u>	<u>5</u>	<u>324,568</u>	<u>5</u>
	Total equity	<u>4,554,410</u>	<u>75</u>	<u>4,853,671</u>	<u>78</u>
	Total liabilities and equity	<u>\$ 6,050,863</u>	<u>100</u>	<u>6,201,367</u>	<u>100</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
4000 Revenue (notes 6(p) and 14)	\$ 6,565,317	100	5,633,782	100
5000 Cost of revenue (notes 6(d), (f), (g), (i), (j), (k), (n) and (q) and 12)	4,621,114	70	3,739,993	66
Gross profit	<u>1,944,203</u>	<u>30</u>	<u>1,893,789</u>	<u>34</u>
Operating expenses (notes 6(c), (f), (g), (j), (k), (n) and (q), 7 and 12):				
6100 Selling expenses	535,902	8	447,779	8
6200 Administrative expenses	258,847	4	246,982	4
6300 Research and development expenses	215,276	4	216,659	4
	<u>1,010,025</u>	<u>16</u>	<u>911,420</u>	<u>16</u>
Operating income	<u>934,178</u>	<u>14</u>	<u>982,369</u>	<u>18</u>
Non-operating income and loss (notes 6(e) and (r)):				
7010 Other income	12,300	-	13,444	-
7020 Other gains and losses	(110,865)	(1)	9,133	-
7050 Finance costs	(3,859)	-	(1,466)	-
	<u>(102,424)</u>	<u>(1)</u>	<u>21,111</u>	<u>-</u>
Income before income tax	831,754	13	1,003,480	18
7950 Less: Income tax expense (note 6(l))	100,334	2	131,633	2
Net income	<u>731,420</u>	<u>11</u>	<u>871,847</u>	<u>16</u>
Other comprehensive income (notes 6(k) and (l)):				
Items that will not be reclassified subsequently to profit or loss:				
8310 Remeasurements of defined benefit plans	2,405	-	(2,572)	-
8349 Income tax related to items that will not be reclassified subsequently to profit or loss	(1,092)	-	437	-
	<u>1,313</u>	<u>-</u>	<u>(2,135)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
8360 Exchange differences on translation of foreign operations	(14,735)	-	(37,116)	(1)
8399 Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	<u>(14,735)</u>	<u>-</u>	<u>(37,116)</u>	<u>(1)</u>
Other comprehensive income for the year	<u>(13,422)</u>	<u>-</u>	<u>(39,251)</u>	<u>(1)</u>
Total comprehensive income for the year	<u>\$ 717,998</u>	<u>11</u>	<u>832,596</u>	<u>15</u>
Net income attributable to:				
8610 Shareholders of the Company	\$ 738,368	11	881,816	16
8620 Non-controlling interests	(6,948)	-	(9,969)	-
	<u>\$ 731,420</u>	<u>11</u>	<u>871,847</u>	<u>16</u>
Total comprehensive income attributable to:				
8710 Shareholders of the Company	\$ 723,517	11	843,471	15
8720 Non-controlling interests	(5,519)	-	(10,875)	-
	<u>\$ 717,998</u>	<u>11</u>	<u>832,596</u>	<u>15</u>
Earnings per share (in New Taiwan dollars) (note 6(o)):				
9750 Basic earnings per share	\$ 5.06		6.02	
9850 Diluted earnings per share	\$ 5.03		5.99	

