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**dynamic**

**Dynamic Electronics Co., Ltd**  
**2017 ANNUAL REPORT**

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Dynamic Website : <http://www.dynamicpcb.com>

1. Spokesperson's and deputy spokesperson's name, title, telephone, and email address:

Spokesperson : Jean Liu  
Title : Special Assistant of Chairman Office  
Telephone : +886 3 349 3300 #7721  
E-mail : [jean\\_liu@dynamicpcb.com](mailto:jean_liu@dynamicpcb.com)  
Deputy spokesperson : Sabrina Teng  
Title : VP of Purchasing Center  
Telephone : +886 3 349 3300 #7116  
E-mail : [sabrina\\_teng@dynamicpcb.com](mailto:sabrina_teng@dynamicpcb.com)

2. Addresses and telephone numbers of the headquarters, branch offices, and plants:

Headquarters: No. 356, Shanying Rd, Guishan District, Taoyuan City, Taiwan

Telephone: +886 3 349 3300

Taoyuan Plant: No. 356, Shanying Rd, Guishan District, Taoyuan City, Taiwan

Telephone: +886 3 349 3300

Kunshan Plant: No. 1688, Jinshajiang North Rd. Kunshan City, Jiangsu Province 215344, China

Tel: +86 512 5718 1688

Huangshi Plant: No. 88, Daqi Avenue, Wangren Town, Economic & Technological Development Zone, Huangshi City, Hubei 435000, PRC

Tel: +86 714 350 1688

3. Name, address, telephone, and website address of the stock transfer agent:

Name: Taishin International Bank Co., Ltd. Stock Transfer Agency Department

Address: No. 96, Section 1, Jianguo N Rd, Zhongshan District, Taipei City, Taiwan

Telephone: +886 2 2504 8125

Website: <http://www.taishinbank.com.tw>

4. Names, firm name, address, telephone number, and website address of the auditors of the latest annual financial statements:

Accountant names: Ching-Piao Cheng, Mao-Yi Hung

Firm name: Ernst & Young Global Limited

Address: F. 9, No. 333, Section 1, Keelung Rd, Xinyi District, Taipei City, Taiwan

Telephone: +886 2 2757 8888

Website: <http://www.ey.com.tw>

5. Name of overseas securities exchange: None

6. Corporate website: <http://www.dynamicpcb.com>

## Corporate Vision 、 Core Value 、 Culture and Business Philosophy



### Business Philosophy

Dynamic cares for our team members

Dynamic cares for our team members

We focus on providing a safe work environment for them, along with professional education and training, skill enhancement, personal development, and a profit-sharing plan for all team members.

Dynamic values our partners

Dynamic values our partners

We focus on providing the best quality, the fastest delivery, the lowest cost and the best service for our customers and suppliers to ensure that they are competitive in their own markets.

Dynamic respects our shareholders

Dynamic respects our shareholders

We utilize all of our competitive strengths to achieve real value and returns for our shareholders. We also place an emphasis on the control and governing of our company to ensure the continuity of its operations.

Dynamic cares for society

Dynamic cares for society

We demonstrate our commitment to social responsibility by persistently helping the disadvantaged and those in need based on the principle of providing assistance from close to remote, and from near to far.

Dynamic is concerned about the environment

Dynamic is concerned about the environment

We are committed to improving our energy conservation efforts and minimizing the release of hazardous by products to create environment-friendly manufacturing processes.

# Table of Contents

<b>I. Letter to Shareholders .....</b>	<b>1</b>
A. Operation Results in 2017 .....	2
B. Business Plan Summary for 2018.....	4
C. Impact on future development strategy by the external competitive environment, regulatory environment, and overall business environment .....	9
<b>II. Company Introduction .....</b>	<b>11</b>
A. Founding Date.....	11
B. Company History.....	11
<b>III. Corporate Governance.....</b>	<b>14</b>
A. Organization System.....	14
B. Information pertaining to the Directors, President, VP, AVP, and Supervisors in each department and branch office.....	18
C. Compensation for the Directors, President, and VPs for this fiscal year .....	24
D. Operations of Corporate Governance.....	29
E. Information Regarding the Company's Audit Fee and Independence .....	81
F. Replacement of CPA.....	81
G. Have any of the company's Chairman, President, or manager responsible for finance or accounting duties served in a CPA accounting firm or its affiliated company in the last year. ....	81
H. Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders .....	82
I. Information of the Relationship among the Top Ten Shareholders .....	83
J. Ownership of Shares in Affiliated Enterprises.....	84
<b>IV. Capital Overview.....</b>	<b>85</b>
A. Capital and Shares.....	85
B. Corporate bonds handling.....	90
C. Preferred stock handling .....	90
D. Global depository receipts handling.....	90
E. Employee stock option and new restricted employee share rights handling. ....	90
F. Mergers or transferee to other companies and issuance of new shares.....	90
G. Implementation on fund utilization planning.....	90
<b>V. Operations Overview.....</b>	<b>91</b>
A. Business Content .....	91
B. Market and Production/Sales Conditions.....	101
C. From the most recent two years to the date on the annual report, the number of workers, average years of service, average age, and distribution ratios of education.....	107
D. Environmental Expenditure Information.....	107

E. Employer and Employee Relations.....	107
F. Important Contracts.....	109
<b>VI. Financial Overview.....</b>	<b>110</b>
A. Concise Balanced Sheet and Income Statement for the past 5 years .....	110
B. Financial Analysis for the Past Five Years .....	114
C. The audit report from the audit committee for the financial report of the most recent year.....	117
D. The financial statement of the most recent year, including accountant's audit report, balance sheet with two-year comparison, income statement, changes in equity, cash flow statement, and notes and attached tables.....	117
E. The Company's individual financial report of the most recent year with CPA's check and verification, excluding detailed table of important accounting items. ....	117
F. From the most recent year to the date on this report, if any financial difficulties or turnover problems should occur to the Company and its affiliated firms, please list out their impacts on the financial conditions of the Company.....	117
<b>VII. Review and Analysis of Financial Conditions and Performance, and Risk Management.....</b>	<b>118</b>
A. Analysis of Financial Conditions .....	118
B. Analysis of Financial Performance.....	119
C. Cash Flow .....	120
D. Impacts of Major Capital Expenditures in the Most Recent Year on Financial Operation. ....	120
E. Reinvestment Policies, Main Reasons of Profit and Loss and Improvement Plans in the Most Recent Year and Investment Plans for the Coming Year .....	121
F. Sources of Risk .....	122
G. Other Important Matters.....	128
<b>VIII. Affiliated Companies and Other Special Disclosures .....</b>	<b>129</b>
A. Related Information on Affiliated Companies.....	129
B. Private Placement Securities in the Most Recent Year and as of the Publishing Date of the Annual Report .....	132
C. Company's Shares Held or Transferred by Subsidiaries in the Most Recent Year and as of the Publishing Date of the Annual Report .....	133
D. Other Supplementary Information.....	133
E. Pursuant to the Article 36-2-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Most Recent Year and as of the Publishing Date of the Annual Report. ....	133
<b>VIII. Other Information Disclosures .....</b>	<b>134</b>
A. Precautionary Measures for a Safe Working Environment and Personnel Security .....	134
B. Material Insider Information Non-Disclosure Procedure .....	135
<b>X. Auditor's Report and 2017 Financial Statement .....</b>	<b>136</b>

## I. Letter to Shareholders

Dear Shareholders:

Although we failed to meet the expected growth and profit-making targets due to many unfavorable environmental factors in year 2017, such as the appreciation of NTD exchange rate, the rise of raw material prices, the stricter requirement for environmental protection laws and regulations in Kunshan City, and the new investment in the new plant in Huangshi, Hubei. For Dynamic, year 2017 was still a very exciting year. We constantly challenged ourselves in technology, operation and automation, which have fortified our constitution and made it easier for us to face the challenges in year 2018.

The encouraging results of year 2017 included the successful mass production of the new plant in Huangshi at the end of the third quarter and automation of manufacturing data was fully on line with advantages of immediate monitoring of production, optimized configuration and the optimal decision-making. The automotive PCB grew from 25% to 35% last year with technical capability expanded to HDI, semi-flex, thick copper and Rigid Flex board. The reasons of the growth were the expanded demand and procurement of European and American customers, the kick-off of mass production of Japanese customers, and new customers from Korea and mainland China also began to certify and test samples. The above-mentioned events have brought in continuous growth momentum. The Rigid-Flex board technology in Taoyuan Plant has greatly improved and has been favored by major customers. It is expected that revenues and profits will grow gradually. In terms of corporate governance, we ranked the top 5% of all listed companies in Taiwan, which recognizing the achievements made in the construction and implementation of Dynamic's corporate governance system and enhancing our ability of sustainable operation. As for corporate social responsibility, we stick to our original intention and continue to fulfill our corporate citizenship responsibilities, be friendly to natural environment, caring and giving back to the community. Our CSR report was also awarded "Year 2017 TCSA Taiwan Corporate Sustainability Award". We will continue to keep pace with international trends on the issue of sustainable development of the company.

Looking forward to year 2018, we are very positive and optimistic. Huangshi Plant is the fastest-growing factory of the group in the future. It is looking forward to achieving the goal of ultra-low scrap rate, automation and output efficiency. In year 2018, Huangshi plant will be receiving official orders from some significant customers. It is expected to build a second plant. Kunshan Plant will go on to transform its products and technologies to raise the unit price and increase profitability. The products to be imported include: high-frequency automotive radar board, high-end communications PCB, industrial PCB, medical PCB and aircraft PCB. These products are possessed of high-tech and high reliability which belong to small-medium demand type of product for the market. We need all partners to build this refined manufacturing plant through in-depth learning and teamwork. Taoyuan plant on the other hand needs to continue to improve in technology and quality, and make customer satisfaction level go beyond the industry standard.

Our 2017 operating performance and 2018 business plan summary are shown as follows:

A. Operation Results in 2017

(A) Operation plan execution results

1. Consolidated

Unit: NTD thousands

Item	2016	2017	Growth Rate
Operating income	11,791,838	11,646,443	(1.23)%
After-tax (loss) gain	12,828	9,094	(29.11)%
Profitability	0.11 %	0.08 %	(27.27)%

2. Individual

Unit: NTD thousands

Item	2016	2017	Growth Rate
Operating income	5,575,299	4,620,391	(17.13)%
After-tax (loss) gain	10,700	9,094	(15.01)%
Profitability	0.19 %	0.20 %	5.26%

(B) Budget implementation

1. Consolidated

Unit: NTD thousands

Item	2017 Budget	2017 Actual Performance	Achievement Rate
Operating income	11,554,233	11,646,443	100.80%
Operating cost	10,289,678	10,406,598	101.14%
Operating margin	1,264,555	1,239,845	98.05%
Operating expenses	1,213,723	1,198,273	98.73%
Operating profit	50,832	41,572	81.78%
Pre-tax profit	12,730	3,036	23.85%

2. Individual

Unit: NTD thousands

Item	2017 Budget	2017 Actual Performance	Achievement Rate
Operating income	4,625,153	4,620,391	99.90%
Operating cost	4,447,623	4,446,484	99.97%
Operating margin	177,530	173,907	97.96%
Operating expenses	347,974	333,658	95.89%
Operating profit	(170,444)	(159,751)	106.27%
Pre-tax profit	6,227	9,094	146.04%

(C) Revenue and profitability analysis

1. Consolidated

Unit: NTD thousands

Item		2016	2017	
Financial revenues & expenses	Financial revenue	11,890,072	11,739,154	
	Financial expenses	11,847,626	11,736,118	
Profitability	Return on assets	0.45 %	0.74 %	
	Return on equity	0.29 %	0.21 %	
	Ratio to paid-in capital	Operating profit	0.06 %	1.48 %
		Pre-tax profit	1.51 %	0.11 %
	Net profit margin	0.11 %	0.08 %	
Earnings (loss) per share in NTD	0.04	0.03		

2. Individual

Unit: NTD thousands

Item		2016	2017	
Financial revenues & expenses	Financial revenue	5,789,306	4,828,524	
	Financial expenses	5,778,606	4,819,430	
Profitability	Return on assets	0.35 %	0.36 %	
	Return on equity	0.24 %	0.21 %	
	Ratio to paid-in capital	Operating profit	(6.19)%	(5.68)%
		Pre-tax profit	0.38 %	0.32 %
	Net profit margin	0.19 %	0.20 %	
Earnings (loss) per share in NTD	0.04	0.03		

(D) Research and development status

To respond accordingly to the development of portable and wearable electronic products, the arrival of 5G era of interconnection of all things (IoT), the widespread use in automotive electronics, and the sales growth of Advanced Driver Assistance Systems (ADAS) and electric vehicles, we have strengthened the company's research and development capabilities by constantly importing new technology and equipment for products of niche market and future in year 2017 besides continuous improvement in quality and process capability. By doing this, we've strengthened the company's core competencies and increased our competitiveness in the industry.

Here we summarized our major R&D projects and results in 2017 in the following five points:

1. For high-speed high-frequency low signal loss products, we have successfully obtained certification of Insertion Loss  $-0.48\text{dB/in}$ , and succeeded in mass production. We also participated the testing of insertion loss  $-0.4\text{db/in}$

certification which required by 5G Communication era, the relevant materials and technology requirements of which are under active development.

2. For fine lines and thin products, 2 mil fine lines and 12 any-layer HDI products have been successfully produced massively, 14 any-layer HDI has passed sample certification. The process capability for 10 layer thin board with 24 mil thickness has also been developed and the sample is being certified. The improvement of 1.6 mil extremely fine line process capability is being developed.
3. In terms of Rigid-flex board and rotatable products, ultra-high resolution screen / Automotive lens module / Bluetooth headset / sports bracelet products are under mass production. The material (LCP) and technology of flex board for high-frequency have successfully passed the sample certification. The dual lens module product with ultra flatness requirements has passed sample certification.
4. For automotive and microwave products, active safety protection products have been under mass production. The ADAS radar with 24GHz has shipped in small quantity; 77/79GHz millimeter wave products, of which the related technologies has been mastered, are under process setting development and product approval. The products of LiDAR are undergoing material certification and process setting development.
5. For heat sink material, the thick copper and buried copper that used in high-frequency communication receiver, electric car charging pile and automotive engine control modules / Car-used relay, 4oz product sample certification has been completed; 6oz / 8oz product under production process upgrade and 12oz product under material development.

## B. Business Plan Summary for 2018

### (A) Business Principles

#### 1. Business Level:

- (1) Environmental protection (social responsibility), transforming (automation), upgrade (production technology), and profit (internal growth) are the four goals of year 2018.
- (2) Keep improving every aspect of company governance, including defending shareholders' rights, strengthening the structure and operation of the Board of Directors and each functional committee, value each stakeholder's rights, fulfilling corporate society responsibility and enhancing the transparency of information.
- (3) Establish a corporate culture of business integrity, actively implement the business integrity policy and commitment, practically execute internal management and business activities, review implementation performance, and continue to improve in order to establish a good business operation model and create a sustainable development business environment.
- (4) Give attention to corporate social responsibility; incorporate the various major economic, environmental, and social considerations and indicators important to the various stakeholders into the company's business strategy

and management; especially improve the production safety and environmental conservation.

(5) Build mutual trusted team.

2. R&D Level:

(1) Primary product categories under development are as follows:

- IoT, 5G communication network and high-end high-speed storage device
- ADAS, LiDAR and engine control module
- Wearable device
- Dual lens module, ultra-high resolution screen module and Car lenses module
- Electric car charging pile and EV automotive relay

(2) Technology development schedule is as follows:

Year Content	Product Application	2018				2019			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
High-frequency, high-speed material and Hybrid design	Automotive active safety detection / Satellite Comm. / 5G comm.	----->	----->	----->	----->	----->	----->	----->	----->
Thick copper and buried and embedded copper cooling technology	Automotive engine / twin-lens module / EV automotive relay / charging pile	.....>	----->	----->	----->	----->	----->	----->	----->
Embedded Passive components	Wearable devices / Twin-lens module / High speed storage device	.....>	.....>	.....>	.....>	----->	----->	----->	----->
1.6mil fine line	High-end mobile phones / wearable devices	----->	----->	----->	----->	----->	----->	----->	----->

Program evaluation .....>  
 Prototyping ----->  
 Mass production ----->

3. Marketing Level:

(1) Extend the company's marketing strategy considerations into customer marketing and production lines. Gather information on upper, middle, and lower stream industries; competitors; the environment; and administrative regulation related information through multiple channels so that the operational level can carry out appropriate decisions and R&D strategies.

- (2) Fully communicate with the customer design and sales end and fully cooperate with their market and product positioning to avoid over- and under-product specifications as well as successfully establishing a market segment using precise and appropriate product quality and cost prices.
- (3) Use production bases to cover international customers worldwide; actively establish a global services network; and provide instant and effective post-sales marketing, technology, and quality services in order to get a better grip on customers' demand and build a firm relationship with the customers.
- (4) Participating in major international events, to open up the specific strategic markets.
- (5) Providing all kinds of resources for the research and development of the potential products which developed by emerging enterprises to establish a partnership basis, and to become their long-term collaboration partner once product development has matured and obtained a certain market share.

#### 4. Management Level:

- (1) The important tasks of year 2017 are respecting the value of employees and training successors. In addition to continuing to promote talent cultivation projects, improving the quality of all levels of leader is also required to implement CSR and meet EICC (RBA) requirements, furthermore, to root the company culture (integrity, responsibility, learning) in everyone's heart. Build a developmental organization structure to support the company's continued growth. In response to the company's new product development and plant expansion plan, actively recruit professional talents and train successors, so there won't be any talents gap during the new product development and plant expansion. Introduce a new e-HR system and manage personnel data and payroll appraisal through the IE operation interface system to achieve high-efficiency work and paperless operations.
- (2) Continue to promote the performance management system. It is expected to influence each department and gradually to each individual in year 2018, making the company go toward the target of efficiency, thus costs will be reduced, quality will be improved. Established "dynamic X" to establish automation, I-Learning and research team of special chemicals for production.
- (3) Promote technology seminars and related learning credits plan. The company regularly collects international technology literature and IPC papers, and has the technical personnel study them. Then the technical personnel shall share the knowledge they gain and come up with related application proposals, in order to stay up to speed on advanced technology expertise.
- (4) Introduce new ISO14001: 2015, ISO9001: 2015, IATF16949: 2016, QC080000:2017 and ISO45001:2018 into the system, to run the ISO management system with the combination of top management and operation management. Actively require the staff to fully carry out energy

conservation and waste reduction, and to enhance safety and quality awareness.

- (5) Focus on the use of automation + intelligence + networking to reduce manpower requirements and stabilize output and yield. Provide the data for all the managers of each department in order to adjust and enhance the management accuracy, so as to achieve efficient and accurate operation performance.
- (6) Actively promote the improvement in energy conservation. In addition to cooperate with relevant energy-saving companies, also carry out high-efficiency energy-saving activities internally, such as replacing diesel with natural gas for boilers combustion, improving air conditioning condition, replacing the traditional air compressor with centrifugal air compressor, using AA energy-saving nozzle to reduce fuel consumption etc.
- (7) In terms of waste reduction, continue to improve scrap rate, reduce the generation of wastewater, replace the highly polluted environmental chemicals, and further improve the classification and pretreatment of high-concentration wastewater. Strengthen the processing capacity of our own to save the amount of wastewater treatment and reduce the cost of outsourced wastewater treatment.
- (8) Require suppliers to step-by-step promote EICC and the policies of health safety, environmental protection, integrity and honesty, etc., as well as implementing corporate social responsibility.

#### (B) Anticipated Sales Volume and its Basis

The primary directions of growth in 2018 are as follows in accordance with the company's 2017 performance, estimates for 2018 and comprehensive assessment of the company's advantages and market trends:

##### 1. Analysis based on technology types:

- (1) Overall orders are anticipated to grow by approximately 10% to 15%.
- (2) The areas of conventional boards are expected to grow by approximately 8% to 12%.
- (3) For HDI, Taoyuan plant will turn focus from 3 / 3 mil line products to 2.36 / 2.36 mil line wide range products, and transfer Anylayer technology to Kunshan plant.
- (4) Rigid-flex PCB and substrate are the main products to develop for Taoyuan plant. Continue to reduce the scrap rate and improve costs, making them the niche type products. A gradual growth of sales revenue is expected.
- (5) High-frequency 24GHz radar board is shipped in small quantity in year 2018, and large quantity in year 2019; 77/79 GHz is scheduled to go into mass production in year 2020.

##### 2. Analysis based on product application categories:

###### (1) Automotive boards

The demands for display systems, electronic surveillance and communication applications have increased owing to the continuous

development of automotive networking and security technology, along with the fact that the global automotive industry goes into automation generations from electronic generations and further pushes up the demand for printed circuit board. Dynamic has stayed focused on developing automotive board. Security products such as engine control panels, parking assistance sensors, tire pressure detection and others have been shipped in mass quantity in year 2017; meanwhile, we actively strive for high-end products such as HDI, thick copper, semi-flex, and rigid-flex boards. They are used in AVN vehicle-mounted products, sensors, short-range radar, parking sensors, and central junction boxes, parking assistance system and camera module products. In addition, we are developing high-frequency car radar board by working with the Swiss company on the basis of technical cooperation. It helps the company get a share in the niche market. The proportion of automotive products has accounted for 35% of the revenue in year 2017, and a continual breakthrough is foreseen in year 2018.