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity
For the years ended December 31, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of the Company												
	Retained earnings					Total other equity interest					Non-controlling interests	Total equity	
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated earnings	Total	Foreign currency translation differences	Remeasurements of defined benefit plans	Total	Treasury shares			
Balance at January 1, 2016	\$ 1,463,683	756,228	651,916	-	1,670,446	2,322,362	18,516	(2,541)	15,975	-	4,558,248	336,407	4,894,655
Appropriation of earnings:													
Legal reserve	-	-	101,660	-	(101,660)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(878,210)	(878,210)	-	-	-	-	(878,210)	-	(878,210)
Changes in ownership interests in subsidiaries	-	5,594	-	-	-	-	-	-	-	-	5,594	(5,594)	-
Issuance of stock from exercise of employee stock option	-	-	-	-	-	-	-	-	-	-	-	25,620	25,620
Distribution of cash dividend by subsidiaries to non-controlling interests rests	-	-	-	-	-	-	-	-	-	-	-	(36,980)	(36,980)
Stock option compensation cost of subsidiary	-	-	-	-	-	-	-	-	-	-	-	15,990	15,990
Net income in 2016	-	-	-	-	881,816	881,816	-	-	-	-	881,816	(9,969)	871,847
Other comprehensive income in 2016	-	-	-	-	-	-	(36,210)	(2,135)	(38,345)	-	(38,345)	(906)	(39,251)
Total comprehensive income in 2016	-	-	-	-	881,816	881,816	(36,210)	(2,135)	(38,345)	-	843,471	(10,875)	832,596
Balance at December 31, 2016	1,463,683	761,822	753,576	-	1,572,392	2,325,968	(17,694)	(4,676)	(22,370)	-	4,529,103	324,568	4,853,671
Appropriation of earnings:													
Legal reserve	-	-	88,181	-	(88,181)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	22,370	(22,370)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(731,842)	(731,842)	-	-	-	-	(731,842)	-	(731,842)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(285,953)	(285,953)	-	(285,953)
Changes in ownership interests in subsidiaries	-	982	-	-	-	-	-	-	-	-	982	11,850	12,832
Distribution of cash dividend by subsidiaries to non-controlling interests rests	-	-	-	-	-	-	-	-	-	-	-	(12,296)	(12,296)
Net income in 2017	-	-	-	-	738,368	738,368	-	-	-	-	738,368	(6,948)	731,420
Other comprehensive income in 2017	-	-	-	-	-	-	(14,704)	(147)	(14,851)	-	(14,851)	1,429	(13,422)
Total comprehensive income in 2017	-	-	-	-	738,368	738,368	(14,704)	(147)	(14,851)	-	723,517	(5,519)	717,998
Balance at December 31, 2017	\$ 1,463,683	762,804	841,757	22,370	1,468,367	2,332,494	(32,398)	(4,823)	(37,221)	(285,953)	4,235,807	318,603	4,554,410

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Income before income taxes	\$ <u>831,754</u>	<u>1,003,480</u>
Adjustments for:		
Depreciation	93,206	97,105
Amortization	93,678	77,837
Provision for (reversal of) impairment loss on accounts receivable	73	(2,597)
Valuation loss (gain) on financial assets and liabilities at fair value through profit or loss, net	611	(37,997)
Interest expense	3,859	1,466
Interest income	(6,791)	(9,216)
Share-based compensation cost	-	15,990
Loss (gain) on disposal of property, plant and equipment	6,120	(43)
Unrealized exchange loss (gain) of contingent consideration	400	(6,064)
Total non-cash profit and loss	<u>191,156</u>	<u>136,481</u>
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	(261,244)	191,803
Inventories	32,156	(17,823)
Prepayments and other current assets	8,265	11,148
Notes and accounts payable	15,950	60,419
Other current liabilities	1,953	15,069
Other payables	8,860	(15,604)
Provisions	18,499	482
Net defined benefit liabilities	(2,407)	(10,201)
Total changes in operating assets and liabilities	<u>(177,968)</u>	<u>235,293</u>
Cash provided by operations	844,942	1,375,254
Income taxes paid	<u>(140,976)</u>	<u>(186,862)</u>
Net cash provided by operating activities	<u>703,966</u>	<u>1,188,392</u>