(2) High-resolution LCD TV

In the recent years, high-resolution LCD TV shipments have been growing steadily, and China's domestic market demand continues to expand. It is anticipated that the LCD panel will have a steady growth in 2018.

(3) Server and storage devices

Due to the fact that Cloud applications become more popular, the growth of server is correspondingly stimulated in order to meet the great-scale demand for server in North America and China. In addition, the demands for storage memory in the server market and mobile device market remain. Furthermore, applications such as 5G communications, self-driving cars, and video streaming will drive a huge need for data storage and computing in the future. Therefore, the prospects for servers, HDDs and SSDs are still optimistic in year 2018.

(4) Wearable devices

With more and more companies launching wearable watch devices (including basic and smart types), these products have become the main force boosting the overall wearable device shipments. It is estimated that the global compound annual growth rate of wearable devices shipments from year 2017 to year 2021 will be 18.4%. In fact, Dynamic has been working with the world largest wearable device company by supplying them the printed circuit board for their sports wristbands since year 2014. Mass production products including any-layer design and Rigid-Flex board are expected to continue to grow in year 2018.

(5) New energy products

In the trend of environmental protection requirements for green energy, such product has become one of the main products of Dynamic Taoyuan plant. Dynamic will keep on developing new customers to increase the revenue of this type of product.

(C) Critical Production Planning Policies

1. In response to the rapid changes in product demand, in year 2018, we will make automotive electronics, LCD panels and storage devices the key products and to tie in rigid-flex PCB, substrate, high-frequency board, high end multi-layer board and other niche-type product development to lessen the impacts resulted from low season and market demand change. and to increase the company's revenue and profit.
2. In order to meet the growing order in year 2018, we draw up the following short / medium / long-term plan:
  - (1) Short-term: Proactively progress in the output capacity of Huangshi plant and customers' approval.
  - (2) Medium long-term: Planning the construction of the second factory of Huangshi Plant; promote products and technologies transformation of Kunshan plant in order to enhance the technological and other additional values of the production for higher revenue and better profit; continue to develop the niche products of Taoyuan Plant and turn it into a compact high-tech production base.

C. Impact on future development strategy by the external competitive environment, regulatory environment, and overall business environment

According to the International Monetary Fund (IMF), the global economy grew by 3.7% in year 2017 and increased by 0.5% from the previous year. This round of economic growth has a broad base, especially in Europe and Asia where surprisingly had significant growth. The global growth forecast for year 2018 is 3.9%, reflecting the speculation on the continued improvement in global economic growth and the expected impact of the US tax cuts. However, the IMF also reminded that the stimulative effects of the tax reform program was fleet, and ahead of the benefits from tax-deduction was a consequence of bigger fiscal deficit, it may become a burden on economic growth starting year 2022; in addition, global economy will remain active for the time being, but the inequality of the rich and the poor and the extreme climate, etc., may be the risks of impeding economic growth.

According to the Industrial Technology Research Institute (IEK), the output value of year 2017 reached US\$65 billion, and the annual growth rate was approximately 11.68%, reaching a new high level in ten years while the output value of the global PCB had experienced a recession for two consecutive years. It was mainly due to the economic recovery by the growth of consumer electronics products and the rise of various emerging niche applications. Among them, Taiwanese companies took a leading position with a market share of 31.3%, Japan and South Korea declined, and China companies continued to leapfrog, with a market share of 17.4%, ranking third, still in a strong growth stage since most of them focused on niche market, such as industrial control, base stations, servers, and automobiles, the profitability is generally better than Taiwan, Japan, and South Korea when the average unit price is relatively high; in addition, these China companies raise funds to expand their production capacity by going public, they invest in automation, develop superior technologies, and dedicate to research and development to be possessed of medium-long-term

competitiveness. In year 2018, the shipments of major electronic products will continue to show a growth trend, driving by 5G communications, Internet of Things, artificial intelligence, automotive application market, and some small and varied niche products. It is estimated that the PCB market will continue to grow. However, possible risks include: unstable demand, over expansion of capacity, the control of environmental laws and regulations, supply of raw materials, and the increase in price.

In terms of regulatory environment, the relevant new laws and regulations of Taiwan in year 2017 related to the company include: National Health Insurance Law, Customs Import Tariff, Water Pollution Prevention and Control Law, Water Release Standard, Management Measures of Toxic Chemical Substance remedy facilities, detection and alarm equipment, Waste Disposal laws, Drinking water quality Standards, Fire laws, Occupational Safety and Health laws, Labor health protection rules, etc.; in year 2017, China revised the laws and regulations which affected the real economy based on the policy of optimized economic structure (from industrial-driven to industrial –and-service-driven, from investment-driven to investment-and-consumption-driven). Among them, those closely related to the industrial and commercial manufacturing industry are: Corporate Income Tax Law, General Principles of Civil Law, Occupational Disease Prevention Law, Import and Export Tariff Regulations, Implementation Regulation of Import and Export Commodity Inspection Law, Provisional Regulations on VAT and other laws and regulations; In addition, since July 1, 2017, the minimum monthly salary in Suzhou has been raised by 120RMB, from the original 1,820RMB starting January 1 2016 to 1,940RMB, the minimum hourly wage is adjusted to 17RMB. We are highly alert in the revision of laws, regulations, and policies. If there are anything related to the company's daily operation or long-term development, we will promptly evaluate and plan it carefully and incorporate it into the company's development strategy.

Moving towards all kinds of challenges of year 2018, we expect to possess three qualities: Courage, being proactive toward responsibilities; Enthusiasm, keep our goal in mind, stick to the original intention; Wisdom, seeing the true value, and to put effort into it. Let us continue to work hand-in-hand for the future we all look forward to.

Finally, I want to wish everyone health and safety for yourselves and your families.

Chairman: Ken Huang    President: Stoney Chiu    Accounting Supervisor: Lily Chiang



## II. Company Introduction

### A. Founding Date

August 18, 1988, with capital of NT\$12,000,000.

### B. Company History

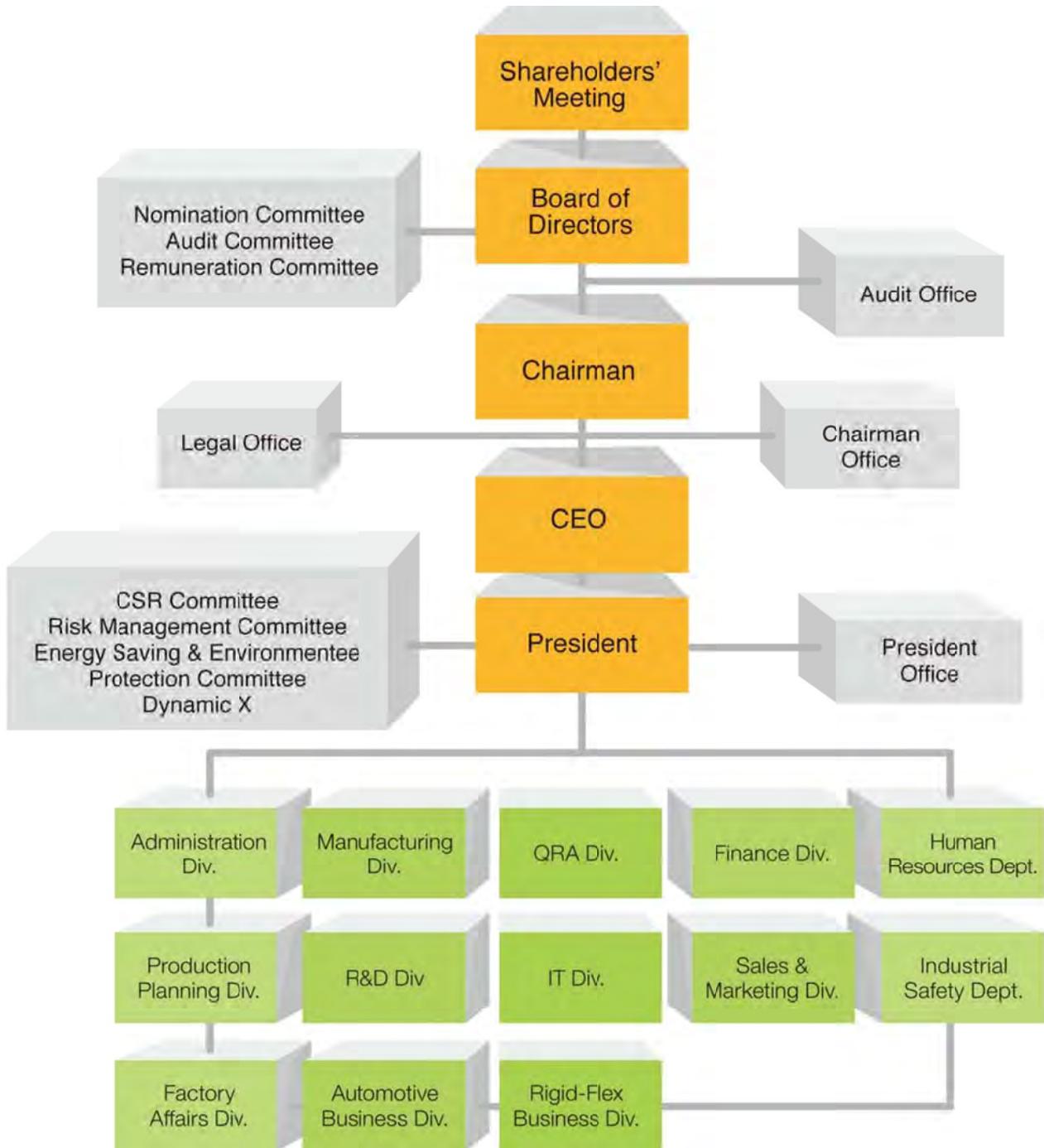
Year-Month	Company Development
1988.08	The company was established in Taoyuan County for paid-in capital of NT\$12,000,000.
1993.05	Passed the UL product safety specification verification
1996.11	Processed a cash capital increase of NT\$16,000,000 for paid-in capital of NT\$28,000,000.
1996.12	Passed the quality management system ISO 9002 verification.
1998.04	Processed a cash capital increase of NT\$70,000,000 for paid-in capital of NT\$98,000,000.
1997.12	Processed surplus transfer into a capital increase of NT\$40,000,000 for paid-in capital of NT\$138,000,000.
2001.12	Processed surplus transfer into a capital increase of NT\$110,400,000 and employee bonuses transfer into a capital increase of NT\$2,600,000 for paid-in capital of NT\$251,000,000.
2001.12	Reinvested and established subsidiary WINTEK(MAURITIUS) Co., Ltd.
2002.04	Indirectly reinvested and established Dynamic Electronics (KS) Co., Ltd.
2002.04	Processed cash capital increase of NT\$40,000,000; surplus transfer into capital increase of NT\$125,500,000; and employee bonuses transfer into capital increase of NT\$3,500,000 for paid-in capital of NT\$420,000,000.
2002.05	Passed the Automotive Industry Quality Management System QS9000 verification.
2002.05	Initial public offering on May 27, 2002.
2002.10	Officially registered in the emerging stock market and traded over the GreTai Securities Market.
2003.01	Reinvested in Germany to establish subsidiary Dynamic Electronics Europe GmbH in Germany.
2003.06	Processed surplus transfer into capital increase of NT\$126,000,000 and employee bonuses transfer into capital increase of NT\$14,000,000 for paid-in capital of NT\$560,000,000.
2003.10	Kunshan plant officially began mass production and delivering shipments.
2003.10	Purchased the factory land and other buildings located on Shanying Road.
2003.06	Ranked number 649 among the top 1000 largest plants in the manufacturing industry by CommonWealth Magazine in 2003.
2003.07	Passed Environmental Management System ISO14001 Verification.
2004.09	Passed the Quality Management System ISO9000 Rev.2000 Verification.
2004.09	Passed the Automotive Industry Quality Management System TS16949 Verification when the Kunshan plant began producing automotive panels.
2004.10	Processed surplus transfer into capital increase of NT\$56,000,000 and employee bonuses transfer into capital increase of NT\$4,000,000 for paid-in capital of NT\$620,000,000.
2004.11	Transferred capital reserve into capital increase of NT\$30,000,000 with the capital of

	NT\$650,000,000.
2005.01	Processed the cash capital increase of NT\$150,000,000 for paid-in capital of NT\$800,000,000.
2005.05	Ranked number 392 among the top 10,000 largest plants in the manufacturing industry by CommonWealth Magazine in 2004; and considered as one of the 38 fastest growing companies in the manufacturing industry.
2005.06	Obtained ASUS Green Product GA Verification.
2005.08	Processed surplus transfer into capital increase of NT\$224,000,000 and employee bonuses transfer into capital increase of NT\$11,632,000 for paid-in capital of NT\$1,035,632,000.
2005.09	Obtained the LG Love Green Certification.
2005.09	Reinvested in Japan and established subsidiary Dynamic Electronics Japan.
2006.11	Processed the cash capital increase of NT\$176,000,000 with the paid-up capital of NT\$1,211,632,000.
2006.09	Processed surplus transfer into capital increase of NT\$363,490,000 and employee bonuses transfer into capital increase of NT\$30,377,000 for paid-in capital of NT\$1,605,499,000.
2006.10	Processed the cash capital increase of NT\$168,750,000 with the paid-up capital of NT\$1,774,249,000.
2006.12	Taoyuan plant began production for high density interconnect panels.
2007.02	Obtained SONY Green Partner Certification.
2007.06	Withdrew subsidiary Dynamic Electronics Japan.
2006.10	Passed the Hazardous Substance Process Management System QC080000 Certification.
2007.10	Processed surplus transfer into capital increase of NT\$354,850,000 and employee bonuses transfer into capital increase of NT\$22,841,000 for paid-in capital of NT\$2,151,940,000.
2007.12	Indirectly reinvested and established Dynamic Electronics (Xiamen) Co., Ltd.
2008.04	Reinvested and established subsidiary Dynamic PCB Electronics Co., Ltd., in Seychelles.
2008.05	Ranked number 246 among the 1000 largest plants in the manufacturing industry by CommonWealth Magazine in 2007.
2008.10	Processed surplus transfer into capital increase of NT\$215,194,000 and employee bonuses transfer into capital increase of NT\$17,543,000 for paid-in capital of NT\$2,384,678,000.
2008.10	Indirectly reinvested and established Kunshan Tybrake Industry Co., Ltd. and Kunshan BaoYing Electronics Technology Co., Ltd.
2009.03	Listed on the Taiwan Stock Exchange and processed the cash capital increase of NT\$23,000,000 with the paid-up capital of NT\$2,614,678,000.
2009.04	Reinvested in Abon Touchsystems Inc.
2009.06	Kunshan plant began production of high density interconnect panels.
2009.11	Passed work safety performance approval by the Council of Labor Affairs.
2009.12	Sold the indirectly reinvested Kunshan Tybrake Industry Co., Ltd. and Kunshan BaoYing Electronics Technology Co., Ltd.
2010.02	Passed ISO 14064-1 Greenhouse Gas Verification.

2010.03	Passed Occupational Health and Safety Management System OHSAS 18001 Verification.
2010.08	Issued the first domestic unsecured convertible bonds in the amount of NT\$900,000,000.
2011.08	Processed surplus transfer into capital increase of NT\$236,507,000 with the paid-up capital of NT\$2,864,360,000.
2011.12	Taoyuan plant began producing rigid-flex board products.
2012.06	Taoyuan plant began production for 12L any-layer high density interconnect panels.
2012.11	Processed surplus transfer into capital increase of NT\$71,234,000 with the paid-up capital of NT\$2,935,594,000.
2013.02	Disposed of 100% equity of the indirectly reinvested company Tybrake Industry (Xiamen) Co., Ltd.
2013.07	Processed treasury shares capital reduction of NT\$60,000,000 for paid-in capital of NT\$2,875,594,000.
2013.12	Kunying Electron (Kunshan) Co., Ltd. is renamed as Dynamic Electronics (Kunshan) Co., Ltd.
2013.12	Processed treasury shares capital reduction of NT\$15,000,000 for paid-in capital of NT\$2,860,594,000.
2014.11	Passed Energy Management System ISO50001 Verification.
2014.12	Issued the first Corporate Social Responsibility Report that conformed to the GRI G4 and AA1000 first category moderate level assurance grade requirements.
2014.12	Change the company address from Taoyuan County Guishan Township to Taoyuan City Guishan district in response to the administrative zone changes.
2015.01	Reinvested and established subsidiary Dynamic Electronics Co., Ltd., in Seychelles.
2015.01	Reinvested and established subsidiary Dynamic Electronics Holding Pte. Ltd., in Singapore.
2015.03	Indirect investment in Sub-subsidiary company: Dynamic Electronics (Huangshi) Limited, which located in mainland China.
2015.06	Reinvested and established subsidiary Dynamic Electronics Trading Pte. Ltd., in Singapore.
2015.11	Processed treasury shares capital reduction of NT\$50,000,000 for paid-in capital of NT\$2,810,594,000.
2016.03	Disposal of Abon Touchsystems Inc.
2017.01	Liquidation with Dynamic Electronics Europe GmbH, the German subsidiary.
2017.05	In the third corporate governance assessment, Dynamic was honored to rank top 5% among all listed companies.

### III. Corporate Governance

- A. Organization System
  - (A) Organization structure



(B) Primary Operational Departments

Unit by Rank					Responsibility and in Charge of
Shareholders' Meeting					<ol style="list-style-type: none"> <li>1. Highest decision-making unit in the company</li> <li>2. Exercises authority according to corporate bylaws and related laws and regulations.</li> </ol>
	Board of Directors				<ol style="list-style-type: none"> <li>1. Exercises authority according to the decisions made by the board of shareholders and the charter.</li> <li>2. Exercises authority according to the corporate bylaws and related laws and regulations.</li> <li>3. Highest decision-making unit for daily operations within the company.</li> </ol>
		Chairman			<ol style="list-style-type: none"> <li>1. Chairman of the Board of Directors, represents the company.</li> <li>2. Exercises authority within the scope and boundaries authorized by the Board of Directors.</li> <li>3. Reviews and authorizes various investment and financing operations.</li> <li>4. Authorizes bank payment and payment vouchers.</li> </ol>
		Nomination committee			<ol style="list-style-type: none"> <li>1. Develops nominating policy.</li> <li>2. Reviews the structure, formation, and the number of individuals in the Board of Directors routinely, and offers suggestions to the Board of Directors.</li> <li>3. Identifies suitable candidates who are qualified to serve as Directors, and offers opinions to the Board of Directors.</li> </ol>
		Audit committee			<ol style="list-style-type: none"> <li>1. Audits the accounting system, financial position, financial reporting procedures, and the procedures to handling major financial operations within the company accounts.</li> <li>2. Audits the company financial report for truthfulness, completeness, and transparency.</li> <li>3. Audits the acquisition or disposal of asset, transactions related to derivatives, loans to others, endorsement or the provision of guarantees for others, and merge, split, acquisitions, or transfer of shares, for compliance to the law, letters of administration, and internal company regulations.</li> </ol>
		Remuneration committee			<ol style="list-style-type: none"> <li>1. Reviews this report routinely and offers rectifications.</li> <li>2. Develops and routinely assesses the company Directors and Managers' annual and long-term performance targets and remuneration policies, system, standards, and structure.</li> <li>3. Assesses whether the company Directors and Managers have met their performance targets and their compensation packages.</li> </ol>
		Auditing Office			<ol style="list-style-type: none"> <li>1. Assist the Board of Directors and managers to check and review the internal control policy for faults and assess the effectiveness and efficiency in operations.</li> <li>2. Assist managers to develop various internal control systems and management measures.</li> </ol>

Unit by Rank					Responsibility and in Charge of
		Legal Office			<ol style="list-style-type: none"> <li>1. Development or assessment of each contract.</li> <li>2. Internal consultation for each law-related matters and the bridge of communications for external law-related matters.</li> <li>3. Responsible for setting up business integrity policy and prevention programs. Supervising the implementation and reporting regularly to the Board.</li> </ol>
			CEO		<ol style="list-style-type: none"> <li>1. Sets the direction for the future of the company.</li> <li>2. Sets the company's long, mid-range, and short-term management objectives, strategies, plans, targets, implementations, and reviews.</li> <li>3. Decision-making for major operations in the company.</li> <li>4. Participates in the decision-making of the Board of Directors, and carries out these decisions.</li> <li>5. Reports operational situations to the Board of Directors routinely and submits the Annual Report.</li> </ol>
			President		<ol style="list-style-type: none"> <li>1. Supervises and manages company affairs, represents the company under the company charter or contractual agreement.</li> <li>2. Design and implementation of the internal control system.</li> <li>3. Authorizes personnel promotions.</li> <li>4. Authorizes every budget, sales, or production planning.</li> <li>5. Others – carries out approval rights for each task according to the rights given.</li> </ol>
				Admin. Div.	<ol style="list-style-type: none"> <li>1. Add-on or fix various production equipment and purchasing administrative products.</li> <li>2. Purchasing various raw materials and consumables.</li> <li>3. Bargaining for outsourcing semi-finished products according to production needs.</li> <li>4. Management of all relevant general matters.</li> </ol>
				Manufacturing Div.	<ol style="list-style-type: none"> <li>1. Execution and management of every production task.</li> <li>2. Execution and management of every IT task.</li> </ol>
				QRA Div.	<ol style="list-style-type: none"> <li>1. Establish and continuously update various quality assurance and reliability system.</li> <li>2. Carry out production QA, handle customer complaints, and conduct improvement.</li> <li>3. Take charge of customer's certification, audit, and meet customer's quality standard request.</li> </ol>
				Finance Dept.	<ol style="list-style-type: none"> <li>1. Accounting and the drawing up and assessment of financial statements.</li> <li>2. Monetary collections and payments, and the review of these forms.</li> <li>3. Planning and execution of investment and financing.</li> </ol>
				Production Planning	<ol style="list-style-type: none"> <li>1. Arrange input of materials and production planning according to sales orders.</li> </ol>

Unit by Rank				Responsibility and in Charge of	
				Div.	<ul style="list-style-type: none"> <li>2. Production arrangement, utilization rate analysis, warehousing management of finished products.</li> <li>3. Conduct performance evaluation of outsourcing suppliers according to production needs.</li> <li>4. Warehousing management of raw materials.</li> </ul>
				R&D Div.	<ul style="list-style-type: none"> <li>1. Develop various R&amp;D projects and oversee production of samples.</li> <li>2. New technology process development and process capability improvement.</li> </ul>
				IT Div.	<ul style="list-style-type: none"> <li>1. Overall planning of the development of the company's information system.</li> <li>2. Build and maintain the company's computerized information systems.</li> <li>3. Set the units responsible for building and maintaining various databases.</li> <li>4. Support the planning and servicing of the information system of each department.</li> </ul>
				Sales & Marketing Div.	Execution of various marketing and sales activities.
				Factory Affairs Div.	<p>Integrated management:</p> <ul style="list-style-type: none"> <li>1. Execution and supervision of equipment maintenance and repair.</li> <li>2. Making schedule and plan for maintenance and repair.</li> <li>3. Plant public facilities construction arrangements.</li> </ul>
				HR Dept.	<ul style="list-style-type: none"> <li>1. Research and analysis of company organizational system and division of tasks and responsibilities.</li> <li>2. Maintaining and promoting the relationships between workforce and management.</li> <li>3. Various enforcement of HR and remuneration tasks.</li> <li>4. Promotion of staff appraisal, reward and punitive measures, educational and training etc.</li> </ul>
				Industrial Safety Dept.	<ul style="list-style-type: none"> <li>1. Planning and supervision of labor safety and health-related tasks.</li> <li>2. Industrial safety management of contractors in plant area.</li> <li>3. Planning and implementation of working environment inspection.</li> <li>4. Planning and implementation of staff's health management.</li> <li>5. Collection and discernment of safety and health laws and regulations.</li> </ul>
				Automotive Business Div.	Execution of all the business relevant to automotive PCB: marketing, sales, quality control, quality assurance, etc.
				Rigid-flex Business Div.	Execution of all the business relevant to rigid-flex boards' development and production.