See accompanying notes to financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from investing activities:		
Acquisition of financial assets at fair value through profit or loss	-	(1,662)
Proceeds from disposal of financial assets at fair value through profit or loss	-	161,938
Acquisition of a subsidiary, net of cash acquired	(18,998)	(458,065)
Proceeds from disposal of subsidiaries (without losing its control)	12,832	-
Additions to property, plant and equipment (including prepayments for equipment)	(144,040)	(87,654)
Proceeds from disposal of property, plant and equipment	1,983	421
Additions to intangible assets	(4,100)	(10,578)
Decrease (increase) in other financial assets	(10,078)	19,316
Interest received	7,100	7,440
Net cash used in investing activities	(155,301)	(368,844)
Cash flows from financing activities:		
Increase (decrease) in short-term borrowings	34,232	(51,445)
Cash dividends	(731,842)	(878,210)
Proceeds from exercise of employee share options	-	25,620
Payments to acquire treasury shares	(285,953)	-
Cash dividends paid to non-controlling interests	(12,296)	(36,980)
Interest paid	(4,000)	(1,325)
Net cash used in financing activities	(999,859)	(942,340)
Effects of foreign exchange rate changes	(9,741)	(33,267)
Net decrease in cash and cash equivalents	(460,935)	(156,059)
Cash and cash equivalents at beginning of year	2,257,734	2,413,793
Cash and cash equivalents at end of year	\$ 1,796,799	2,257,734

See accompanying notes to financial statements.

Independent Auditors' Report

To the Board of Directors
Flytech Technology Co., Ltd:

Opinion

We have audited the parent company only financial statements of Flytech Technology Co., Ltd. (the "Company"), which comprise the parent company only balance sheets as of December 31, 2017 and 2016, and the parent company only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company only financial statements present fairly, in all material respects, the parent company only financial position of the Company as of December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters for the Company's financial statements for the year ended December 31, 2017 are stated as follows:

1. Valuation of inventories

Please refer to Note 4(g) "Inventories" for the significant accounting policies, Note 5(a) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of inventory valuation, and Note 6(d) "Inventories" for the related disclosures.

Description of key audit matter:

Inventories are measured at the lower of cost and net realizable value. Due to the rapid development of technology and innovation of production technology, the stocks for materials may become obsolete and cannot meet the market demand. Furthermore, the product price may fluctuate due to fierce market competition. Accordingly, the management need to determine its net realizable value at the end of the reporting date based on its judgment and estimation to recognize the possible write-down of inventories. Therefore, the valuation of inventories has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the inventory valuation documentation to inspect whether inventories were measured in accordance with the Company's accounting policies; obtaining the inventory aging report, analyzing the fluctuation of inventory aging and selecting samples to verify the accuracy of inventory aging classification; and understanding and testing the net realizable value of inventories to evaluate the reasonableness of inventory provisions.

2. Investments in subsidiaries

Please refer to Note 4(h) "Investments in subsidiaries" for the significant accounting policies and Note 6(e) "Business Combination" for the related disclosures.

Description of key audit matter:

The subsidiary of the Group, Poindus Systems Corporation, acquired 100% ownership of Adasys GmbH Elektronische Komponenten in 2017. To adopt the accounting treatment of business combination, the management needs to determine the purchase price and the fair value of the identifiable assets and liabilities. The assessment is complex and involves significant assumptions and estimation. Accordingly, the assessment of investments in subsidiaries has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, reading the share purchase agreement to understand its scope of acquisition and purchase price; tracing payments to bank statements; obtaining the purchase price allocation report with valuation of intangible assets conducted by an external expert engaged by the management and auditing the acquired assets and liabilities identified by the management including any fair value adjustment at the acquisition date. In doing so, we have consulted internal valuation specialists to assist us in evaluating the reasonableness of the valuation method and key assumptions used. We have also confirmed that correct accounting treatment has been applied and appropriate disclosures with respect to the acquisition has been made.

3. Impairment of Goodwill included in investments in subsidiaries

Please refer to Note 4(l) "Impairment of non-financial assets" for the significant accounting policy on goodwill impairment, Note 5(b) "Critical accounting judgments and key sources of estimation uncertainty" for estimation uncertainty of impairment of goodwill, and Note 6(e) "Intangible assets" for the related disclosures.

Description of key audit matter:

Goodwill arising from acquisition of subsidiaries are included in investments in subsidiaries annually subject to impairment test or at the time there are indications that goodwill may have been impaired. The assessment of the recoverable amount of goodwill involves management's judgment and estimation. Accordingly, the assessment of impairment of goodwill has been identified as one of the key audit matters.