B. Information pertaining to the Directors, President, VP, AVP, and Supervisors in each department and branch office

(A) Directors

1. Information on the Directors

(1) Relevant Information and shares holding of the Directors

Apr. 1, 2018; Unit: Shares

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relationship
Chairman	Taiwan, R.O.C.	Ken Huang	male	2015.05.28	3 years	2001.12.01	8,046,341	2.81%	8,746,341	3.11%	191,810	0.07%	0	0.00%	EMBA of National Chengchi University VP of Sales and Marketing Div. at Dynamic Electronics Co., Ltd.	CEO at Dynamic Electronics Co., Ltd. Chairman at Wintek (Mauritius) Co., Ltd. Chairman at Dynamic Electronics (Kunshan) Co., Ltd. Chairman at Dynamic PCB Electronics Co., Ltd. Chairman at Dynamic Electronics Co., Ltd. (Seychelles) Chairman at Dynamic Electronics Trading Pte. Ltd. Chairman at Dynamic Electronics Holding Pte. Ltd. Chairman at Dynamic Electronics (Huangshi) Co., Ltd.	None	None	None

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relationship
Director	Taiwan, R.O.C.	Stoney Chiu	male	2015.05.28	3 years	2012.10.01	3,083,749	1.08%	3,083,749	1.10%	0	0.00%	0	0.00%	Chemical Engineering, Feng Chia University EMBA at CEIBS  Assistant Manager at Manufacturing Dept., Texas Instruments President, Tripod Tech (Wuxi) Co., Ltd. COO, Tripod Tech Co., Ltd.	President at Dynamic Electronics Co., Ltd. Director of Dynamic Electronic (Kunshan) Co., Ltd. President at Dynamic Electronics (Kunshan) Co., Ltd. Director at Dynamic Electronics Trading Pte. Ltd. Director at Dynamic Electronics Holding Pte. Ltd. Director of Dynamic Electronic (Huangshi) Co., Ltd. President at Dynamic Electronics (Huangshi) Co., Ltd.	None	None	None
Corporate Director	Taiwan, R.O.C.	CDIB Venture Capital Corp.		2015.05.28	3 years	2009.06.19	3,285,131	1.15%	3,285,131	1.17%	0	0.00%	0	0.00%	-	-	None	None	None
Corporate Director Representative	Taiwan, R.O.C.	James Yin	male	-	-	-	0	0.00%	0	0.00%	0	0.00%	0	0.00%	MBA, University of California, Los Angeles Manager, Direct Investment Div., China Development Industrial Bank	Manager, Venture and Industry Investment Div., China Development Industrial Bank Corporate Director Representative of Macroblock Technology Co., Ltd.	None	None	None
Corporate Director	Taiwan, R.O.C.	Ming-Ji Investments Co. Ltd.		2015.05.28	3 years	2015.05.28	3,082,633	1.08%	3,082,633	1.10%	0	0.00%	0	0.00%	-	-	None	None	None
Corporate Director Representative	Taiwan, R.O.C.	Yuan-chuan Sun	male	-	-	-	0	0.00%	573	0.00%	5,588	0.00%	0	0.00%	Department of Statistics, National Chengchi University Independent Director at APCB GROUP	Director and CFO of PAL WONN (TAIWAN) CO., LTD.			

Title	Nationality or Registered in	Name	Gender	Assumed office on	Duration of role	First elected on	Shares held when elected		Presently hold		Spouse, minor offspring presently hold		Shares held under others' names		Primary experience/ education	Other offices held in the Company or other companies	Supervisory or director roles held by spouse or other closely-relatives holding		
							Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio	Number of shares	Share holding ratio			Title	Name	Relationship
Independent Director	Taiwan, R.O.C.	Po-sheng Lin	male	2015 05.28	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in Economics, Johns Hopkins University Director of the Chung-Hua International Trade Association Director of Hua Lu Venture Capital Co., Ltd. (Executive Yuan National Development Fund)	Part-time Professor, National Chengchi University Department of International Business Independent Director at Taiwan Semiconductor Independent Director at Tatung System Technologies Inc.	None	None	None
Independent Director	Taiwan, R.O.C.	Heng-yih Liu	male	2015 05.28	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in College of Management, National Taiwan University Independent Director at Gudeng Precision Co., Ltd. Executive Director at Zebo Beauty Care International Corporation	Full-time Assistant Professor, International Business Studies Group of College of Management, Yuan Ze University Independent Director at Leofoo Development Co., Ltd. Supervisor at Wha Yu Industrial Co., Ltd.	None	None	None
Independent Director	Taiwan, R.O.C.	Vincent Lin	male	2015 05.28	3 years	2015 05.28	0	0.00%	0	0.00%	0	0.00%	0	0.00%	PhD in Computer Science, National Chiao Tung University Host of the "Smart Home Robot" industry specialized plan (Ministry of Economic Affairs)	Associate Director, BU1, Quanta Computer	None	None	None

(2) Controlling Shareholders of Corporate Shareholders as Directors

Apr. 1, 2018

Corporate Shareholder Name	Controlling shareholders of Corporate Shareholders	
	Shareholders	Shareholding ratio %
CDIB Venture Capital Corp.	CDIB Capital Group	100.00%
Ming-Ji Investment Co., Ltd.	Hsiu-Chin Chen	67.69%
	Ming-Yu Ko	23.07%
	Chien-Yu Ko	4.62%
	Hsiang-Ting Ko	4.62%

(3) Controlling Shareholders of Corporate Controlling Shareholders

Apr. 1, 2018

Corporate Names	Controlling Shareholders of the Corporations	
	Shareholders	Shareholding ratio %
CDIB Capital Group	China Development Financial Holdings Co., Ltd.	100.00%

2. Qualifications of Directors

Criteria Name	Hold 5 years or more of working experience and these professional qualifications listed below			Meet these independence qualifications										Number of other public-listed companies that the individual serves as independent director	
	Lecturer or above in business, law, finance, accounting, or another discipline related to company businesses in a private or public university	Passed national examination and attained certification for professionalism and technical expertise as a judge, prosecutor, lawyer, accountant, or another field deemed necessary by the company business	Working experience in business, law, finance, accounting, or company operations	1	2	3	4	5	6	7	8	9	10		
Ken Huang			v				v	v	v	v	v	v	v	v	0
Stoney Chiu			v				v	v	v	v	v	v	v	v	0
James Yin			v	v	v	v		v	v	v	v				0
Yuan-chuan Sun			v	v	v	v	v		v	v	v				0
Po-sheng Lin	v			v	v	v	v	v	v	v	v	v	v	v	2
Heng-yih Liu	v		v	v	v	v	v	v	v	v	v	v	v	v	1
Vincent Lin			v	v	v	v	v	v	v	v	v	v	v	v	0

Note 1: Please tick the boxes below each criterion if a director has fulfilled these conditions two years prior to being elected and during his/her term of service.

- 1) Is not employed by the company or its affiliated corporations.
- 2) The independent directors who set to belong to the company, the parent company or the subsidiary conforming with this law or the local law are unrestricted.
- 3) Is not a shareholder that hold more than 1% of the company's total shares or rank among top-ten shareholders, this applies for the director him/herself, spouse, minor children, or shares held under others' names.
- 4) Is not a spouse, second-degree relative, or direct, blood-related five-degree relative of the personnel listed in the first three criterion.
- 5) Is not a director, supervisor, or employee of a corporate shareholder that holds more than 5% of the company's total shares, nor a director, supervisor, or employee of a top-five ranked corporate shareholder.
- 6) Is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the company.
- 7) Is not a professional, a business owner, co-partner, director, supervisor, manager, or their spouse at a sole proprietor, partnership, company, or institution that offers services or consultancy for business, finance, or accounting etc. for the company or its affiliated firms. But remuneration committee members who enforce their obligations according to Article 7 of the Job Obligation Decree, in a listed company or a company that trades in the Securities and Stock Exchange, are not restrained.
- 8) Is not a spouse nor a second-degree relative with another director.
- 9) Is not involved in any of the sections in Section 30 of the corporate bylaws.
- 10) Is not elected as a government, corporation, or its representative under Section 27 of the corporate bylaws.

(B) President, VP, AVP, and departmental and branch office supervisors

Apr. 1, 2018

Title	Nationality	Name	Gender	Assumed office on	Shares held		Shares held by spouse or minor children		Shares held under others' names		Primary experiences/education	Offices presently held in other companies	Managers who are spouses or second-relation relatives		
					Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Title	Name	Relationship
CEO	Taiwan R.O.C.	Ken Huang	male	2012.09.01	8,746,341	3.11%	191,810	0.07%	0	0.00%	ditto	ditto	None	None	None
President	Taiwan R.O.C.	Stoney Chiu	male	2012.10.01	3,083,749	1.10%	0	0.00%	0	0.00%	ditto	ditto	None	None	None
President of Taoyuan Plant	Taiwan R.O.C.	Joup Lao	male	2018.02.26	0	0.00%	0	0.00%	0	0.00%	Tunghai University Department of Chemical Engineering Manufacturing VP of Hannstar Board Corporation VP of Unimicron Technology Shenzhen Corp VP of Tripot Technology Corp Fulong Plant President of WuZhu Technology Dongguan Plant	None	None	None	None
VP	Taiwan R.O.C.	Allen Chou	male	2012.01.01	128,000	0.05%	0	0.00%	0	0.00%	Chemical Engineering, Yuan Ze University Senior Engineer at R&D Dept., Unitech Account Manager, System QA Dept., Telecommunications Business, Foxconn	VP at Dynamic Electronics (Kunshan) Co., Ltd.	None	None	None
VP	Taiwan R.O.C.	Jack Hsu	male	2007.02.01	294,485	0.10%	135,299	0.05%	0	0.00%	Chemical Engineering, Feng Chia University Processing Engineer and Section Chief of Wet Processes, Unitech. Plant Manager, HDI factory, Chin Poon (Suzhou) Electronics Co., Ltd	None	None	None	None
VP	Taiwan R.O.C.	Don Chen (Dismissal day: 2018.1.1)	male	2014.02.05	18,834	0.01%	Not Applicable	0.00%	Not Applicable	0.00%	Nanya Institute of Technology VP, Wuxi factory, Tripod Tech Co., Ltd.	None	None	None	None
VP	Taiwan R.O.C.	Johnson Yang	male	2014.08.15	49,681	0.02%	0	0.00%	0	0.00%	Masters in Dept. of Information Management, Chung Yuan University Director, IT Div., Tripod Tech Co., Ltd.	None	None	None	None
VP	Taiwan R.O.C.	Sabrina Teng	female	2018.01.01	91,034	0.03%	0	0.00%	0	0.00%	Institute of Chemistry of Sun Yat-Sen University Process Engineering Manager of Tripot Technology Corp. Materials Procurement Manager of Tripot Technology (Wuxi) Corp. Materials Operations Manager of of BenQ Co. AVP of Administration Center of Dynamic Electronics Co.	None	None	None	None
Finance & Accounting Supervisor	Taiwan R.O.C.	Lily Chiang	female	2006.06.30	187,082	0.07%	0	0.00%	0	0.00%	National Taichung University of Science and Technology Finance Manager, Iteq Corporation AVP, Finance Dept., Uniplus Electronics Co., Ltd.	Director of Dynamic Electronic (Kunshan) Co., Ltd. Director at Dynamic Electronics Trading Pte. Ltd.	None	None	None

												Director at Dynamic Electronics Holding Pte. Ltd. Director of Dynamic Electronic (Huangshi) Co., Ltd.			
Auditing Supervisor	Taiwan R.O.C.	Angel Tsai	female	2013.06.01	10,353	0.00%	0	0.00%	0	0.00%	Bachelor in International Corporate Management, Chien Hsin University of Science and Technology Auditor at Wang Chiu-Hui Accounting Firm Department Section Chief of Accounting, Overseas Investment and Project Manager at Albatron Technology Co., Ltd. Senior Accountant, MJ Life Enterprise, Ltd.	None	None	None	None

C. Compensation for the Directors, President, and VPs for this fiscal year

(A) Compensation for Directors (including Independent Directors)

1. Compensation for Directors (including Independent Directors) (A summarized disclosure of names by grade levels)

Unit: NTD thousands

Title	Name (note 1)	Directors' compensation								% of sum of A, B, C, and D in the total net income (note 10)		Related compensation for directors who also serve as employees						% of sum of A, B, C, D, E, F, and G in the total net income (note 10)		Received reinvestment remuneration from outside of subsidiaries (note 11)			
		Compensation (A) (note 2)		Pension (B)		Remuneration (C) (note 3)		Business-associated expenditure (D) (note 4)				Salary, bonus, and special fees (E) (note 5)		Pension (F)		Staff Remuneration (G) (note 6)							
		The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)	The Company		All companies in the financial statement (note 7)	The Company	All companies in the financial statement (note 7)					
Chairman	Ken Huang																						
Director	Stoney Chiu																						
Corporate Director	CDIB Venture Capital Corp.																						
	James Yin																						
Corporate Director	Ming-Ji Investments Co., Ltd.	1,620	1,620	0	0	0	0	300	300	0.211	0.211	9,176	11,851	216	216	0	0	0	0	1.244	1.538	0	
	Yuan-chuan Sun																						
Independent Director	Po-sheng Lin																						
Independent Director	Heng-yih Liu																						
Independent Director	Vincent Lin																						

## 2. Compensation Levels

The Numerical range of Remuneration to pay to each director	Names of Directors			
	The total remuneration amount of the first 4 items(A+B+C+D)		The total remuneration amount of the first 7 items(A+B+C+D+E+F+G)	
	The Company (Note 8)	All companies included in the financial report E (note 9)	The Company (Note 8)	All companies included in the financial report E (note 9)
Less than 2,000,000 NTD	Ken Huang, Stoney Chiu, CDIB Venture Capital Corp. (representative: James Yin), Ming-Ji Investments Co., Ltd. (representative: Yuan-chuan Sun), Po-sheng Lin, Heng-yih Liu, Vincent Lin	Ken Huang, Stoney Chiu, CDIB Venture Capital Corp. (representative: James Yin), Ming-Ji Investments Co., Ltd. (representative: Yuan-chuan Sun), Po-sheng Lin, Heng-yih Liu, Vincent Lin	CDIB Venture Capital Corp. (representative: James Yin), Ming-Ji Investments Co., Ltd. (representative: Yuan-chuan Sun), Po-sheng Lin, Heng-yih Liu, Vincent Lin	CDIB Venture Capital Corp. (representative: James Yin), Ming-Ji Investments Co., Ltd. (representative: Yuan-chuan Sun), Po-sheng Lin, Heng-yih Liu, Vincent Lin
2,000,000 (inclusive) – 5,000,000 NTD	-	-	Ken Huang	-
5,000,000 (inclusive) – 10,000,000 NTD	-	-	Stoney Chiu	Ken Huang, Stoney Chiu
Total	7 persons	7 persons	7 persons	7 persons

Note 1: The names of directors shall be individually presented (the corporate shareholders' names and their representatives shall be listed separately) and disclose the amount of each payment in a consolidated manner.

Note 2: This refers to directors' compensation (including director's salary, bonuses associated with paygrade, severance pay, various bonuses and incentives etc.) for the most recent fiscal year.

Note 3: This refers to the amount of remuneration for directors given, as agreed upon by the Board of Directors for the most recent fiscal year.

Note 4: This refers to the directors' business-associated expenditures for the most recent fiscal year (including material incentives such as transportation fees, special expenses, various allowances, boarding, and company cars etc.). If housing, cars and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffeur is offered to the directors, the associated fees paid to the chauffeur by the company should be noted, but this should not be counted within the remunerations

Note 5: This refers to the material incentives including salaries, bonuses associated with paygrade, severance pay, various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. that have been endowed on the directors and those who also serve as employees (including serving as President, VP, other managers and staff) for the most recent fiscal year. If housing, cars, and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffeur is offered to the directors, the associated fees paid to the chauffeur by the company should be noted, but this should not be counted within the remunerations. And the listed salary costs of IFRS2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in capital stock, etc., should also be included in the remuneration.

Note 6: This refers to those directors who also serve as employees (including serving as President, VPs, other managers, and staff) and have received employee remuneration (including shares and cash), should disclose the remuneration amount to be paid to the employees that has been agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount, and fill out a separate form 1-3.

Note 7: The total amount paid to directors of The Company as various forms of incentives, from all companies (including The Company) included in this report should be disclosed in its entirety.

Note 8: The Company will disclose the names of directors according to their ranks for having paid each director the sum of various forms of incentives.

Note 9: The total amount of various forms of incentives paid by all companies in this report (including The Company) to each director of The Company should be disclosed in its entirety, and disclose the names of directors according to their ranks.

Note 10: Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 11: a. This column should clearly include the amount of remuneration given for reinvestment-related business that has been received by a director of The Company from outside of subsidiaries.

b. If a company director has received remuneration for reinvestment-related business from outside of subsidiaries, the amount received under this category should be included in the J column of the compensation table, and revise the column to show "All reinvestment businesses".

c. Remuneration refers to the compensation, incentives, staff dividends, and business-related expenses that have been incurred by the directors of The Company, when they have served as a director, supervisor, or manager for the reinvestment businesses outside the company's subsidiaries.

Note 12: The compensation that the company paid the chairman's driver in 2017 is \$971,443.

\* The content of the compensation as disclosed in this report is different from the concept of income tax. Hence, this table is solely for the purpose of information disclosure, and not for tax filing purposes.

(B) Supervisors' compensation: Not applicable

This Company has undergone the total re-election of the board of directors on June 18, 2012, in which an audit committee has been established and supervisors have been abolished.

(C) Compensation for President and VP

1. Compensation for President and VP (A summarized disclosure of names by grade levels)

Unit: NTD thousands

Title	Name (note 1)	Salary (A) (note 2)		Pension (B)		Bonus and special expenses etc.(C) (note 3)		Staff remuneration (D) (note 4)				% of sum of A, B,C, and D on the net income (note 8)		Received reinvestme nt remunerati on from outside of subsidiarie s (note 9)
		The Company	All companie s in the financial statemen t (note 5)	The Company	All companie s in the financial statemen t (note 5)	The Company	All companie s in the financial statemen t (note 5)	The Company		All companies in the financial statement (note 5)		The Compan y	All companies in the financial statement (note 5)	
								Cash amou nt	Share amou nt	Cash amou nt	Share amou nt			
CEO	Ken Huang	14,819	19,132	648	648	9,682	9,728	-	-	-	-	276.5%	324.5%	-
President	Stoney Chiu													
VP	Don Chen													
VP	Jack Hsu													
VP	Allen Chou													
VP	Johnson Yang													

\*All positions equivalent to President or VP (for instance, Chairman, CEO, Director...etc.), should all be disclosed, regardless of titles.

## 2. Compensation Levels

Level of remuneration paid to each President and VP of The Company	Names of President and VPs	
	The Company (Note 6)	All companies included in the financial report E (note 7)
2,000,000 (inclusive) – 5,000,000 NTD	Ken Huang, Johnson Yang, Allen Chou, Jack Hsu	Johnson Yang, Allen Chou Jack Hsu
5,000,000 (inclusive) – 10,000,000 NTD	Stoney Chiu, Don Chen	Stoney Chiu, Don Chen, Ken Huang,
Total	6 persons	6 persons

Note 1: The names of General and VPs should be shown separately, and each paid amount will be disclosed collectively.

Note 2: This refers to the General and VPs' salaries, bonuses associated with paygrade, and severance pay for the most recent fiscal year.

Note 3: This refers to the material incentives including salaries, bonuses associated with paygrade, severance pay, various bonuses, incentives, transportation fees, special expenses, various allowances, boarding, and company cars etc. that have been endowed on the General and VPs for the most recent fiscal year. If housing, cars, and other methods of transportation, or customized individual spending are offered, the characteristics of the assets offered and costs, real or fair market value of rental expenses, gas, and other payments should be disclosed. If chauffeur is offered to the directors, the associated fees paid to the chauffeur by the company should be noted, but this should not be counted within the remunerations. And the listed salary costs of IFRS2 "share-based payment", including the acquisition of employee stock option certificate, New Restricted Employee Shares and participation in subscription to an increase in capital stock, etc., should also be included in the remuneration.

Note 4: This refers to the amount of employee remuneration (including share and cash) that will be endowed on the General and VP, as agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount, and fill out a separate attachment form 1-3. Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 5: The total amount paid to General and VPs of The Company as various forms of incentives, from all companies (including The Company) included in this report should be disclosed in its entirety.

Note 6: The Company will disclose the names of each President and VP according to their ranks for having paid each director the sum of various forms of incentives.

Note 7: The total amount of various forms of incentives paid by all companies in this report (including The Company) to the President and each VP of The Company should be disclosed in its entirety, and disclose the names of directors according to their ranks.

Note 8: Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 9: a. This column should clearly include the amount of remuneration given for reinvestment-related business that has been received by the President and VPs of The Company from its subsidiary company.

b. If a President or VP of this company has received remuneration for reinvestment-related business from a subsidiary company, the amount received under this category should be included in the J column of the compensation table, and revise the column to show "All reinvestment businesses"

c. Remuneration refers to the compensation, incentives, staff dividends, and business-related expenses that have been incurred by the General and VPs of The Company, when they have served as a director, supervisor, or manager for the company's subsidiary for the purpose of reinvestment.

Note 10: Don Chen resigned on Jan 1st, 2018 due to personal reasons.

\* The content of the compensation as disclosed in this report is different from the concept of income tax. Hence, this table is solely for the purpose of information disclosure, and not for tax filing purposes.

### 3. Names and status of managers who have been issued employee remuneration

Dec. 31, 2017; Unit: NTD thousands

Managers	Title (note 1)	Name (note 1)	Amount of shares	Amount of cash	Total	% of total on the net income
	CEO	Ken Huang	-	-	-	-
	President	Stoney Chiu				
	VP	Jack Hsu				
	VP	Allen Chou				
	VP	Don Chen				
	VP	Johnson Yang				
	Finance Supervisor	Lily Chiang				
	Audit supervisor	Angel Tsai				

Note 1: Individual names and titles should be disclosed separately, but the remuneration distribution can be disclosed holistically.

Note 2: This refers to the amount of employee remuneration (including share and cash) that will be endowed on the managers, as agreed upon by the Board of Directors for the most recent fiscal year. If unable to estimate, this year's intended amount should be calculated based on last year's actual paid amount. Net income refers to the net income of the most recent fiscal year. The IFRS reporting method has been adapted, and net income means the net income of an individual or separate financial report in the most recent year.

Note 3: The scope of a manager, according to No. 0920001301 rule and regulation of the Taiwan Finance Certificate, contains the following: a) President and the equivalent; b) VP and the equivalent; c) AVP and the equivalent; d) Financial supervisor; e) Accounting supervisor; f) others who manage company affairs and have signature right.

- (D) Compare and illustrate the analysis of the ratio on the total compensation paid to the Directors, President, and VPs from the Company and all companies in the consolidated financial statement to the after-tax net income of individual financial statement, and explain the reimbursement policy, standard and combinations, procedures to dictate these reimbursements, and the correlation to management performance and future risks

Unit: NTD thousands

Project	Year	2016		2017	
		The Company	All companies in the financial statement	The Company	All companies in the financial statement
Ratio of total directors' compensation on net income		115.4%	144.5%	124.4%	153.8%
Ratio of total President and VPs' compensation on net income		237.6%	288.6%	276.5%	324.5%
Net income		10,700	10,700	9,094	9,094

1. Directors' compensation: Set in accordance to Articles of Corporations, with rights given to the members of the Board of Directors depending on the level of contributions they have made on The Company's operations, and set with reference to industry standards. Directors' compensation hasn't been remunerated for two years due to the unredeemed losses of 2016 and 2017.
2. President and VPs: Compensation includes salaries, bonuses, and employee profit-sharing. The remuneration committee established by the Board will set up initial figures depending on their titles and responsibilities, and set with reference to industry standards. They are implemented after attaining approval from the Board.
3. With the exception to transportation fees, all directors' compensation will be distributed pending on the company's profitability; hence, they do not pose major risks to the company. In addition to fixed salaries, the President and VPs' bonuses are all distributed pending on the company's performance; hence, they do not pose major risks to the company.

#### D. Operations of Corporate Governance

##### (A) Information of Operations of Board of Directors

In the most recent fiscal year, the Board of Directors have held 6 meetings (A), and the attendance of the Directors are as follows:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Director	Ken Huang	6	0	100.00	
Director	Stoney Chiu	6	0	100.00	
Corporate Director	CDIB Venture Capital Corp. Representative: James Yin	6	0	100.00	
Corporate Director	Ming-Ji Investment Co., Ltd. Representative: Yuan-chuan Sun	6	0	100.00	
Independent Director	Po-sheng Lin	6	0	100.00	
Independent Director	Heng-yih Liu	6	0	100.00	
Independent Director	Vincent Lin	6	0	100.00	

Other items to be mentioned:

1. If any of the following circumstances occurs while functioning the board of directors, the Board meeting date, the Board meeting term, the contents of the motion, the opinions of all independent directors and the follow-up to the opinions of the independent directors should be elaborated:
  - (1) The matters listed in Article 14-3 of the Securities Exchange Act: Not applicable as we have set up Audit Committee.
  - (2) Besides the above-mentioned matters, the resolutions by the board of directors that have been objected to or reserved with record or written statement by other independent director: In year 2017, the independent directors had no objection or reservations to the major proposals in the board meetings.
2. The way that directors have abstained from motions that pose a conflict of interest, should elaborate on the director's name, the content of the motion, cause of the conflict of interest, and the status of the vote: none.
3. Goals (e.g. establishing audit committee, enhancing information transparency) primed to enhance the board of directors' professionalism and assessment on their effectiveness for that year and the most recent year:
  - (1) Full re-election of three independent directors and officially established an audit committee on June 18, 2012.
  - (2) The Board passed a revision and implemented the "Organizational Structure of the Remuneration Committee" on Dec. 17, 2012.
  - (3) Establishing Corporate Social Responsibility Committee on May 10, 2014.
  - (4) The Board passed a revision and implemented the "Code of Ethical Business Conduct" on Dec. 26, 2014.
  - (5) The Board passed a revision and implemented the "Corporate Governance Code of Practice "on Mar. 3, 2015.
  - (6) Establishing Risk Management Committee on Jun. 30, 2015.
  - (7) Taoyuan and Kunshan plant established "Environmental Protection & Energy Saving Committee" on Jul. 31, 2015.
  - (8) The Board approved of setting "Method and Procedures of Board Performance Assessment" on Aug. 10, 2015.
  - (9) The Board approved of setting "Operating Procedure for Application to Trading Suspension and Resumption" on Oct. 30, 2015.
  - (10) The Board approved of setting "Operating Procedure for Whistleblower's Channel and Protection System" on Oct. 30, 2015.
  - (11) To respond accordingly to the electronic voting which being adopted by the Board in year 2016,

amended the "Articles of Incorporation" and "Rules and Procedures of Shareholders' meeting" on Dec. 28, 2105.

(12)The Board deliberated on "successor plan" on Feb. 25, 2016.

(13)Amended the "Pending and Resuming Trading Operations Procedures" and "Code of Corporate Governance Practice" on Dec. 28, 2016.

(14)An external board performance assessment was performed in year 2017 by the entrusted external agency Ernst & Young Enterprise Management Advisory Services Co., Ltd. with three major aspects: the board structure, people, and process & information. The evaluation was through document review, self-assessment questionnaire and on-site interviews, including eight projects: the board structure and process, board members, corporate and organizational structure, roles and responsibilities, behavior and culture, director training and development, risk control supervision, and reporting & exposing & performance monitoring. After a comprehensive assessment of the company's performance in all three major aspects, it is at the level of "Advanced". Ernst & Young provides advice for the board of directors and the board of directors. This assessment result will be a reference for the Board to continue enhancing its functions.

(15)The "Rules of Procedure of the Board of Directors" and "Rules of the Audit Committee Organization" were revised on February 26, 2018.

The above are for the establishment of a sound and effective corporate governance system and structure, implementing the policy and commitment to integrity management, and create a sustainable development of the business environment.

**(B) Information of Operations of the Audit Committee**

For the most recent year, the audit committee has held 6 meetings (A), below demonstrates the attendance of independent directors:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Chairman	Po-sheng Lin	6	0	100.00	
Member	Heng-yih Liu	6	0	100.00	
Member	Vincent Lin	6	0	100.00	

Other items to be mentioned:

1. If any of the following circumstances occurs while functioning Audit Committee; the Board meeting date, the Board meeting term, the contents of the motion, the resolutions of Audit Committee, and the follow-up to the opinions of the Audit Committee should be elaborated: In year 2017, all the members of Audit Committee had passed the major proposals. No resolutions of Audit Committee were not passed but agreed by two-thirds of the Board. Please refer to the table below.

(1) The matters listed in Article 14-5 of the Securities Exchange Act.

(2) Besides the above-mentioned matters, the resolutions of Audit Committee are not passed but agreed by two-thirds of the Board.

Board of Directors	Proposals & Follow-up	Article 14-5 of the Securities Exchange Act	Resolutions of Audit Committee are not passed but agreed by two-thirds of the Board.
First BoD meeting in year 2017 2017/02/23	1. Annual financial statements and consolidated financial statements of year 2016.	v	
	2. The deficit compensation of year 2016.	v	
	3. Propose the Company's annual budget of 2017.	v	
	4. The endorsement of conglomerate financing amount.	v	
	5. In order to cope with the use of the Group's medium-term funds, Yushan Bank was entrusted to establish a joint credit plan.	v	

	6. Proposed "Procedures for Lending Funds to Other Parties" of Subsidiary WINTEK (MAURITIUS) CO., LTD	v	
	7. Considering the flexible use of the Group's long-term funds, it is proposed to submit an application for the subsidiary WINTEK (MAURITIUS) CO., LTD to fund loan to Mainland business Dynamic (Huangshi) Co. Ltd.	v	
	8. Issuing the Statement of Internal Control System.	v	
	9. Proposed amendments to the Company's "Procedure for Assets Obtainment and Disposal".	v	
	Audit Committee Resolution (2017.02.23): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Second BoD meeting in year 2017 2017/04/25	1. The consolidated financial statement of first quarter of year 2017.	v	
	2. Notional amount of derivative financial product transactions with the bank.	v	
	3. The endorsement of conglomerate financing amount.	v	
	Audit Committee Resolution (2017.04.25): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Third BoD meeting of the year 2017 2017/05/26	1. Proposed to add Mainland Investment.	v	
	2. Proposed "Procedures for Lending Funds to Other Parties" of Dynamic Electronics Co., Ltd. (Seychelles)	v	
	3. Considering the flexible use of the group's long-term funds, it is proposed to submit an application for the subsidiary company, Dynamic Electronics Co., Ltd. (Seychelles), to fund loan to the parent company of the group.	v	
	Audit Committee Resolution (2017.05.26): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Fourth BoD meeting of year 2017 2017/07/25	1. The consolidated financial statement of the second quarter of year 2017.	v	
	2. The Company's wholly-owned re-invested business, "Dynamic Electronics (Huangshi) Co., Ltd." proposed to borrow RMB7,700 from Company's wholly-owned re-invested business, "Dynamic Electronics (Kunshan) Co., Ltd."	v	
	Audit Committee Resolution (2017.07.25): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
	Fifth BoD meeting of year 2017 2017/10/	1. The consolidated financial statement of the third quarter of year 2017.	v
2. Proposed to submit an application for a medium-term mortgage bank loan financing amount of the Company.		v	
3. The endorsement of conglomerate financing amount.		v	
Audit Committee Resolution (2017.10.26): All members of the Audit Committee agreed to			

26	adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		
Sixth BoD meeting of year 2017 2017/12/29	1. The audit plan of 2018.	v	
	2. The independence assessment of the Company's accountants.	v	
	3. The annual business plan of year 2018.	v	
	4. Considering the flexible use of the group's long-term funds, it is proposed to submit application for the Company to fund loan to the Mainland business Dynamic Electronics (Huangshi) Co., Ltd.	v	
	Audit Committee Resolution (2017.12.29): All members of the Audit Committee agreed to adopt.		
	The Company's handling of the opinions of the Audit Committee: All the attended directors at the meeting agreed to pass.		

2. The way that independent directors have abstained from motions that pose a conflict of interest, should elaborate on the independent director's name, the content of the motion, cause of the conflict of interest, and the status of the vote: none.
3. Communications between the independent directors and the internal audit supervisors and accountants (should include communications over the significant matters of company financials, business operations, and ways to approach these topics and their results)

(1) The communication between independent directors and internal audit executives:

- (a) The Auditing Office exercises internal audit cycles and management practices, and prepares the documents of "Internal Audit Report", "Summarized Monthly Report on internal audit" and "Contact form of advices on irregularities" every month. All the audit related documents would be delivered to each audit committee for review after the chairman's approval before the end of the second month upon the completion of the audit. If any doubts or instructions occur, the audit committee will inquire or instruct the auditing executives to deal with the relevant matters via phone call or e-mail.
- (b) The internal audit executives would attend every audit committee (at least once per quarter) to report the audit progress, and communicate with the independent directors face to face.
- (c) When the internal auditors found significant violations or any major potential damages to the Company, a report would be made and submitted immediately. Each Audit Committee member would be notified at the same time.
- (d) The Communication Conduct between Independent Directors and Internal Audit Executives:

Date	Communication Points
2017/02/23	Dec. 2016 – Jan. 2017 Audit Operational Report Issued "Internal Control System Statement".
2017/04/25	Feb. – Mar. 2017 Audit Operational Report
2017/07/25	Apr. – Jun. 2017 Audit Operational Report
2017/10/26	Jul. – Sep. 2017 Audit Operational Report
2017/12/29	Oct. – Nov. 2017 Audit Operational Report Proposed the company's annual audit plan of year 2018.

- (e) The communication between the independent directors and the internal auditing executives of the Company is good with smooth communication channel.
- (2) The communication between independent directors and the accountants:
  - (a) Accountants report the results of financial statement verification and audit in the Audit Committee quarterly, as well as other communication subjects that required by the relevant laws and regulations. Any suggestions or advices that occur to the independent directors would be addressed for discussion, followed by further explanation by the accountants.

(b) In case of significant special situation, accountants would report to the Audit Committee instantly.

(c) The accountants would be invited to participate in providing professional advices to any important issues related to the board so as to increase the opportunity of interaction among the accountants, directors and independent directors.

(d) The Communication Conduct between Independent Directors and the Accountants:

Date	Communication Points
2017/02/23	1. Audit Scope and Audit Report of 2016 2. Independence of Accountants 3. Key Audit Matters in audit report 4. Major accounting and auditing issues 5. Regulatory update - The Amendment of the Fourth Corporate Governance Assessment Indicators
2017/04/25	1. Audit Scope and Audit Report of Q1 2017 2. Major accounting and auditing issues
2017/07/25	1. Audit Scope and Audit Report of Semi-annual report 2017 2. Major accounting and auditing issues 3. Regulatory update of Security Supervision 4. Regulatory update of Taxation
2017/10/26	1. Audit Scope and Audit Report of the first 3 quarters 2017 2. Major accounting and auditing issues 3. Communication of Key Audit Matters in the audit report 4. Regulatory update of Security Supervision and Taxation
2018/02/26	1. Audit Scope and Audit Report of 2017 2. Independence of Accountants 3. Communication of Key Audit Matters in the audit report 4. Major accounting and auditing issues 5. Regulatory update of Security Supervision and Taxation

(e) The communication between the independent directors and the accountants of the Company is good with smooth communication channel.

**(C) Information on the operations of the Remuneration Committee**  
**1. Information on the members of the remuneration committee**

Status (note 1)	Criteria a	Hold five years or more of work experience and the following professional qualifications			Meet these Independence qualifications (note 2)								Number of other listed companies the person is also serving on the remuneration committee	
		Lecturer or above in business, law, finance, accounting, or another discipline related to company businesses in a private or public university	Passed national examination and attained certification for professionalism and technical expertise as a judge, prosecutor, lawyer, accountant, or another field deemed necessary by the company business	Working experience in business, law, finance, accounting, or company operations	1	2	3	4	5	6	7	8		
Independent Director	Po-sheng Lin	V			V	V	V	V	V	V	V	V	V	2
Independent Director	Heng-yih Liu	V		V	V	V	V	V	V	V	V	V	V	1
Independent Director	Vincent Lin			V	V	V	V	V	V	V	V	V	V	0

Note 1: For Status, please identify whether the person is a director, independent director, or other.

Note 2: Please tick the boxes below each criterion if a member has fulfilled these conditions two years prior to being elected and during his/her term of service.

- (1) Is not employed by the company or its affiliated corporations.
- (2) Is not a director or supervisor at the company or its affiliated corporations. But the independent directors who set to belong to the company, the parent company or the subsidiary conforming with this law or the local law are unrestricted.
- (3) Is not a shareholder that hold more than 1% of the company's total shares or rank among top-ten shareholders, this applies for the director him/herself, spouse, minor children, or shares held under others' names.
- (4) Is not a spouse, second-degree relative, or direct, blood-related five-degree relative of the personnel listed in the first three criterion.
- (5) Is not a director, supervisor, or employee of a corporate shareholder that holds more than 5% of the company's total shares, nor a director, supervisor, or employee of a top-five ranked corporate shareholder.
- (6) Is not a director, supervisor, manager, or a shareholder that holds more than 5% of shares at a company or institution that has financial or business exchanges with the company.
- (7) Is not a professional, a business owner, co-partner, director, supervisor, manager, or their spouse at a sole proprietor, partnership, company, or institution that offers services or consultancy for business, finance, or accounting etc. for the company or its affiliated firms.
- (8) There is no circumstance of Article 30 of the Company Law's Article 30.

## 2. Information on the operations of the remuneration committee

(1) The Company has three members in the remuneration committee.

(2) Duration of role: 2015/05/28 – 2018/05/27. The remuneration committee has held 3 meetings (A) for the most recent fiscal year (2017). The attendance records of committee members are as followings:

Title	Name	Number of actual attendance (B)	Number of by proxy	Ratio of attendance [B/A]	Remarks
Chairman	Po-sheng Lin	3	0	100.00	
Member	Heng-yih Liu	3	0	100.00	
Member	Vincent Lin	3	0	100.00	

Other items to be mentioned:

1. In case the board of directors did not take in or make necessary rectifications according to the remuneration committee's suggestion, the date, number, content of the motion, the results passed by the board of directions and the ways the company handled the remuneration committee's opinions should be elaborated (for instance, if the compensation package passed by the board of directors is higher than the suggestion of the remuneration committee, the difference and its causes should be explained): none.
2. For the decisions made by the remuneration committee, if there are members who vetoed or withheld from the decision and there are documented records, the date, number, content of the motion, all members' opinions, and ways in handling these opinions should be elaborated: none.