How the matter was addressed in our audit:

In relation to the key audit matter above, we have performed certain audit procedures including, among others, obtaining the assessment of assets impairment provided by the management and inspecting whether all assets subject to impairment test are included in the assessment; assessing the appropriateness of the valuation model and key assumptions, including the discount rate and expected growth rate, used by the management in measuring the recoverable amount; performing a sensitivity analysis of the key assumptions and results. In addition to the above audit procedures, we have also inquired from a valuation specialist to evaluate the appropriateness of the weighted-average cost of capital and its underlying assumptions; and assessed the adequacy of the Company's disclosures with respect to the related information.

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

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

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

Those charged with governance, including the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Only Financial Statements

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

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

1. Identified and assessed the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Concluded on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluated the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Huei-Chen Chang and Wei-Ming Shih.

KPMG

Taipei, Taiwan (Republic of China)
March 20, 2018

Notes to Readers:

The accompanying financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the 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.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Current assets:					
1100	Cash and cash equivalents	\$ 1,330,547	26	1,759,861	32
1150-1170	Notes and accounts receivable, net	786,226	15	843,832	15
1180	Accounts receivable from related parties	223,491	4	112,726	2
130X	Inventories	469,207	9	494,368	9
1410-1470	Prepayments and other current assets	24,752	1	26,543	1
Total current assets		2,834,223	55	3,237,330	59
Non-current assets:					
1550	Investments accounted for using equity method	1,136,284	22	1,172,735	21
1600	Property, Plant and equipment	1,151,134	23	1,081,495	20
1780	Intangible assets	6,265	-	8,534	-
1840	Deferred income tax assets	21,140	-	21,495	-
1915	Prepayments for equipment	2,566	-	10,129	-
1980	Other financial assets-non-current	2,283	-	485	-
Total non-current assets		2,319,672	45	2,294,873	41
Total assets		\$ 5,153,895	100	5,532,203	100

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)

FLYTECH TECHNOLOGY CO., LTD.

Balance Sheets (Continued)

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Liabilities and Equity					
Current liabilities:					
2120	Financial liabilities at fair value through profit or loss – current	\$ 33,239	1	-	-
2150-2170	Notes and accounts payable	522,796	10	572,636	10
2180	Accounts payable to related parties	7,319	-	9,247	-
2200	Other payables	206,109	4	209,329	4
2230	Current income tax liabilities	68,742	1	95,058	2
2250	Provisions	12,619	-	12,455	-
2300	Other current liabilities	17,922	1	19,918	-
	Total current liabilities	868,746	17	918,643	16
Non-current liabilities:					
2570	Deferred income tax liabilities	22,892	-	27,358	1
2640	Net defined benefit liabilities	26,450	1	25,411	-
2381	Other non-current liabilities	-	-	31,688	1
	Total non-current liabilities	49,342	1	84,457	2
	Total liabilities	918,088	18	1,003,100	18
Equity:					
3110	Common stock	1,463,683	28	1,463,683	26
3200	Capital surplus	762,804	15	761,822	14
Retained earnings:					
3310	Legal reserve	841,757	16	753,576	14
3320	Special reserve	22,370	-	-	-
3350	Unappropriated earnings	1,468,367	29	1,572,392	28
3400	Other equity	(37,221)	(1)	(22,370)	-
3500	Treasury shares	(285,953)	(5)	-	-
	Total equity	4,235,807	82	4,529,103	82
	Total liabilities and equity	\$ 5,153,895	100	5,532,203	100