(D) The differences and causes between the company's operations and the corporate governance code of practice of listed companies

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
1. Has the company established a corporate governance code of practice according to the corporate governance code of practice required by all listed companies?	V		On Dec. 28, 2016, The Company has passed the amendment of "Corporate Governance Code of Practice". This code can be either downloaded from the Company website or the MOPS.	None
2. Company share structure and shareholders' interest a. Has the company established internal procedures to handle shareholder's opinions, questions, problems, and litigation issue, and implemented these measures accordingly?  b. Is the company aware of the controlling shareholders and maintain the list of the final controllers of the main shareholders?  c. Has the company established and carried out risk control and firewall measures to affiliated corporations?	V		a. According to article 13 of Code of Corporate Governance Practice, the Company has instructed the 【Legal Office】 (under direct supervision of the Board) and the 【Chairman Office】 (under direct supervision of the Chairman) to handle phone calls, emails and letters regarding opinions, questions, problems, and litigation issues from the shareholders. They directly handle these issues and report to the Chairman and the Board. b. The 【Chairman office】 , under immediate supervision of the Chairman, is in charge of maintaining the lists of the controlling shareholders and the final controllers of the main shareholders. c. The Company has established systems to manage over these problems according to the law pertaining to "operational procedures in dealing with affiliated corporations, group enterprises, specific company, and affiliated individuals "as well	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
d. Has the company established internal regulations to ban company personnel from selling and buying securities with undisclosed information?			as our internal control system. d. Regulated in the Company's " Material Insider Information Non-Disclosure Procedure".	
3. Organization and responsibility of the Board of Directors a. Has the Board established and implemented diversification measures in its member setup?	V		a. The Company's Code of Corporate Governance Practices article 20 indicates that the composition of the board of directors shall be diversified and the appropriate diversification policy shall be formulated for its own function, operation and development needs. Currently the three independent directors possess background and expertise covering finance, strategy and technology, two of which have the experience required by the company's business. The diversity policy of the board members of the company is disclosed on the company's website and MOPS.	None

Item to be assessed	Operational status (note 1)						Deviations from the corporate governance code of practice of listed companies and causes				
	Y	N	Abstract								
b. In addition to setting up a remuneration committee and audit committee in accordance with the law, has the company voluntarily established other functional committees?											
			Diversification	Operation Management	Leadership & Decision-making	Finance & Accounting			Strategy & Risk Planning	Trend analysis of the industry	Technology Development of the industry
			Name								
			Ken Huang	v	v					v	
			Stoney Chiu	v	v				v		
			James Yin			v				v	v
			Yuan-chuan Sun	v		v				v	
			Po-sheng Lin			v			v		
			Heng-yih Liu	v					v	v	
			Vincent Lin		v					v	v
			b. The company has already established a Nomination Committee in 2007. All three members are independent directors. Under the authority of the Board of Directors, the Nominating Committee shall assist the Board in seeking, reviewing, and nominating the candidates for directors, and to establish and develop the Organizational Structure								

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes																
	Y	N	Abstract																	
c. Has the company established a performance rating method for the board of directors, and conduct performance rating accordingly on an annual basis?			<p>of the Board to ensure that the Board is properly constituted. For details of the post function, please refer to the Organizational Regulations for the Nomination Committee of the Directors and Supervisors, which is disclosed on the Company website.</p> <table border="1"> <thead> <tr> <th>Names of Independent directors</th> <th>Audit Committee</th> <th>Remunerati on Committee</th> <th>Nomination Committee</th> </tr> </thead> <tbody> <tr> <td>Po-sheng Lin</td> <td>v (chairman, financial expert)</td> <td>v (chairman)</td> <td>v</td> </tr> <tr> <td>Heng-yih Liu</td> <td>v</td> <td>v</td> <td>v</td> </tr> <tr> <td>Vincent Lin</td> <td>v</td> <td>v</td> <td>v (chairman)</td> </tr> </tbody> </table>	Names of Independent directors	Audit Committee	Remunerati on Committee	Nomination Committee	Po-sheng Lin	v (chairman, financial expert)	v (chairman)	v	Heng-yih Liu	v	v	v	Vincent Lin	v	v	v (chairman)	
			Names of Independent directors	Audit Committee	Remunerati on Committee	Nomination Committee														
Po-sheng Lin	v (chairman, financial expert)	v (chairman)	v																	
Heng-yih Liu	v	v	v																	
Vincent Lin	v	v	v (chairman)																	
<p>c. The Company passed the “Measures and Procedures for the Evaluation of Board Performance” on August 10, 2015 by the Board of Directors. The measurement items for the performance evaluation of the Board of Directors and the Functional Committee should include at least the following five major aspects:</p> <ol style="list-style-type: none"> <li>1. The degree of participation in the Company’s operation.</li> <li>2. To enhance decision-making quality of the Board.</li> <li>3. The composition and structure of the board.</li> </ol>																				

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			<p>4. Selection and further education of directors. 5. Internal control.</p> <p>The assessment of the performance evaluation of the directors' members shall at least include the following six aspects:</p> <ol style="list-style-type: none"> <li>1. The mastery of the Company's goal and mission.</li> <li>2. The recognition of directors' responsibilities.</li> <li>3. The degree of participation in the Company's operation.</li> <li>4. The effort and communication of internal relationship.</li> <li>5. Directors' profession and further education.</li> <li>6. Internal control.</li> </ol> <p>The Procedure also specifies that the board of directors shall perform at least one internal board performance assessment each year, and it shall be evaluated at least once every three years by an external professional independent agency or external expert team. The Company implemented internal self-evaluation to evaluate the performance of the board of directors and its members in year 2015 and 2016. The evaluation result is "Good". The Company also designated external agency</p>	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			<p>Ernst &amp; Young Enterprise Management Advisory Co. Ltd. to carry out an external evaluation for the Board's performance, after a comprehensive assessment, the level of the board structure, people and process &amp; information are "advanced". EY also provided advices for the Company. The assessment result will be the reference for the Board to enhance its functions. The Procedure, assessment result and improvement actions are disclosed on the company's website.</p> <p>In terms of the connection between the directors performance assessment and salary and compensation, the remuneration of the directors of the company is based on the provisions of the Corporate Charter, article 26 that the remuneration of the directors shall not exceed 3% of the profit, which resolved by the board of directors. The procedures for emoluments setting are by reviewing the company's overall operating performance, industrial operating risks and development trends, it also considers the individual's performance achievement rate and his/her contribution to the company's performance before giving reasonable remuneration. All</p>	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
d. Has the company assessed the independence of its certified public accountant routinely?			<p>relevant performance appraisal and compensation rationality are reviewed by the Compensation Committee and the Board of Directors, and the remuneration system is reviewed at any time depending on the actual operating conditions and the relevant laws to balance the company's sustainable development and risk control.</p> <p>d. The Finance Div. of the company has started to conduct yearly assessment of the independence of company's designated certified accountants since year 2015, the assessment includes 15 items below:</p> <ol style="list-style-type: none"> <li>1. Up to the latest certification practice, there's no such circumstance with working for the company for seven years in a row.</li> <li>2. No major financial interested relationship with the client.</li> <li>3. Avoiding any improper relationship with the client.</li> <li>4. The accountant should supervise their assistants to strictly comply with honesty, justice and independence.</li> <li>5. The accountant is prohibited from auditing certification for the company's financial report</li> </ol>	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			<p>where he/she has served in within the previous two years.</p> <p>6. The accountant's identification is forbidden to be infringed by another individual.</p> <p>7. The accountant does not hold any shares in the company or in its subsidiaries.</p> <p>8. The accountant does not owe any debt to the company or its subsidiaries.</p> <p>9. The accountant is not in any joint investment or benefit-sharing relationship with the company or its subsidiaries.</p> <p>10. The accountant is not employed and paid regularly by the company or its subsidiaries.</p> <p>11. The accountant does not interfere with any management function towards decision-making in the company or its subsidiaries.</p> <p>12. The accountant does not run any business which will probably deprive him/her of audit independence.</p> <p>13. The accountant is not related to any of the company's management personnel in the following relations: Spouse, blood-related relatives, direct relatives by affinity, second-degree of blood-related relatives, collateral blood-related relatives.</p>	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			<p>14. The accountant does not receive any commission which is occupational-related.</p> <p>15. Up to now, the accountant hasn't been punished for violating any audit independence principle.</p> <p>In the most recent assessment of certified accountants' independence and adaptability on Dec. 20, 2017, the company found no certified accountant with any inadaptability or violations of independence. In addition, accounting firm Ernst &amp; Young has also issued a "declaration of independence." This case was approved by the Audit Committee and the board on Dec. 29, 2017. The assessment result is also disclosed on the company website.</p>	
4. Has the company set a specialized or part-time corporate governance unit or personnel, responsible for corporate governance related matters (including but not limited to providing directors with all required information to perform their jobs, handling the board and shareholders meetings, handling the alteration of company registration, making meeting minutes for the	V		The Board of Directors of Dynamic passed a revised "Code of Corporate Governance Practices" on December 28, 2016, adding the provision of Person in charge of corporate governance affairs, and assigning the special assistant Jean Liu from Chairman's Office to be the corporate governance personnel. Her main responsibilities are to provide Information required by the directors to perform business, assist directors to behave in conformity	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
board and shareholders meetings etc.)?			<p>with laws and regulations, handle matters relating to the board of directors and shareholders meeting according to law. Special Assistant Jean Liu has more than 3 years of experiences in stock affairs, proceedings and other management works of public companies.</p> <p>The business implementation of year 2017 was as follows:</p> <ol style="list-style-type: none"> <li>1. Provide directors with information that required by their duty performances.</li> <li>2. Arranging for further study of directors.</li> <li>3. To draw up the agenda for the board of directors, inform the directors seven days in advance, convene the meeting and provide information for the meeting. Any issue concerns director's interests that required a particular director to avoid should be reminded beforehand and complete the meeting minutes of the board of directors within 20 days after the meeting.</li> <li>4. Assist the board of directors and shareholders in the proceedings and compliance matters.</li> <li>5. Responsible for reviewing material information announcement of important resolutions of the board of directors after the meeting, ensuring law</li> </ol>	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			<p>conformity and correctness of the content of the material information.</p> <p>6. The date of the shareholders' meeting shall be registered beforehand according to the law, the meeting notice, the proceedings handbook, and the journal shall be made during the statutory period, and the change of registration of the company shall be carried out along with the amendment to the articles or the re-election of the directors.</p> <p>7. Handle the annual performance evaluation of the board of directors and its members.</p> <p>8. Responsible for corporate information disclosure, web page maintenance, etc.</p>	
5. Has the company established a communication channel with its stakeholders, and setup a stakeholder section on the company website, in addition to properly addressing key corporate social responsibility issues that are important to the stakeholders?	V		<p>(1) Currently, all stakeholders have appropriate communication channels. For instance, Shareholders vs shareholders' manager and spokesperson; Employees vs HR; Customers vs sales, quality assurance, R&amp;D; Suppliers vs purchasing, QA, R&amp;D; Mortgagors vs finance personnel; Government vs departments of management, industrial safety, environmental safety; finally, Community and NGO vs management dept. and CSR office etc.</p> <p>(2) The Company website is set with a specific zone for the stakeholders and the contact person's phone and email. It is also available to leave a message at</p>	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
			"Contact Us" page, the message will be sent to the responsible unit automatically. Furthermore, contact information of each exterior unit, phone number, email, can also be found on the website.	
6. Has the company assigned professional common shares agency to take care of affairs related to the shareholders meetings?	V		We have assigned Taishin International Bank to take care of the share-related affairs.	None
7. Information disclosure a. Has the company setup a website to disclose information pertaining finance and corporate governance?  b. Has the company utilized other methods of information disclosure (such as setting up a website in English, assigning someone to be responsible for the collection and disclosure of company information, implementing spokesperson system, demonstrating company website during corporate seminar)?	V		a. The Company website is <a href="http://www.dynamicpcb.com">www.dynamicpcb.com</a> . The website has been equipped with pages designated to financial information and corporate governance for information disclosure on these aspects.  b. The company has an English website, and has designated Chairman Office to be responsible for the collection and disclosure of company information. The company has assigned a spokesperson and a deputy spokesperson, and the contact information is on the company website, which serves as channels of communication for investors and shareholders and caters to their inquiries and needs. The company was invited to participate in two investors conferences in year 2017, related information is disclosed on the company's website.	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
8. Does the company have other important information pertaining to understanding the operations of the company's corporate governance (including but not limited to employee benefits, employee welfare, investor relations, supplier relations, stakeholders' interests, advanced studies of the director and supervisors, risk management policy and levels of implementation of risk assessment standards, levels of implementation of customer policies, and whether the company has purchased liability insurance for its directors and supervisors)?				
a. Employee benefits: In year 2017, besides keeping all the employees' rights and benefits, also particularly strengthening production safety, paying attention to employees' physical and mental health, and implementing labor rights, environmental responsibility, and make sure the management systems and ethics are in compliance with the code of conduct of Responsible Business Alliance (RBA).				
b. Employee welfare:				
Taoyuan Plant in 2017				
1. Parent-child sports meet, whole family exercised together, a total of 639 people participated.				
2. Added club management and subsidy measures to enrich employees' leisure life. Cooking club and road running club were set up in year 2017, a total of 17people participated.				
3. Provided healthy meals, assisted employees in health management, a total of about 40 people participated				
4. Assisted colleagues to purchase sphygmomanometers at cost prices and helped them with health management, a total of 33 participants.				
5. Designed maternity vest skirts to protect female pregnant workers.				
6. Year-end dinner party to unite team spirit, a total of 600 people participating in the event.				
Kunshan Plant in 2017				
1. Oversea Travel points winning and prize-drawing event. In 2017, a total of 877 people traveled abroad free of charge. The locations included: Taiwan, Thailand, and Singapore & Malaysia.				
2. Added club management and subsidy measures to enrich employees' leisure life. 9 clubs were established in year 2017- Dance Club, Yoga Club, Tai Chi Club, Running Club, Swimming Club, Chess Club, Basketball Club, Badminton Club, Outing Club and so on, a total of more than 200 participants.				
3. On the eve of employees' birthday, sent piety money and birthday cards to their mothers.				

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
4. The 5th Company Sports Meet, a total of about 3,000 people participated.				
5. The 5 <sup>th</sup> Autumn Gala, a total of about 2,000 people participated.				
6. The 3 <sup>rd</sup> corporate culture Role model, a total of 16 winners were selected.				
7. At the year-end dinner party, a total of about 4,500 people participated in the event.				
8. Development training for group leaders, a total of 264 participants.				
9. Held elementary, intermediate and advanced English training courses, a total of about 100 participants.				
10. Thanksgiving and Christmas activities were held by participants of intermediate and advanced English classes, with a total of about 35 participants.				
<b>c. Social Care of both plants in 2017</b>				
1. Taoyuan Plant held the "Public Welfare Fete" and raised a total of NT\$950,000 donations, of which \$680,000 had donated to Liver Diseases Prevention and Treatment Research Foundation. The remaining amount will be donated in year 2018.				
2. The gifts of Shareholders' meeting were the handmade soaps purchased from Star kids workshop of Taoyuan City's Autism Association, hoped to help autistic children's life care and activities. (Total Purchase Amount NT\$360,000)				
3. Funding the archery costs for the low-income family students of National Hsinchu Commercial & Vocational High School				
4. Funding the talent learning cost for the low-income family students from the archery team and the art class of Taoyuan Jieshou Junior High School				
5. Mid-Autumn Festival gift boxes were provided in collaboration with the Mentally-Challenged Children's Shelter Workshop supported by Yu-Cheng Social Welfare Foundation of New Taipei City, and with Miaoli's eco-farming and natural diet Hwei-Shian Organic Station. (Total Purchase Amount NT\$448,500)				
6. Year 2018 desk calendars were printed with the paintings by teacher Milu and the students from the art class of Taoyuan JieShou junior high school. Each teacher and student were given a copy to encourage the children to continue their creation.				
7. The "Public Welfare Fete" held by the Kunshan Plant raised a total of RMB 460,000, of which RMB 200,000 was used to fund the nutritious lunch foundation set up by Dynamic and RMB 50,000 was donated to the Kunshan True Love Public Welfare Association, dedicated to settling elders and helping the orphans, the disabled and poverty, donated RMB 70,000 to the Taiwan Liver Diseases Prevention and Treatment Development Foundation. The remaining funds will be donated in year 2018.				
8. Joined hand with the well-known mainland tenor Yan Wei-Win's master classes of national vocal music to hold "Nanjing Yan Master & Outstanding Apprentices public welfare concert", to reward fire fighters and their families, and to promote the culture of arts.				
9. Continued to support the tuition fee for the needy undergraduate students in Kunshan development zone.				

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes	
	Y	N	Abstract		
d. Investor relations: assigned spokesperson, deputy spokesperson, and personnel dedicated to handling matters pertaining shares to assist investors to understand the company's status and to communicate with them. Set up investor relations section on the company website to offer important information and contact information.					
e. Supplier relations: While enhancing sustainable business and competitiveness, we establish mutual beneficial strategic partnerships with suppliers to jointly develop new products and solve problems of process technology and quality control. The two parties can be aware of the accuracy of market information at any time by regularly exchanging and sharing information on upstream and downstream market supply and demand conditions, fluctuations in raw material costs, capacity expansion, and quality control so as to timely adjust suppliers' production direction and meet the requirements of the purchasing end, also facilitates the two parties to control the inventory cost and water level of all materials, thereby establishing a win-win supplier relationship.					
f. Stakeholders' interest: identify stakeholders and major issues, establish communication channels, include topics that various stakeholders care about, such as economics, environment, and social issues, into the company's operations strategy and management, and to sufficiently disclose information.					
g. Advanced studies for the directors and managers					
Status	Name	Date	Hosted by	Class	Hours of study
Director	Ken Huang	2017/04/21	Taiwan Corporate Governance association	Talking about practice cases of honest operation, corporate governance and 3 major rules of CSR	3.0
Director	Ken Huang	2017/06/29	Taiwan Corporate Governance association	Viewing corporate mergers and acquisitions from the perspective of directors and supervisors	3.0
Director	Stoney Chiu	2017/05/11	Chinese National Association of Industry and Commerce, Taiwan	Risk Control Trends and Practice Analysis	3.0
Director	Stoney Chiu	2017/05/18	Taiwan Corporate Governance association	Group Company Governance	3.0
Director	James Yin	2017/06/08	Taiwan Corporate Governance association	[The Secretary of the Board of Directors II] Shareholders' Meeting and Equity Management	3.0
Director	James Yin	2017/10/25	Taiwan Corporate Governance association	The 13th International Summit on Corporate Governance	3.0
Director	Yuan-chuan	2017/07/11	Chinese National Association of Industry	Global Virus Blackmail Violence - Discussion on	3.0

Item to be assessed				Operational status (note 1)		Deviations from the corporate governance code of practice of listed companies and causes
				Y	N	
	Sun		and Commerce, Taiwan			Corporate Internal Information Security Governance and Effective Supervision Mechanism
Director	Yuan-chuan Sun	2017/07/18	Chinese National Association of Industry and Commerce, Taiwan			Common Challenges and Future Trends in Corporate Mergers and Acquisitions 3.0
Independent Director	Po-sheng Lin	2017/02/10	Securities and Futures Institute			Consigned Training by Tatung Company - Business concerns and legal risk analysis of Corporate operational decision-making 3.0
Independent Director	Po-sheng Lin	2017/11/16	Securities and Futures Institute			Advanced Practices of Directors and Supervisors Seminar: Precautions against corporate financial crises and crisis type analysis. 3.0
Independent Director	Heng-yih Liu	2017/05/18	Taiwan Corporate Governance association			Group Company Governance 3.0
Independent Director	Heng-yih Liu	2017/08/10	Taiwan Corporate Governance association			In response to China's 13th five-year plan, concerns about Taiwanese business opportunities and relevant tax risk. 3.0
Independent Director	Heng-yih Liu	2017/10/27	Vision International Management Consulting			CSR implementation and creation of well-being of interested people 3.0
Independent Director	Vincent Lin	2017/11/24	Taiwan Corporate Governance association			Viewing the effectiveness of the Board's function from the perspective of director. 3.0
Independent Director	Vincent Lin	2017/12/06	Securities and Futures Institute			Advanced Practices of Directors and Supervisors Seminar - Corporate Strategy and Key Performance Indicators 3.0
Accounting Supervisor	Lily Chiang	2017/11/27-28	Accounting Research and Development Foundation			Continuous advanced education of principal accounting officers of Issuers, Securities firms, and Securities Exchanges 12.0
Internal Audit Supervisor	Hsin-Yi Tsai	2017/03/07	Accounting Research and Development Foundation			An Analysis of the differences between Taiwan's newly issued "Enterprise Accounting Standards Communique" and the past financial accounting 6.0

Item to be assessed				Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
				Y	N	Abstract	
						standards communique	
Internal Audit Supervisor	Hsin-Yi Tsai	2017/04/12	The Institute of Internal Auditors – Chinese Taiwan			Talking about the internal control of business management based on the new operation system of ISO	6.0

h. Risk management policy and levels of implementation of risk assessment standards: The Company set up a "Risk Management Committee" on Jun. 30, 2015 which reports directly to the Audit Committee and reports in the board meeting every quarter. The risk is divided into three levels to develop a response plan or an immediate action plan by the comprehensive risk figure (Severity x Occurrence frequency x Uncontrollable degree). Risk management issues are divided into four major categories: strategy, operation, finance and hazard. The head leader of relevant division/department is responsible for being executive committee of each category. The operation of the Risk Management Committee is as follows:

Chairman	1. Identify and approve priorities for each risk
	2. Supervise the improvement of risk management operations
General Director	1. Coordinate and promote risk management activities
	2. Conduct cross-departmental risk communication sessions
	3. Ensure adequate communication and coordination between the Chair and the Executive Committee
	4. Arrange the Executive Committee to report regularly to the Chair
	5. Report to the Audit Committee and the Board of Directors
Executive Committee	1. Identify and assess risk
	2. Develop a risk response program
	3. Perform a risk control plan
	4. Identify the effectiveness of the risk control program
	5. Report to the Chairman of the Risk Management Committee

In year 2017, the Risk Management Committee assessed 15 risk subjects, including: tracking of health status of senior supervisors, risks of technology cooperation with Valeo Print, rapid invasion of low price automotive boards by Chinese-based suppliers, rising price and shortage of raw material, internal risk of information security, and fluctuation in exchange rate, corporate environmental protection

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes						
	Y	N	Abstract							
<p>credit evaluation, firefighting facilities, drainage reduction that limits production, VOC emissions reduction that limits production, heavy metal exceeding the standard that brings legal responsibility to the person in charge of the company, shortage of waste disposal sites, heavy metal copper emission standard tighten up, real-time connection setting of discharged water quality has no illegal window period, large-scale labor inspections, etc. The person in charge respond immediately with solutions, and reported in the board meeting after being audited by the auditors, and keep track of the follow-up. At the same time, the committee made a link map of risks to understand the relevance of risks and make decisions more comprehensive and effective. In addition, all these risk reports shall reach the chairman according to the significance level defined by the committee.</p>										
<p>i. Levels of implementation of customer policies: the company designates sales and customer service to be in charge, maintain close contact on a daily basis, construe a fair communication channel with customers and satisfy their needs. Senior management will visit routinely to understand the customer's long-term needs, which will serve as the basis for the company's long-term strategy. The company will conduct customer satisfaction survey on an annual basis to understand levels of implementation and ways to improve.</p>										
<p>j. The Company has already purchased liability insurance for its directors. The most recent insured period is from 00:00 March 1, 2018 to 00:00 March 1, 2019. The insured amount is USD \$ 3,000,000. The insurance coverage covers the company's liability for employment, pollution-related defense costs, and crisis management accidents. It was reported to the board of directors on April 27, 2018.</p>										
<p>9. Give explanation of the improvement results according to the corporate governance assessment that issued by the Corporate Governance Center of the Taiwan Stock Exchange Co., Ltd in the most recent year. Put forward the priority issues and measures for those who have not yet improved. (Companies who are not included in the assessment do not need to fill up)</p> <p>In the fourth corporate governance evaluation of year 2017, the company scored 101.49, ranking the top 5%. Three unscored items:</p> <table border="1"> <tr> <td>3.4</td> <td>Is the company's Chairman and President (executive director) not served by the same person or his/her spouse?</td> </tr> <tr> <td>3.32</td> <td>Do members of the company's board of directors include at least one female director?</td> </tr> <tr> <td>4.21</td> <td>Does the company website or MOPS disclose the interim financial report (including financial statements and notes) in English?</td> </tr> </table>					3.4	Is the company's Chairman and President (executive director) not served by the same person or his/her spouse?	3.32	Do members of the company's board of directors include at least one female director?	4.21	Does the company website or MOPS disclose the interim financial report (including financial statements and notes) in English?
3.4	Is the company's Chairman and President (executive director) not served by the same person or his/her spouse?									
3.32	Do members of the company's board of directors include at least one female director?									
4.21	Does the company website or MOPS disclose the interim financial report (including financial statements and notes) in English?									