FLYTECH TECHNOLOGY CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2017		2016	
	Amount	%	Amount	%
4000 Revenue	\$ 4,580,890	100	4,536,778	100
5000 Cost of revenue	3,193,625	70	2,988,028	66
Gross profit before unrealized gross profit	1,387,265	30	1,548,750	34
5910 Unrealized (realized) gross profit	(1,689)	-	1,760	-
Gross profit	1,388,954	30	1,546,990	34
Operating expenses:				
6100 Selling expenses	153,314	3	154,940	3
6200 Administrative expenses	105,376	3	134,683	3
6300 Research and development expenses	194,757	4	189,051	4
Total operating expenses	453,447	10	478,674	10
Operating income	935,507	20	1,068,316	24
Non-operating income and loss:				
7010 Other income	4,874	-	6,675	-
7020 Other gains and losses	(88,120)	(2)	19,485	-
7050 Finance costs	(66)	-	(48)	-
7375 Share of loss of subsidiaries accounted for under equity method	(22,497)	-	(90,689)	(2)
	(105,809)	(2)	(64,577)	(2)
Income before income tax	829,698	18	1,003,739	22
7950 Less: Income tax expense	91,330	2	121,923	3
Net income	738,368	16	881,816	19
Other comprehensive income:				
8310 Items that will not be reclassified subsequently to profit or loss :				
8311 Remeasurements of defined benefit plans	(1,889)	-	(2,572)	-
8330 Share of remeasurements of defined benefit plans of associates accounted for under equity method	1,421	-	-	-
8349 Income tax subsidiaries related to items that will not be reclassified subsequently to profit or loss	321	-	437	-
	(147)	-	(2,135)	-
8360 Items that may be reclassified subsequently to profit or loss:				
8361 Exchange differences on translation of foreign operations	(14,704)	-	(36,210)	-
8399 Income tax related to items that may be reclassified subsequently to profit or loss	-	-	-	-
	(14,704)	-	(36,210)	-
Other comprehensive income for the year	(14,851)	-	(38,345)	-
Total comprehensive income for the year	\$ 723,517	16	843,471	19
Earnings per share (in New Taiwan dollars):				
9750 Basic earnings per share	\$ 5.06		6.02	
9850 Diluted earnings per share	\$ 5.03		5.99	

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD.

Statements of Changes in Equity
 For the years ended December 31, 2017 and 2016
 (Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Total other equity interest					Total equity
	Common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Foreign currency translation differences	Remeasurements of defined benefit plans	Total	Treasury shares	
Balance at January 1, 2016	\$ 1,463,683	756,228	651,916	-	1,670,446	2,322,362	18,516	(2,541)	15,975	-	4,558,248
Appropriation of earnings:											
Legal reserve	-	-	101,660	-	(101,660)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(878,210)	(878,210)	-	-	-	-	(878,210)
Changes in ownership interests in subsidiaries	-	5,594	-	-	-	-	-	-	-	-	5,594
Net income in 2016	-	-	-	-	881,816	881,816	-	-	-	-	881,816
Other comprehensive income in 2016	-	-	-	-	-	-	(36,210)	(2,135)	(38,345)	-	(38,345)
Total comprehensive income in 2016	-	-	-	-	881,816	881,816	(36,210)	(2,135)	(38,345)	-	843,471
Balance at December 31, 2016	<u>1,463,683</u>	<u>761,822</u>	<u>753,576</u>	<u>-</u>	<u>1,572,392</u>	<u>2,325,968</u>	<u>(17,694)</u>	<u>(4,676)</u>	<u>(22,370)</u>	<u>-</u>	<u>4,529,103</u>
Appropriation of earnings:											
Legal reserve	-	-	88,181	-	(88,181)	-	-	-	-	-	-
Special reserve	-	-	-	22,370	(22,370)	-	-	-	-	-	-
Cash dividends	-	-	-	-	(731,842)	(731,842)	-	-	-	-	(731,842)
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(285,953)	(285,953)
Difference between consideration and carrying amount of subsidiaries acquired or disposed	-	982	-	-	-	-	-	-	-	-	982
Net income in 2017	-	-	-	-	738,368	738,368	-	-	-	-	738,368
Other comprehensive income in 2017	-	-	-	-	-	-	(14,704)	(147)	(14,851)	-	(14,851)
Total comprehensive income in 2017	-	-	-	-	738,368	738,368	(14,704)	(147)	(14,851)	-	723,517
Balance at December 31, 2017	<u>\$ 1,463,683</u>	<u>762,804</u>	<u>841,757</u>	<u>22,370</u>	<u>1,468,367</u>	<u>2,332,494</u>	<u>(32,398)</u>	<u>(4,823)</u>	<u>(37,221)</u>	<u>(285,953)</u>	<u>4,235,807</u>

Notes : For the years ended December 31, 2017 and 2016, the Company estimated its remuneration to employees amounting to \$49,316 and \$75,000, respectively, and the remuneration to directors and supervisors both amounting to \$3,200, respectively, recognized as cost of revenue or operating expenses in the statements of comprehensive income.