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	Y	N	Abstract	
Three non-scoring items:				
3.35	Does any of the company's director's genders reach more than one-third of board seats?			
4.8	Whether the company voluntarily announced the four-quarter financial forecast report and the relevant operations which have not been corrected by the authorities and the stock exchange or been recorded demerit by Taipei Exchange?			
5.5	Does the company sign a group agreement with the union according to the Collective Agreement Act?			
<p>In year 2018, the board of directors of the company will be fully re-elected and there will be one female independent director. The number of independent directors will exceed one half. The rest are still under development. In addition, the eight new assessment indicators of the fifth session have been provided with corresponding practices and data.</p>				

(E) Implementation of Corporate Social Responsibility

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
<p>1. Implementation of corporate governance</p> <p>a. Has the company established a corporate social responsibility policy or system, and assessed the effectiveness of implementations?</p>	V		<p>a. The Company established the “Corporate Social Responsibility Committee” as the corporate governance unit in year 2013. The chairman and the president assume the chairmanship and formulate the direction and strategy of CSR; the highest executives of each department serve as members, plan and respond to the following five major issues of CSR for all departments according to their functions - economy, environment, society, supply chain management, integrity and compliance; and then the CSR Office shall set up the KPI with each department respectively after approved by the Chairman. Promote the achievement of goals, review on a monthly basis, report in the board of directors every quarter and accept the supervision of the board of directors.</p> <p>For the corporate social responsibility governance structure of the company, please refer to the organizational structure of corporate governance in this annual report, the Company’s CSR Repot and the CSR Committee organization chart in the website.</p> <p>The company’s “CSR Committee” is responsible for the following:</p>	None

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			<p>(1) Set up corporate social responsibility policies, systems and management guidelines.</p> <p>(2) Dialogue with interested parties and collect concerns of stakeholders.</p> <p>(3) Draw up the goals and strategies of corporate social responsibility and sustainable business operations, and respond to the concerns of stakeholders.</p> <p>(4) Supervise, evaluate, review implementation and report to the board of directors.</p> <p>(5) Prepare corporate social responsibility report.</p> <p><b>CSR policies:</b></p> <p>(1) In terms of corporate governance: follow business ethics, international standards, and laws and regulations;</p> <p>(2) In terms of value creation: focus on employee enhancement and development, encourage innovation, create value;</p> <p>(3) In terms of balanced profit: strive to attain a balance between employee, shareholders, stakeholders, and company's long-term development;</p> <p>(4) In terms of environmental protection: less CO<sub>2</sub> emission, protect the natural environment, value Earth's resources, and enhance sustainability of resources;</p> <p>(5) In terms of social welfare: offer a safe and healthy working environment for employees, participate in volunteer service in the community, and undertake charity events for the society.</p> <p>Dynamic Electronics encourages employees to participate in community service. Through integrating employee's strengths, we will serve the people and give back to the</p>	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
<p>b. Has the company organized regular education and training for corporate social responsibility?</p> <p>c. Has the Company set up a specialized or part-time unit to promote the affairs of CSR? Does the Board of Directors authorize higher-level management to handle it and have pertinent reports been made to the Board?</p>			<p>community!</p> <p>b. In addition to having external professional agency conduct CSR education training for the Company's senior to middle-level supervisors annually, the company also holds annual CSR promotion educational activities to enhance employees' recognition and participation in corporate social responsibility.</p> <p>c. The Corporate Social Responsibility Committee has been established with approval from the company's board of directors, with the Chairman and President presiding as the committee's chairmen. 【CSR office】 is established under the chairmen with the responsibility for implementing CSR related matters. Committee members include the chief supervisors of the 8 divisions and 2 departments, subsuming the five major issues of corporate social responsibility - economy, environment, society, supply chain management, integrity and law and regulation compliance, and confirming the relevant responsibilities of various departments. At the end of every year, the committee will examine the year's performance and take into consideration those topics of concern from stakeholders. The committee will also project the coming year's strategic orientation. The</p>	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
d. Has the Company set a reasonable salary compensation policies and staff performance appraisal system and corporate social responsibility policy measures, and has it established a clear and effective system of rewards and discipline?			<p>implementation progress and tracked performance will be reported to the board of directors afterwards.</p> <p>d. Article 26 of Corporate Charter specifies that if there is profit made in the year, 10% to 18% of the profit shall be allocated as employees compensation, and the board of directors shall decide to grant it by shares or cash, and the objects to be paid must be an employee of the company or its subsidiary who meets certain conditions. The company's remuneration policy also states that employees' remuneration includes the company's operating performance bonuses and the bonus is calculated according to the company's operating performance achievement and the individual's performance during the year.</p> <p>The company has established position-level management methods, establishes a system of payroll systems through a reasonable position-level system, and serves as a basis for wages and benefits, so that the payroll system is fair and enables employees to recognize the value of the company.</p> <p>When performance appraisal is conducted, the company gives an objective and fair assessment in accordance with the procedures and the actual work in order to achieve an incentive effect, and serves as a basis for</p>	

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			promotion, salary adjustment and transfer. In the work policy, there is a clear incentive and disciplinary system.	
<p>2. Developing a sustainable environment</p> <p>a. Does the company strive to enhance the utility rate of every resource, and use renewable materials that pose less impact on the environment?</p> <p>b. Has the company established a suitable environmental management system by referencing its industry's characteristics?</p>	Y		<p>a. Through the operation of the QC080000 Hazardous Substance Process Management System, the company ensures that products are free of harmful substances which regulated by international law or restricted by customers in order to reduce the impact of products on the environment; and it is committed to improving the utilization efficiency of various resources. Keep on improving the process through R&amp;D, purchasing, manufacturing, quality assurance and all staff's input from the perspective of life cycle, introducing green materials to manufacturing process and producing the products that meet customer expectations; improve the reuse of waste through the detailed classification of scrap at terminal end; respond to Taoyuan City Government green procurement plan, preferentially purchase low-pollution products with eco-labels for office supplies.</p> <p>b. The Company has established ISO14001 environmental management system by referencing its industry characteristic. With the</p>	None

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c. Has the company paid attention to the impacts of weather changes on its operational activities, in addition, has it carried out checks on greenhouse gases, implemented strategies to lower of CO2 emissions and greenhouse gases?			<p>system's operations primed for continuous improvement, the positive environmental performance continues to be enhanced. The Company will follow the revision schedule of ISO9000, IATF16949, QC080000, ISO45001 and ISO14001 to carry out the accordant revision.</p> <p>c. The Company promotes greenhouse emission checkup under ISO14064-1 international standard, and is using results from this checkup as the evidence in lowering greenhouse emissions in the future.</p> <p><u>Taoyuan plant</u> Total greenhouse gas emissions of the Taoyuan Plant for the whole year of year 2016 were 27,707 metric tons of CO2e, which was 3.11% lower than the 28,569 metric tons of CO2e in year 2015. The main reason is the gradual replacement of energy-consuming equipment, the implementation of water-saving power-saving devices and revenue reduction.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Direct emissions in tons CO<sub>2</sub>e</th> <th>Indirect emissions in tons CO<sub>2</sub>e</th> <th>Total</th> <th>Changes in comparison with the previous year %</th> </tr> </thead> <tbody> <tr> <td>2012</td> <td>607</td> <td>28,167</td> <td>28,774</td> <td>-4.4%</td> </tr> <tr> <td>2013</td> <td>922</td> <td>26,570</td> <td>27,492</td> <td>-4.5%</td> </tr> <tr> <td>2014</td> <td>725</td> <td>25,476</td> <td>26,201</td> <td>-4.7%</td> </tr> <tr> <td>2015</td> <td>808</td> <td>27,761</td> <td>28,569</td> <td>9.0%</td> </tr> <tr> <td>2016</td> <td>830</td> <td>26,876</td> <td>27,707</td> <td>-3.1%</td> </tr> </tbody> </table>	Year	Direct emissions in tons CO <sub>2</sub> e	Indirect emissions in tons CO <sub>2</sub> e	Total	Changes in comparison with the previous year %	2012	607	28,167	28,774	-4.4%	2013	922	26,570	27,492	-4.5%	2014	725	25,476	26,201	-4.7%	2015	808	27,761	28,569	9.0%	2016	830	26,876	27,707	-3.1%	
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			<p><u>Kunshan plant</u> The total greenhouse gas emissions of Kunshan Plant in the year of 2017 was 201,627 metric tons of CO<sub>2</sub>e due to the use of clean energy such as natural gas, it fell 1.98% compared with year 2016, showing the determination to care for the Earth and be environment friendly.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Direct emissions in tons CO<sub>2</sub>e</th> <th>Indirect emissions in tons CO<sub>2</sub>e</th> <th>Total</th> <th>Changes in comparison with the previous year %</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>6,102</td> <td>190,784</td> <td>196,886</td> <td>-</td> </tr> <tr> <td>2015</td> <td>6,527</td> <td>198,525</td> <td>205,052</td> <td>4.1%</td> </tr> <tr> <td>2016</td> <td>6,716</td> <td>198,906</td> <td>205,622</td> <td>0.28%</td> </tr> <tr> <td>2017</td> <td>5,629</td> <td>195,998</td> <td>201,627</td> <td>-1.98%</td> </tr> </tbody> </table> <p>Taoyuan plant has attained ISO50001 certification in Dec. 2014 and continuously carrying out energy conservation plan. The target set is to lower at least 1% of energy wastage annually. The use rate of electricity has decreased by 1.83% in year 2017. Energy conservation items in 2017/2018 as below:</p> <table border="1"> <thead> <tr> <th>Project</th> <th>Rectification period</th> <th>Content to be rectified</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>2017</td> <td>The replacement of the No. 2 machine in the ice water main system helped to reduce the power consumption of the ice water system by 1.03 million degrees per year.</td> </tr> <tr> <td>2</td> <td>2018</td> <td>Heavy oil boiler fuel was changed to natural gas, and it is expected that the replacement can be completed in September of 2018.</td> </tr> <tr> <td>3</td> <td>2018</td> <td>The air compressor will be completely</td> </tr> </tbody> </table>	Year	Direct emissions in tons CO <sub>2</sub> e	Indirect emissions in tons CO <sub>2</sub> e	Total	Changes in comparison with the previous year %	2014	6,102	190,784	196,886	-	2015	6,527	198,525	205,052	4.1%	2016	6,716	198,906	205,622	0.28%	2017	5,629	195,998	201,627	-1.98%	Project	Rectification period	Content to be rectified	1	2017	The replacement of the No. 2 machine in the ice water main system helped to reduce the power consumption of the ice water system by 1.03 million degrees per year.	2	2018	Heavy oil boiler fuel was changed to natural gas, and it is expected that the replacement can be completed in September of 2018.	3	2018	The air compressor will be completely	
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				frequency converter to control the pressure at any time. From January to December in year 2017 year, a total of 175,680 kwh of electricity was saved.	
			3	2018 Replacing screw air compressors by centrifuges and eliminating screw air compressors. It is expected to save 20,400,000 kwh of electricity annually.	
<p>3. Maintaining societal well-being</p> <p>a. Has the company set up management policy and procedures according to related laws and regulation and the International Human Rights Treaty?</p> <p>b. Has the company established employee grievance mechanism and channels, and handled these grievances appropriately?</p>	V		<p>a. Based on the Regulatory Compliance Management Procedures and the RBA Code of Conduct - Version 6.0, the company has established policies and procedures to protect human rights, committed to safeguarding the human rights of workers, and respecting them. The content includes: free choice of occupation, young labor, working hours, wages and benefits, humanitarian treatment, non-discrimination, freedom of association. Details are posted on the company website.</p> <p>b. In order to establish a fair and friendly work environment, in year 2013, The Company has set up a suggestion box for unfair treatment to facilitate staff to deal with personal rights or unfair treatment etc. at the workplace. Whenever a staff complaint is received, an HR supervisor will personally see the matter and maintain strict confidentiality on the individual's</p>	None	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
c. Has the company offered a safe and healthy work environment for its staff, and routinely implement safety and health education for its staff?			<p>identity.</p> <p>c. The Company's safe and healthy work environment is conducted by two plants as follows:</p> <p>1. Taoyuan Plant: The company implemented operation environment monitoring twice a year, implementation result and inspection plans are disclosed to the public. Improvement actions are taken according to the monitoring results; implementing equipment auto-check to ensure the safe operation of each equipment; the filter of drinking fountains is replaced monthly, water is sent to examine once every three months; cafeteria is sanitized periodically, sample meal sample is reserved for 48 hours; industrial safety unit would give safety and health education lessons, and have Chang Gung Memorial Hospital's occupational disease specialized doctor station the plant monthly to assist staff in returning to work, fitting them in a more appropriate duty under proper health condition, and carrying out health management plan; health education magazine is dispatched by the factory nurse every month; health promotion seminars are held quarterly. In addition, employee health examination and weight loss competition are done once a year. The result is analyzed and tracked by plant nurse.</p>	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
			<p>2. Kunshan Plant:</p> <p>(1) Conduct a workplace occupational hazard factor test every year and post the test results to the bulletin board. Employees working at the posts that involve occupational hazards are informed by written notice of hazard. Post occupational hazards notice card on the site. These employee take occupational health examination annually (Senior staff take in-post physical examination, and the new staff take pre-job examination). Physical examination results are informed in written notice.</p> <p>(2) To develop an inspection system for the hidden risks, make the inspection system impeccable through daily check, quarterly inspection, specific item check, checking on holidays, cross-check, etc. Having the contracted safety evaluation company come to conduct a safety assessment every three years; make timely improvement in the discovered troubles, thus to reduce the risks.</p> <p>(3) Set safety education standards and provide training for new employees with plant level, unit level, team level safety education and make assessment before they assume the post. Safety education propaganda is carried out in morning meeting and evening meeting once a month; each unit would be trained with safety</p>	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
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<p>d. Has the company installed a communications system for routine communication with employees, and alerts operational changes that may pose significant impacts on its employees in a fair manner?</p> <p>e. Has the company established an effective career developmental plan for its employees?</p> <p>f. Has the company established consumer rights protection policy and complaint-filing procedures in terms of R&amp;D, Purchasing, Production, Operations, and Consumer Support?</p>			<p>education and be evaluated once a year.</p> <p>d. The company holds monthly operation meetings where employees can understand the operational changes that may have a significant impact on the company. At the same time, regular meetings of labor and capital, staff welfare committees, occupational health and safety committees, and industrial safety conferences are held every quarter to establish a regular communication mechanism.</p> <p>e. Current employees are able to achieve enhancement in professional knowledge and skills through internal or external training. For new employees and those that have just transferred to different roles, The Company offers expertise training or internship according to the nature of their work and needs. Through career-oriented learning development structure, all employees in each rank at The Company are able to attain appropriate development training. The Company provides aids for extended studies to assist employees to accumulate professional knowledge and enhance their managerial capacity.</p> <p>f. Throughout the product life cycle, customers' health and safety, and their consumer rights, are all our major concerns. In addition, the company has a specific department for</p>	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
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<p>g. For the marketing and labels on products and services, does the company comply with related laws, regulations, and international standards?</p> <p>h. Prior to conducting business with suppliers, has the company evaluated whether these suppliers hold any past records of impacts on the environment and the society?</p>			<p>customer service and develops an SOP for customer issues handling. The Company provides a transparent and effective mechanism of customer complaints, and give customers the most efficient service.</p> <p>g. After we turn customers' design and specifications into a printed circuit board, we will proactively offer the raw material code, ingredients of the content, safety code, subsequent handling for the printed circuit boards and their impacts on the environment and society when the product is ready to be delivered, according to The Company's finished product quality control procedures. The Company will provide labels on the shipment boxes for customers to easily identify, and will customize according to client needs. All 100% of The Company's products are labeled according to finished products control procedures or according to client needs.</p> <p>h. The Company promotes "green purchasing" and requires the production of raw materials to provide a third-party, objective assessment report and SDS and sign a warranty that certifies products do not contain ingredients hazardous to the environment, starting from when the raw materials are being assessed by our R&amp;D department. The warranty will promise strict compliance with environmental protection</p>	

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
i. Does the company's contract with its primary supplier contain any immediate termination clause for when the supplier violates corporate social responsibility and poses significant impacts to the environment and the society?			and laws pertaining to non-toxic materials, standards and laws both locally and internationally such as RoHS and REACH, and effectively control raw material and production, guarantee that the products it provides does not contain hazardous or materials that do not comply with standards.  i. As for the supply chain partners who are unable to provide third-party objective assessment report and promise that its products do not contain internationally-banned materials that are toxic to the environment, and have not signed the "products do not contain materials detrimental to the environment" warranty, The Company will consider the adjustment to purchasing method. For instance, the termination of partnership, and to look for alternative vendors that can comply with these needs. If the material from this vendor is difficult to replace, we will facilitate and guide to prevent and decrease the possible negative impacts on the environment, in order to maintain the effective operations of our supply chain.	
4. Strengthen information disclosure a. On the company's website and MOPS, has the company disclosed information pertaining to corporate social responsibility, which is related to the company's relevance and reliability?	V		a. The significant and reliable corporate social responsibility related information is disclosed in the "CSR" zone of the Company's website and in the "Corporate Governance"zone of MOPS.	None
5. If the company has established its corporate social responsibility policy according to the listed company socially responsible code of				

Item to be assessed	Operational status (note 1)			Deviations from the code of practice of CSR for listed companies
	Y	N	Abstract (note 2)	
practice, please elaborate on deviations of its operations from the established policy: none.				
<p>6. Other important information to understand the operations of corporate social responsibility:  The Company has set 【Corporate Social Responsibility Committee】 and 【CSR Office】 to promote the activities of corporate social responsibility. Bringing issues of economy, environment and society into the company's business strategy and running them on the system, in the meantime to report the information in the Board of Directors. In addition, an annual CSR Report is published every year, which can be a review on the effectiveness of CSR execution and a communication bridge with the stakeholders. The company has set "public welfare donations measures", every month a certain amount of funds would be drawn and used for caring for education, charity, environmental protection, academic research, culture etc. aspects.</p>				
<p>7. It should be stated if Corporate CSR Report is subject to verification standards by the relevant certification body:</p> <p>The fourth “Corporate Social Responsibility Report” published by the Company in year 2017 is based on an integrated reporting framework to provide a more comprehensive, integrated, consistent, and efficient communication platform for all interested stakeholders.</p> <p>For this CSR report prepared based on International IR Framework and GRI G4 Core, we entrusted Ernst &amp; Young, an independent and reliable certification body, to conduct limited assurance as required by the Assurance Cases of Non-Historical Financial Data Inspection or Review of Statement of Assurance No.1. After that, it conducted full communication with the governance unit for the related results. As for the assurance scope and conclusion, please refer to the Assurance Report of Independent Auditors in the Appendices Section.</p>				

Note 1: whether "yes" or "no" is ticked in Operational Status, The Company should elaborate on its answers in Abstract.

Note 2: For companies that have already prepared a corporate social responsibility report, they are able to replace explanations in abstract with "please see the corporate social responsibility report" and provide page numbers.

(F) Implementation of Ethical Business Operations

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
<p>1. Establish ethical operational policy and program</p> <p>a. Has the company clearly shown its ethical operational policy and methods in its regulations and external documents, in addition, have the board of directors and management level proactively implemented the promise of ethical business operations?</p> <p>b. Has the company established preventative programs for unethical behavior, and clearly shown</p>	V		<p>a. The company's corporate culture: integrity, responsibility and learning are well shown in the primary documents that the company issues internally and externally. The Company refers to the listed company's Code of Integrity Practice, and established the "Integrity Code of Practice" of the Company and disclosed it on the company's website. The Board of Directors and all management personnel have actively implemented the operational policies.</p> <p>b. To encourage employees and vendors and suppliers to voluntarily provide information pertaining to corruption, The company has set a "Reward Operating Measures of Reporting", and set up CEO email (<a href="mailto:ceo@dynamicpcb.com">ceo@dynamicpcb.com</a>) which is devoted to handling reporting on The Company's staff or vendors/suppliers' illegal activities from all sources. Every email will be personally read by the Chairman, and if the suspected crime is significant, it will be verified by the Legal Office. If proven to be true, the suspect will be handed over to police and prosecutors.</p>	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
c. Has the Company adhered to Article 7, Paragraph 2 of the "Code of Integrity Management for Publicly Traded Companies," and other pertinent sections, adopting preventative measures applying to acts of bad faith and higher risk business activities?			<p>The whistleblower will receive definite rewards. To increase reporting access in year 2016, new exclusive mobile lines were added in both Taoyuan plant and Kunshan plant, and all the suppliers were informed; meanwhile, adding the integrity provisions that are added to all external documents, and send an e-mail to notify the corresponding company employees. Manager of Legal Office is responsible to receive calls and messages. All reported information will be reported to the chairman for further investigation. The investigation results will be handled according to the above measures.</p> <p>c. Prior to conducting business, The Company always takes the licensors, suppliers, clients, or other business partners' legality and whether they have committed any unethical conducts into consideration, to avoid trading with unethical individuals. Moreover, The Company signs contracts with trading partners, in which compliance to ethical business policy is included. Should a trading partner exhibit unethical behavior, The Company can terminate the contract immediately.</p>	
2. Implementation of ethical business operations	V			None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
<p>a. Has the company assessed the integrity records of its business partners, and specified ethical business policy in contracts with its trading partners?</p> <p>b. Has the company established a unit devoted (or partly devoted) to promoting corporate ethical business that is directly under the board of directors, and routinely reports its implementations to the board?</p> <p>c. Has the company set up policies to prevent conflict of interest, offer and implement appropriate reporting channels?</p> <p>d. To implement ethical business policy, has the company established an effective accounting system and internal control system, and routinely asks the internal auditing unit to verify or entrusts</p>			<p>a. The Company always assesses the integrity records of its trading partners and clearly specifies ethical business policy in contracts signed. The Company always signs quality assurance contract, purchasing commitment, honesty commitment, and warranty for prohibiting the usage of toxic matters etc. with its trading partners.</p> <p>b. To strengthen the management of ethical business operations, the 【Legal Office】 , directly under the Board of Directors, is responsible for setting up and supervising the execution of the ethical business policy and preventative measures. Additionally, it reports to the Board quarterly.</p> <p>c. The Company has set up policies to prevent conflict of interest, and offers appropriate channels for the directors, managers, and other stakeholders, or stakeholders within the board of directors, to proactively explain whether or not he/she poses potential conflict of interest with The Company and avoid getting involved in it.</p> <p>d. The Company has established an effective accounting system, internal control system, and they are routinely reviewed by our internal auditing unit.</p>	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
<p>accountant to verify?</p> <p>e. Does the company host routine internal and external ethical business operations training?</p>			<p>e. All new employees of the company are required to receive internal integrity education training. The relevant personnel are also scheduled to participate in external training related to integrity-related courses.</p>	
<p>3. Operations of the company's reporting system</p> <p>a. Has the company established a material reporting and rewarding system, set up a convenient reporting channel, and designates appropriate personnel to be in charge of investigating the case, depending on the identity of the person being reported?</p>	V		<p>a. The Company amended the "Rewards Operation of Violation Reporting" on May 12<sup>th</sup> 2016 and disclosed on the Company's website, which specifies material reporting channel, reward system, and personnel in charge of accepting the case, as follows:</p> <p>(1) Reporting channel</p> <p>(a) CEO mailbox (<a href="mailto:ceo@dynamicpcb.com">ceo@dynamicpcb.com</a>)</p> <p>(b) Send email to unfair treatment mailbox or mailbox of other supervisors</p> <p>(2) Reward system</p> <p>(a) Reward will be given out after the case has been closed and the amount has been quantified.</p> <p>(b) Real-name whistleblower reports with evidence will be rewarded 50% of the restored amount, but no more than NT\$ 10 million.</p> <p>(c) Real-name whistleblower reports without evidence will be rewarded 25% of the</p>	None

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
b. Has the company set up SOP for accepting and investigating reporting cases and confidentiality structure?			<p>restored amount, but no more than NT\$ 5 million.</p> <p>(d) With permission from the Chairman, the monetary reward for reporting personnel who offer extra significant service can exceed the above limit.</p> <p>(3) Personnel in charge of accepting the case After confirmation from the Chairman, the Legal office will set up a project team to investigate.</p> <p>b. Handling procedures and relevant confidentiality structure</p> <p>(1) Handling procedures</p> <p>(a) Relevant plant, division and department, will collaborate with the Legal office in investigations.</p> <p>(b) After investigations, Legal office will remit a signed report to the Chairman to handle subsequent results, and hand out rewards accordingly. If the results pose violations to the law, the case will be handed over to the law enforcement.</p> <p>(c) Time constraint: normal cases should take two weeks, and complex cases will take four weeks. Whether the case is complex is up to the Chairman's discretion when the project team is formed in Legal office.</p>	

Item to be assessed	Operational status (note 1)			Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)	Abstract	
c. Has the company set up protection for the reporting individual to prevent the person being subjected to inappropriate measures from reporting on the case?			<p>(2) Relevant confidentiality structure Maintain strict confidentiality to the case and the reporter (whistleblower) while handling the case.</p> <p>c. According to Article 21 of Integrity Management Code and Article 28-2 of Corporate Governance Code of Practice, the Company has set the “Whistleblower Channel and Protection Regulation Operating Procedure”, conforming to the approval of the board on Oct. 30, 2015, to set the whistleblower channel, encourage the whistleblower to report on crimes, and protect the whistleblower from being treated inimically by reporting on violations. The procedure book is disclosed on the Company’s website.</p>	
<p>4. Enhance information disclosure</p> <p>a. Has the company disclosed the contents and effectiveness of implementing its ethical corporate policy on its website and MOPS?</p>	V		<p>a. Both the Company's website and the MOPS contain information disclosure pertaining to the content of The Company's “Integrity Management Code”. The promotion results are detailed in the “Ethics and Integrity” under the chapter “Economic Performance and Corporate Governance” of the CSR Report. In 2017, the CEO Mailbox received a complaint on Aug.13, commenting on the</p>	None

Item to be assessed	Operational status (note 1)		Abstract	Deviations from the corporate governance code of practice of listed companies and causes
	(Y)	(N)		
			individual's entry process and did not interfere with morality or integrity.	
5. If the company has set Code of Ethical Business Conduct according to the Code of Practice for Listed Companies, please elaborate on the deviations of its operations from the policy: none.				
6. Other important information to understanding the operations of the company's ethical business operations (for instance, if the company has made revisions to its previously established ethical business policy etc.): none.				

Note 1: Whether "Yes" or "No" is ticked in the Operational status, the company should elaborate on its answer in Abstract.

- (G) For details on The Company's Corporate Governance Code of Practice and other relevant policies, please see:
1. MOPS/Company Code of Practice section  
[http://mops.twse.com.tw/mops/web/t100sb04\\_1](http://mops.twse.com.tw/mops/web/t100sb04_1)
  2. Dynamic website/Corporate Governance Special Zone  
<http://www.dynamicpcb.com/en/investment/rule.html>
- (H) Other important information that can strengthen the understanding of the operations of the company's corporate governance: In the past two years, Dynamic had actively enhanced corporate governance performance to connect with international trends by the full support and guidance of the Board of Directors. The result of the fourth corporate governance assessment has given the company the final assessment score of 101.49, ranking the top 5%. The unreached items will be continuously improved, hoping to strengthen the ability of sustainable development while reducing operational risk, and earn the credit from the investors.
- (I) The follows should be disclosed concerning the conditions of carrying out the internal control system:
1. Internal control statement: please see page 136 of this manual.
  2. Those who entrust accountants to verify internal control system, should disclose the accountants' evaluation report: none.
- (J) From the most recent year up until the date stated on this report, explain the conditions in which the company and its personnel have been punished by law, the company has punished its personnel for breaching internal control system, and primary failures and revisions:
1. On February 7, 2018, a copy of written verdict from Taoyuan City Government was received, specifying one employee's working time exceeding the legal limit for the month, which violated Article 32, Section 2 of the Labor Standards Law and imposed a fine of NT\$100,000. The reason for this is a departed former employee handing over works to this employee, and the time to adapt to new transferred assignments exceeded the regulated limit. After the handover period, the situation has been improved.
  2. On March 1, 2018, a copy of written verdict from Environmental Protection Bureau of Taoyuan City was received, because the pipeline configuration of on-site facilities was inconsistent with the issued operation license plan, which violated Article 14 (1) of the Water Pollution Prevention Act and was fined NTD168,000.  
Reasons:
    - (1) In November of year 2017, the piping between the neutralization tank and the biological tank (the operating permit was approved as 6 inches) burst, three times of shutdown for piping all ended up bursting again due to lack of downtime. Therefore, a temporary increase of 6 inch-pipe was used to relieve the water pressure. , And plans to prepare for future emergency response pipeline.
    - (2) It is planned to propose facility changes in the production line to the EPA in January 2018.

(3) The Environmental Protection Agency came to the factory on December 5, 2017 to inspect and found that the back-end wastewater line of the neutralization tank was provided with a branch line to guide the BAF biological oxidation tank, the flow was inconsistent with the schematic layout shown in the water pollution prevention license owned by the Taoyuan Plant - "Wastewater generation and the flow direction control measure for water pollution prevention". The factory was notified to be fined for violating Article 14 - 1 of the Water Pollution Prevention and Control Act.

Follow-up response:

At the end of February of 2018, the additional branch was removed and a change application was submitted. The branch line will be re-installed according to the result of application.

(K) Important decisions from the shareholder's meeting and the Board of Directors, from the most recent year to the date on the Annual Report

Board of Directors / Shareholders meeting	Date of Board of Directors / Shareholders meeting	Important Resolutions
Board of Directors	First BoD meeting in year 2017 2017/02/23	1. Passed annual financial statements and consolidated financial statements of year 2016.
		2. Passed the deficit compensation of year 2016.
		3. Passed the budget plan of year 2017.
		4. Passed the application for conglomerate financing amount of bank.
		5. Passed the endorsement of conglomerate financing amount.
		6. Passed the joint credit case that organized by the commissioned bank, E. Sun Commercial Bank, to respond accordingly to the Group's mid-term fund use.
		7. Passed adding "Operating Procedures of Loaning Others" to the subsidiary WINTEK (MAURITIUS) CO., LTD.
		8. Passed the application for the subsidiary WINTEK (MAURITIUS) CO., LTD making loans to the mainland business Dynamic Electronics (Huangshi) Co. Ltd. considering a more flexible use of Group's long-term fund.
		9. Passed issuing the Statement of Internal Control System.
		10. Passed the revision of the Company's Acquisition or Disposal of Asset Processing Procedures.
		11. Passed the annual business report of year 2016.
		12. Passed the year 2016 annual performance evaluation result of the Board and its members.
		13. Passed convening year 2017 shareholders meeting and accepting the shareholders proposal.
		14. Passed the actual remuneration situation of directors and managers' remuneration of year 2016.
		15. Passed the year 2016 annual Directors' compensation plan and employee compensation plan.

Board of Directors / Shareholders meeting	Date of Board of Directors / Shareholders meeting	Important Resolutions
		16. Passed executive managers' actual performance appraisal of year 2016.
Board of Directors	Second BoD meeting in year 2017 2017/04/25	1. Passed the consolidated financial statement of first quarter of year 2017. 2. Passed notional amount of derivative financial product transactions with the bank. 3. Passed the application for conglomerate financing amount of bank. 4. Passed the endorsement of conglomerate financing amount.
Board of Directors	Third BoD meeting of the year 2017 2017/05/26	1. Passed the increase of China investment case. 2. Passing adding "Procedures for Funds Lending and Other Parties "of subsidiary Dynamic Electronics Co., Ltd. (Seychelles) 3. Passing funds lending to the parent company of the Group by its subsidiary, Dynamic Electronics Co., Ltd. (Seychelles).
Board of Directors	Fourth BoD meeting of year 2017 2017/07/25	1. Passed the consolidated financial statement of the second quarter of year 2017. 2. Passed the application for conglomerate financing amount of bank. 3. Passed the case of the Company's wholly-owned re-invested business, "Dynamic Electronics (Huangshi) Co., Ltd." proposing to borrow RMB7,700 from Company's wholly-owned re-invested business, "Dynamic Electronics (Kunshan) Co., Ltd."
Board of Directors	Fifth BoD meeting of year 2017 2017/10/26	1. Passed the consolidated financial statement of the third quarter of year 2017. 2. Passed the quota application for the company's interim mortgage banking. 3. Passed the application for conglomerate financing amount of bank. 4. Passed the endorsement of conglomerate financing amount. 5. Passed the Group Company Personnel Case 6. Passed the salary and benefit review case of newly-appointed senior supervisor. 7. Passed the salary and allowance case of Dynamic X Committee of year 2017 Manager.
Board of Directors	Sixth BoD meeting of year 2017 2017/12/29	1. Passed the audit plan in 2018. 2. Passed the independence assessment of the Company's accountants. 3. Passed the amendment to the budget plan of year 2017. 4. Passed the annual business plan of year 2018. 5. Passed the application for conglomerate financing amount of bank. 6. Passed the Company lending funds to the China business, Dynamic Electronics (Huangshi) Co., Ltd. 7. Passed processing cash reduction case of the subsidiary company Dynamic Electronics Co., Ltd. (Seychelles) 8. Passed the retirement salary benefits case of senior supervisors. 9. Passed the salary and benefit review case of senior supervisors. 10. Passed the implementation plan of payroll and compensation auditing of year 2018. 11. Passed the auditing of executive managers performance appraisal indicators of year 2018.

Board of Directors / Shareholders meeting	Date of Board of Directors / Shareholders meeting	Important Resolutions
		12. Passed the remuneration committee work plan of year 2018.
Board of Directors	First BoD meeting of year 2018 2018/02/26	1. Passed annual financial statements and consolidated financial statements of year 2017.
		2. Passed the deficit compensation of year 2017.
		3. Passed the budget plan of year 2018.
		4. Passed the application for conglomerate financing amount of bank.
		5. Passed the endorsement of conglomerate financing amount.
		6. Passed the case of the subsidiary company WINTEK (MAURITIUS) CO., LTD., lending fund to China business Dynamic Electronics (Huangshi) Co., Ltd.
		7. Passed the case of China business Dynamic Electronics (Kunshan) Co., Ltd. lending fund to China business Dynamic Electronics (Huangshi) Co., Ltd.
		8. Passed the increase of China investment case.
		9. Passed issuing the Statement of Internal Control System.
		10. Passed the annual business report of year 2017.
		11. Passed the result of year 2017 the Board of Directors performance assessment.
		12. Passed the revision of Group successor plan.
		13. Passed the complete director re-election case.
		14. Passed the directors and independent director candidate nomination case.
		15. Passed the amendment to "Procedures for Lending Funds to Other Parties".
		16. Passed lifting non-compete of new-appointed director and the representative.
		17. Passed convening year 2018 shareholders meeting and accepting the shareholders proposal and nomination.
		18. Passed the amendment of "Rules and Procedures of the Board of Director Meeting".
		19. Passed the amendment of "Organizational Regulations of Audit Committee"
		20. Passed salary and benefits review of senior supervisors.
		21. Passed the actual remuneration situation of directors and managers' remuneration of year 2017.
		22. Passed the year 2017 annual Directors' compensation and employee compensation plan.
		23. Passed executive managers' actual performance appraisal of year 2017.

Board of Directors / Shareholder's meeting	Date of Board of Directors / Shareholder's meeting	Important Resolutions
Shareholder's meeting	Annual 2017/05/26	1. Recognizing annual business report, the individual financial statements and consolidated financial statements of year 2016. Implementation review: Confirm this business report and financial statements were recognized and approved by the shareholders meeting.
		2. Recognizing deficit compensation of year 2016. Implementation review: Deficit compensation was recognized, thus dividends of year 2016 was not granted.
		3. Passed the amendment to the "Acquisition or Disposal of Asset Processing Procedures". Implementation review: Proceeded according to the amendment content.

(L) From the most recent year to the date on the annual report, the director that holds different opinions from the Board's decision and has documented this opinion, the main content of this opinion is: From year 2017 to the date on the annual report, there was no different opinion held by the directors from the Board's decision.

(M) From the most recent year to the date on the annual report, a summary of the resignation and dismissal of company personnel: none.

Note: The Company personnel refer to Chairman, Directors, President, Accounting Supervisor, Finance Supervisor, Internal Audit Supervisor, and R&D Supervisor etc.

E. Information Regarding the Company's Audit Fee and Independence

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young Taiwan	Ching-Piao Cheng	Mao-Yi Hung	2017/1/1~2017/12/31	-

Unit: NTD thousands

Fee range		Fee items	Audit Fee	Non-audit Fee	Total
1	Less than 2,000 thousand NTD			v	465
2	2,000 thousands (inclusive) ~ 4,000 thousand				
3	4,000 thousand (inclusive) ~ 6,000 thousand		v		5,550
4	6,000 thousand (inclusive) ~ 8,000 thousand				
5	8,000 thousand (inclusive) ~ 10,000 thousand				
6	Over 10,000 thousand (inclusive)				

Accounting firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System design	Industrial/commercial registration	Human resources	Others	Sum		
Ernst & Young Taiwan	Ching-Piao Cheng	5,550	0	40	0	425*	465	2017/1/1 ~ 2017/12/31	*Provide consulting services on integrated reporting framework introduction
	Mao-Yi Hung								

- (A) For companies whose non-audit shared expenses account for 1/4 or more of the audit shared expenses paid to CPA, audit firms of the CPA, or its affiliated firms, should disclose the amount of audit and non-audit shared expenses, and the service details of non-audit expenses: none.
- (B) Companies that have switched accounting firms and whose annual audit shared expenses are less than that of the previous year prior to the switch: none.
- (C) For companies whose audit shared expenses have decreased by 15% or more, the ratio of the decrease in audit shared expense and the reason should be disclosed: none.

F. Replacement of CPA: none.

G. Have any of the company's Chairman, President, or manager responsible for finance or accounting duties served in a CPA accounting firm or its affiliated company in the last year: none.

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

### (A) Changes in Shareholding of Directors, Managers and Major Shareholders

Unit: Shares

Title	Name	2017		As of Apr. 1, 2018	
		Increase/decrease in shares held	Increase/decrease in equity pledges	Increase/decrease in shares held	Increase/decrease in equity pledges
Chairman	Ken Huang	0	0	0	0
Director	Stoney Chiu	0	0	0	0
Corporate Director	CDIB Venture Capital Corp.	0	0	0	0
Representative of Corporate Director	James Yin	0	0	0	0
Corporate Director	Ming-Ji Investments Co., Ltd.	0	(1,000,000)	0	0
Representative of Corporate Director	Yuan-chuan Sun	0	0	0	0
Independent Director	Po-sheng Lin	0	0	0	0
Independent Director	Heng-yih Liu	0	0	0	0
Independent Director	Vincent Lin	0	0	0	0
CEO	Ken Huang	0	0	0	0
President	Stoney Chiu	0	0	0	0
VP	Don Chen (Dismissal day: 2018/01/01)	70,622	0	Not applicable	Not applicable
VP	Jack Hsu	35,245	0	0	0
VP	Allen Chou	84,521	0	(24,000)	0
VP	Johnson Yang	34,538	0	0	0
VP	Sabrina Teng	Not applicable	Not applicable	0	0
President of Taoyuan Plant	Joup Lao	Not applicable	Not applicable	0	0
Finance Supervisor	Lily Chiang	46,621	0	(20,000)	0
Accounting Supervisor	Lily Chiang	46,621	0	(20,000)	0
Internal Audit Supervisor	Hsin-Yi Tsai	6,387	0	0	0

### Information of Equity Pledges

Name	Reason of Change	Date of Change	Transaction counterpart	Relationship with companies, directors and shareholders holding more than 10% of shares	Shares (unit : share)	Share holding ratio	Pledge ratio	Borrowing (redemption) amount (unit : NTD thousands)
Ming-Ji Investments Co., Ltd.	Release	2017.04.11	China Trust	none	1,000,000	1.10%	32.44 %	18,000

(B) Shares Trading with Related Parties: none.

(C) Shares Pledge with Related Parties: none.