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
Cash flows from operating activities:		
Income before income taxes	\$ 829,698	1,003,739
Adjustments for:		
Depreciation	81,751	87,402
Amortization	4,901	7,404
Provision for (Reversal of) impairment loss on accounts receivable	537	(113)
Valuation gain on financial assets and liabilities at fair value through profit or loss, net	(3,054)	(37,842)
Interest expense	66	48
Interest income	(2,926)	(4,720)
Share of loss of subsidiaries accounted for under equity method	22,497	90,689
Loss (gain) on disposal of property, plant and equipment	1,160	(421)
Loss (gain) on disposal of investments accounted for using equity method	413	-
Unrealized (realized) gross profit on sales to subsidiaries	(1,689)	1,760
Unrealized exchange loss (gain) of contingent consideration	400	(6,064)
Total non-cash profit and loss	104,056	138,143
Changes in operating assets and liabilities:		
Notes and accounts receivable, net	57,069	35,585
Accounts receivable from related parties	(110,765)	(24,237)
Inventories	25,161	12,140
Prepayments and other current assets	1,791	2,367
Notes and accounts payable	(49,840)	65,380
Accounts payable to related parties	(1,928)	(531)
Other payables	(10,735)	509
Provisions	164	114
Other current liabilities	(1,996)	1,172
Net defined benefit liabilities	(850)	(10,201)
Total changes in operating assets and liabilities	(91,929)	82,298
Cash provided by operations	841,825	1,224,180
Income taxes paid	(121,436)	(158,992)
Net cash provided by operating activities	720,389	1,065,188

(English Translation of Parent-Company-Only Financial Statements and Report Originally Issued in Chinese)
FLYTECH TECHNOLOGY CO., LTD.

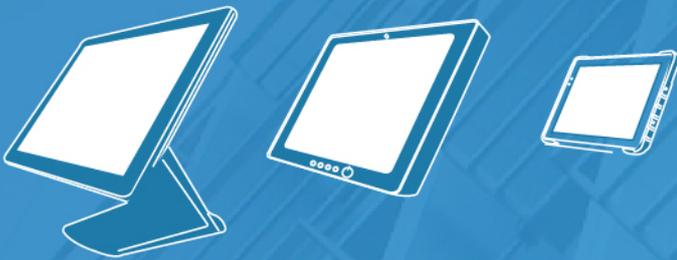
Statements of Cash Flows (Continued)

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>2017</u>	<u>2016</u>
Cash flows from investing activities:		
Purchase of investments accounted for using equity method	-	(471,900)
Proceeds from disposal of investments accounted for using equity method	2,929	-
Additions to property, plant and equipment (including prepayments for equipment)	(134,445)	(79,310)
Proceeds from disposal of property, plant and equipment	1,178	421
Additions to intangible assets	(2,632)	(7,054)
Decrease (increase) in other financial assets	(1,798)	95,292
Interest received	2,926	4,815
Net cash used in investing activities	<u>(131,842)</u>	<u>(457,736)</u>
Cash flows from financing activities:		
Cash dividends	(731,842)	(878,210)
Payments to acquire treasury shares	(285,953)	-
Interest paid	(66)	(48)
Net cash used in financing activities	<u>(1,017,861)</u>	<u>(878,258)</u>
Net decrease in cash and cash equivalents	<u>(429,314)</u>	<u>(270,806)</u>
Cash and cash equivalents at beginning of year	<u>1,759,861</u>	<u>2,030,667</u>
Cash and cash equivalents at end of year	<u>\$ 1,330,547</u>	<u>1,759,861</u>

Stock Code:6206



FLYTECH

Taiwan Stock Exchange Market Observation Post System:
<http://newmops.twse.com.tw>
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