I. Information of the Relationship among the Top Ten Shareholders

As of Apr. 1, 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		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Hsiu-Ching Chen	17,543,476	6.24%	0	0.00%	0	0.00%	Ming-Ji Investments Co., Ltd.	Company Chairman is this individual	
Ken Huang	8,746,341	3.11%	191,810	0.07%	0	0.00%	Hong-Li Investment Co., Ltd.	Chairperson of this firm is the sister of the spouse of this individual	
Citibank (Taiwan) Commercial Bank is entrusted with custody of BoLuNing Emerging Market Fund Company's investment account	5,870,900	2.09%	0	0.00%	0	0.00%	-	-	
Hong-Li Investment Co., Ltd. Representative: Li-Rou Chan	5,100,964	1.81%	0	0.00%	0	0.00%	Ken Huang	Spouse is the sister of company chairperson	
	12,807	0.00%	0	0.00%	0	0.00%	Ken Huang	Is her brother-in-law	
Citibank (Taiwan) Commercial Bank is entrusted with the custody of the Norwegian Central Bank Investment Account	3,492,568	1.24%	0	0.00%	0	0.00%	-	-	
Citi bank is entrusted with Sub-Emerging Market - Evaluation Fund Investment Account	3,411,324	1.21%	0	0.00%	0	0.00%	-	-	
CDIB Venture Capital Corp. Representative: Shao-liang Liu	3,285,131	1.17%	0	0.00%	0	0.00%	-	-	
	0	0.00%	0	0.00%	0	0.00%	-	-	
Stoney Chiu	3,083,749	1.10%	0	0.00%	0	0.00%	-	-	
Ming-Ji Investments Co., Ltd. Representative: Hsiu-Ching Chen	3,082,633	1.10%	0	0.00%	0	0.00%	Hsiu-Ching Chen	Is the chairperson of the company	
	17,543,476	6.24%	0	0.00%	0	0.00%	Hsiu-Ching Chen	Is this individual	
Citi bank is entrusted with DFA emerging market - Core Securities Investment Account	3,001,583	1.07%	0	0.00%	0	0.00%	-	-	

J. Ownership of Shares in Affiliated Enterprises

Unit: shares; %

Affiliated Enterprises (Note 1)	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
WINTEK (MAURITIUS) CO., LTD.	8,350,000	100.00%	-	-	8,350,000	100.00%
Dynamic Electronics Europe GmbH (Note 2)	-	100.00%	-	-	-	100.00%
Dynamic PCB Electronics Co., Ltd.	50,000	100.00%	-	-	50,000	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	7,200,000	100.00%	-	-	7,200,000	100.00%
Dynamic Electronics Trading Pte. Ltd.	50,000	100.00%	-	-	50,000	100.00%
Dynamic Electronics Holding Pte. Ltd.	30,000,002	100.00%	-	-	30,000,002	100.00%
Dynamic Electronics (Kunshan) Co., Ltd.	-	100.00%	-	-	-	100.00%
Dynamic Electronics (Huangshi) Co., Ltd.	-	100.00%	-	-	-	100.00%

Note 1: The above refers to long-term investment made by The Company through utilizing the equity method.

Note 2: Dynamic Electronics Europe GmbH completed liquidation in January 2017.

## IV. Capital Overview

### A. Capital and Shares

#### (A) Source of equity

##### 1. Issued Shares

As of Mar. 29, 2016

Unit: NTD thousands; 1,000 shares

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash	Other
1988/08	1,000	12	12,000	12	12,000	Setup capital	-	
1996/11	1,000	28	28,000	28	28,000	Cash capital increase 16,000 thousand NTD	-	Note 1
1998/04	10	9,800	98,000	9,800	98,000	Cash capital increase 70,000 thousand NTD	-	Note 2
1998/12	10	13,800	138,000	13,800	138,000	Reinvested profit 40,000 thousand NTD	-	Note 3
2001/12	10	25,100	251,000	25,100	251,000	Reinvested profit 113,000 thousand NTD	-	Note 4
2002/04	10	42,000	420,000	42,000	420,000	Cash capital increase 40,000 thousand; reinvested profit 129,000 thousand NTD	-	Note 5
2003/09	10	80,000	800,000	56,000	560,000	Reinvested profit 126,000 thousand; reinvested employee dividend 14,000 thousand NTD	-	Note 6
2004/11	10	80,000	800,000	62,000	620,000	Reinvested profit 56,000 thousand; reinvested employee dividend 4,000 thousand NTD	-	Note 7
2004/12	10	80,000	800,000	65,000	650,000	Reinvested capital reserve 30,000 thousand NTD	-	Note 8
2005/02	10	80,000	800,000	80,000	800,000	Cash capital increase 150,000 thousand NTD	-	Note 9
2005/08	10	170,000	1,700,000	103,563	1,035,632	Reinvested profit 235,632 thousand NTD	-	Note 10
2005/11	10	170,000	1,700,000	121,163	1,211,632	Cash capital increase 176,000 thousand NTD	-	Note 11
2006/09	10	300,000	3,000,000	160,550	1,605,499	Reinvested profit 363,490 thousand; reinvested employee dividend 30,377 thousand NTD	-	Note 12
2006/10	10	300,000	3,000,000	177,425	1,774,249	Cash capital increase 168,750 thousand NTD	-	Note 13
2007/09	10	300,000	3,000,000	215,194	2,151,940	Reinvested profit 354,850 thousand; reinvested employee dividend 22,841 thousand NTD	-	Note 14
2008/10	10	300,000	3,000,000	238,468	2,384,678	Reinvested profit 215,194 thousand; reinvested employee dividend 17,543 thousand NTD	-	Note 15
2009/03	10	300,000	3,000,000	261,468	2,614,678	Cash capital increase 230,000 thousand NTD	-	Note 16
2010/02	10	300,000	3,000,000	262,402	2,624,023	Employee stock option certificate 9,345 thousand NTD	-	Note 17
2010/05	10	300,000	3,000,000	262,760	2,627,603	Employee stock option certificate 3,580 thousand NTD	-	Note 18

2010/08	10	300,000	3,000,000	262,775	2,627,753	Employee stock option certificate 150 thousand NTD	-	Note 19
2010/11	10	400,000	4,000,000	262,785	2,627,853	Employee stock option certificate 100 thousand NTD	-	Note 20
2011/8	10	400,000	4,000,000	286,436	2,864,360	Reinvested profit 236,507 thousand NTD	-	Note 21
2012/10	10	400,000	4,000,000	293,559	2,935,594	Reinvested profit 71,234 thousand NTD	-	Note 22
2013/07	10	400,000	4,000,000	287,559	2,875,594	Treasury shares decrease by 60,000 thousand NTD	-	Note 23
2013/12	10	400,000	4,000,000	286,059	2,860,594	Treasury shares decrease by 15,000 thousand NTD	-	Note 24
2015/11	10	400,000	4,000,000	281,059	2,810,594	Treasury shares decrease by 50,000 thousand NTD	-	Note 25

Note 1: 1996/11/13; approval document no. 85 Chien San Keng Tzu 710053.

Note 2: 1998/04/04; approval document no. 87 Chien San Yi Tzu 143958.

Note 3: 2001/12/02; approval document no. Ching 87 Shang 142895.

Note 4: 2001/12/14; approval document no. Ching (090) Shang 09001487720.

Note 5: 2002/04/29; approval document no. Ching Shou Shang Tzu 09101147450.

Note 6: 2003/09/04; approval document no. Ching Shou Shang Tzu 09201259500;

2003/07/09; approval document no. Tai Tsai Cheng Yi Tzu 0920130533.

Note 7: 2004/11/02; approval document no. Ching Shou Shang Tzu 09301206230 ;

2004/10/20; approval document no. Chin Kuan Cheng Yi Tzu 0930147189.

Note 8: 2004/12/08; approval document no. Ching Shou Shang Tzu 09301232510 ;

2004/10/20; approval document no. Chin Kuan Cheng Yi Tzu 0930147189.

Note 9: 2005/02/17; approval document no. Ching Shou Shang Tzu 09401024410 ;

2004/12/24; approval document no. Chin Kuan Cheng Yi Tzu 0930146065.

Note 10: 2005/08/24; approval document no. Ching Shou Shang Tzu 09401164480 ;

2005/06/28; approval document no. Chin Kuan Cheng Yi Tzu 0940125941.

Note 11: 2005/11/21; approval document no. Ching Shou Shang Tzu 09401233030 ;

2005/08/25; approval document no. Chin Kuan Cheng Yi Tzu 0940135458.

Note 12: 2006/09/25; approval document no. Ching Shou Shang Tzu 09501215550 ;

2006/07/21; approval document no. Chin Kuan Cheng Yi Tzu 0950131965.

Note 13: 2006/10/13; approval document no. Ching Shou Shang Tzu 09501231670 ;

2006/08/07; approval document no. Chin Kuan Cheng Yi Tzu 0950135357.

Note 14: 2007/09/26; approval document no. Ching Shou Shang Tzu 09601233900 ;

2007/07/30; approval document no. Chin Kuan Cheng Yi Tzu 0960040075.

Note 15: 2008/10/15; approval document no. Ching Shou Shang Tzu 09701262170 ;

2007/07/29; approval document no. Chin Kuan Cheng Yi Tzu 0970038054.

Note 16: 2009/03/30; approval document no. Ching Shou Shang Tzu 09801059010 ;

2008/11/18; approval document no. Chin Kuan Cheng Yi Tzu 0970059731.

Note 17: 2010/02/09; approval document no. Ching Shou Shang Tzu 09901029760.

Note 18: 2010/05/04; approval document no. Ching Shou Shang Tzu 09901089700.

Note 19: 2010/08/02; approval document no. Ching Shou Shang Tzu 09901174390.

Note 20: 2010/11/02; approval document no. Ching Shou Shang Tzu 09901245330.

Note 21: 2011/08/29; approval document no. Ching Shou Shang Tzu 10001199020.

Note 22: 2012/10/16; approval document no. Ching Shou Shang Tzu 10101211780.

Note 23: 2013/07/18; approval document no. Ching Shou Shang Tzu 10201122700.

Note 24: 2013/12/17; approval document no. Ching Shou Shang Tzu 10201255080.

Note 25: 2015/11/25; approval document no. Ching Shou Shang Tzu 10401247230.

## 2. Type of Stock

Type of Share	Authorized capital			Remarks
	Issued Shares	Un-issued shares	Total	
Common stock	281,059,335	118,940,665	400,000,000	-

## 3. Information for Shelf Registration: not applicable.

(B) Shareholder Structure

As of Apr. 1, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	0	4	88	24,828	67	24,987
Shareholding (shares)	0	3,097,693	12,492,407	227,077,884	38,391,351	281,059,335
Percentage	0.00%	1.10%	4.45%	80.79%	13.66%	100.00%

(C) Shareholding Distribution Status

As of Apr. 1, 2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	11,748	742,624	0.26%
1,000 ~ 5,000	7,673	18,616,208	6.62%
5,001 ~ 10,000	2,351	18,335,022	6.52%
10,001 ~ 15,000	914	11,291,712	4.02%
15,001 ~ 20,000	572	10,622,327	3.78%
20,001 ~ 30,000	526	13,319,899	4.74%
30,001 ~ 40,000	266	9,600,193	3.42%
40,001 ~ 50,000	187	8,711,147	3.10%
50,001 ~ 100,000	419	30,581,501	10.88%
100,001 ~ 200,000	190	26,591,848	9.46%
200,001 ~ 400,000	70	19,954,584	7.10%
400,001 ~ 600,000	28	13,878,212	4.94%
600,001 ~ 800,000	10	6,791,224	2.42%
800,001 ~ 1,000,000	6	5,533,446	1.97%
1,000,001 or above	27	86,489,388	30.77%
Total	24,987	281,059,335	100.00%

(D) List of Major Shareholders (Top 10 in shareholding ratio)

Name	Shareholding	Shares	Percentage
Hsiu-Ching Chen		17,543,476	6.24%
Ken Huang		8,746,341	3.11%
Citibank (Taiwan) Commercial Bank is entrusted with custody of BoLuNing Emerging Market Fund Company's investment account		5,870,900	2.09%
Hong-Li Investment Co., Ltd.		5,100,964	1.81%
Citibank (Taiwan) Commercial Bank is entrusted with the custody of the Norwegian Central Bank Investment Account		3,492,568	1.24%
Citi bank is entrusted with Sub-Emerging Market - Evaluation Fund Investment Account		3,411,324	1.21%
CDIB Venture Capital Corp.		3,285,131	1.17%
Stoney Chiu		3,083,749	1.10%
Ming-Ji Investments Co., Ltd.		3,082,633	1.10%
Citi bank is entrusted with DFA emerging market - Core Securities Investment Account		3,001,583	1.07%

(E) Fair market value, net worth, profit, dividend per share for the most recent two years and other relevant information

Item		Year			
		2016	2017	2018/1/1~2018/3/31 (note 8)	
Market price per share (note 1)	Highest	11.35	14.20	12.75	
	Lowest	8.13	8.68	9.51	
	Average	9.21	10.49	10.86	
Net worth per share (note 2)	Before allocation	15.21	14.97	Not applicable	
	After allocation	15.21	(note 9)	Not applicable	
Earnings per share	Weighted average shares (thousand shares)		281,059	281,059	281,059
	Earnings per share (note 3)	Diluted Earnings Per Share	0.04	0.03	Not applicable
		Adjusted Diluted Earnings Per Share	0.04	(Note 9)	Not applicable
Dividend per share	Cash dividend		-	-	-
	Stock dividend	From retained earnings	-	-	-
		From paid-in capital	-	-	-
	Accumulated undistributed dividends (note 4)		-	-	-
Return on investment analysis	Price-earnings ratio (note 5)		230.25	349.67	Not applicable
	Price-dividend ratio (note 6)		NA	NA	Not applicable
	Yield on cash dividend (note 7)		NA	NA	Not applicable

Note 1: Shows the highest and lowest market value of common stock in each year, and calculates the average market value for each year based on transaction value and quantity.

Note 2: Please fill this by using the shares already issued by year-end as a basis, and also by referencing the allocation that the shareholders meeting has decided on for the subsequent year.

Note 3: If there are any retroactive adjustment needed due to stock grants, Earnings per share before and after the adjustment should be listed.

Note 4: If there are any conditions in issuing equity securities that allow for unpaid out dividend for the year to be accumulated to subsequent years in which there is profit, the company should separately disclose the accumulated unpaid out dividend up to that year.

Note 5: Price-earnings ratio = average price per share for that year/Earnings per share.

Note 6: Price-dividend ratio = average price per share for that year/cash dividend per share.

Note 7: Yield on cash dividend = cash dividend per share/average price per share for that year.

Note 8: For net worth per share and net Earnings per share, data from the latest quarter that has been verified by an accountant up until the date on the annual report should be filled. For all other columns, a company should fill that year's data up until the date on the annual report.

Note 9: Compensation for losses in 2017 have not yet been approved by the 2018 shareholders meeting, hence they have not been entered in the table.

## (F) Dividend Policy and Implementation Status

### 1. Dividend policy

To counter fluctuations in the economy and to strengthen the company's financial structure, the Company utilizes balanced dividend policy, and the policy of dividend payout is the following:

- (1) Because the Company is in a growth phase, dividend policy is primarily concerned about the Company's various investment funding needs in the future, financial structure, and profit etc., in each year, the Board of Directors will draw up an allocation plan based on that year's profit, and carry out the plan after the shareholders have reached a decision.
- (2) In consideration of a balanced dividend policy, the Company will use investment needs and the level of dilution of profit in each share as basis, and pay out dividends in shares or cash accordingly, in which the pay out of cash dividend will use a limit of no less than 10% of the total dividend amount in that year. The dividend of divisible surplus ratio is zero to seventy-five percent.

## 2. Implementation Status

The Company's Board of Directors on Feb. 26, 2018 has decided to forward Deficit Compensation as follows to the shareholder's meeting in 2018:

Dynamic Electronics Co., Ltd.  
Statement of Deficit Compensated in 2017

Unit: NTD	
Item	Amount
Opening Undistributed Profit	\$(265,685,362)
Plus: Confirmed benefit plan re-measurement (2017)	4,580,114
Plus: Net Profit After Tax of Current Year	9,094,321
Close Loss Pending Compensation	\$(252,010,927)

## 3. Anticipated changes in dividend policy: none

(G) The impacts of issuing stock grants in this shareholder's meeting on the company's operational performance and dividend per share: we do not plan to issue stock grants in this shareholder's meeting.

## (H) Remuneration for Employees and Directors

1. Company regulation specified in the Article of Corporation on the number or range of remuneration for employees and directors:

If the Company has annual profit, 10 percent to 18 percent should be drawn for employees as the remuneration. The board will decide whether to grant the employees with stock or cash. The personnel who receive the remuneration include the employees of subsidiaries who meet certain qualifications. According to the above mentioned annual profit, the board will make a resolution of granting the directors no higher than 3 percent of the profit as the director remuneration. This distribution among the employees and directors should be reported in the shareholders' meeting.

But when there are accumulated losses, it should be reserved in advance to make up the amount, and then draw the mentioned proportion as the remuneration for the employees and directors.

2. In this period, when there is a difference between estimated column of employee and director's remuneration, basis for calculating shares for the purpose of paying out share dividends and actual payout figure, and the estimated column are different, what is the accounting procedure to handle this: This Company will not pay out employee and director's remuneration for the year of 2017, hence, there is no estimated columns.
3. Information on the Board of Directors passing the proposal to pay out employee and director's remuneration: The Board of Directors has passed that there will be no employee and director's remuneration payout for the year of 2017.
4. Actual allocations of employee and directors' remuneration in previous year: Did not pay out.

(I) Buyback of Treasury Stock: none.

B. Corporate bonds handling: none.

C. Preferred stock handling: none.

D. Global depository receipts handling: none.

E. Employee stock option and new restricted employee share rights handling: none.

F. Mergers or transferee to other companies and issuance of new shares: none.

G. Implementation on fund utilization planning: none.

## V. Operations Overview

### A. Business Content

#### (A) Scope of Business

##### 1. Primary business focus and its ratio to the overall business

Unit: NTD thousands

Major Products	Consolidated for 2017	
	Sales Amount	Sales Ratio
Double-layer PCB	2,113,255	18.15%
Multi-layer PCB	9,533,188	81.85%
Total	11,646,443	100.00%

2. Dynamic concentrates on PCB products including traditional rigid board, high density connected board, Rigid Flex board, substrate, high-end multilayer board, thick copper board, built-in copper high heat sinking board and high-frequency microwave board. Dynamic will continue developing in this area. However, in terms of product applications, it's planned to develop IoT 5G communication networks and high-end high-speed storage devices, ADAS, LiDAR and engine control modules, wearable devices, high-end mobile phones, wireless charging modules, dual-lens modules, ultra-high-resolution display modules, medical equipment, LED, 28GHz/39GHz communication high-frequency transceivers, electric vehicle charging piles, and EV automotive relays.

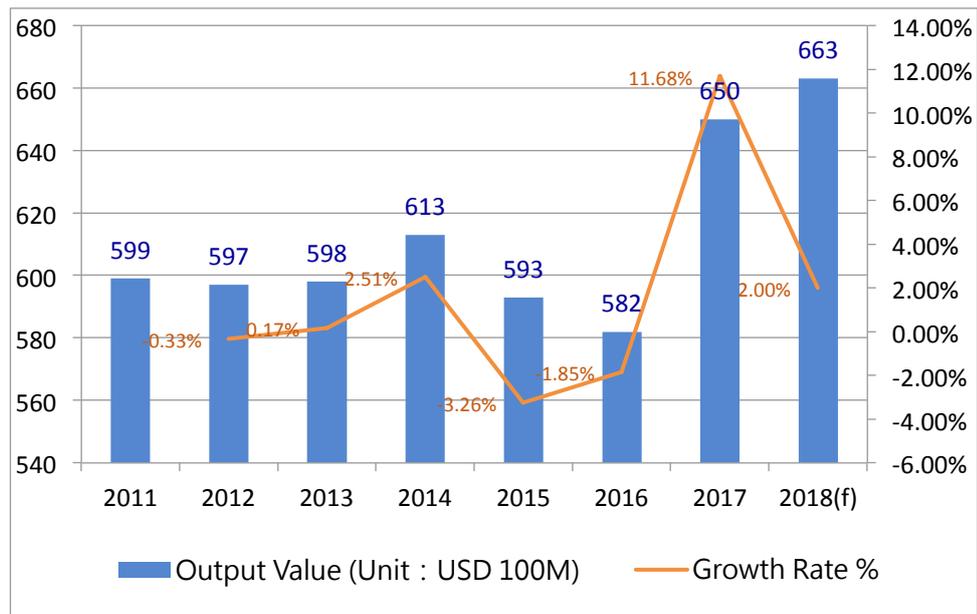
#### (B) Industry Overview

##### 1. The industry's current situation and development

PCB (Printed Circuit Board, abbreviated PCB) is the base board before electronic components are assembled, and through the PCB, electrical routes are formed, and various electronic components can be connected to exert its overall capacity and to reach the objective of relay transmission. Its application is widespread, almost everything that uses electronic components would need to use a PCB. Therefore, PCB is known as "Mother of electronic products" Within Taiwan, the PCB industry has been developing for over 40 years, and not only does the industry structure include a comprehensive vertically integrated production chain, its affiliated industry system is also healthy. However, because of the factors of manpower supply and labor costs, the proportion of Taiwan's domestic production continued to decrease. Below is an explanation on the global and local PCB industry current situation and future trends:

##### (1) Global current situation and development

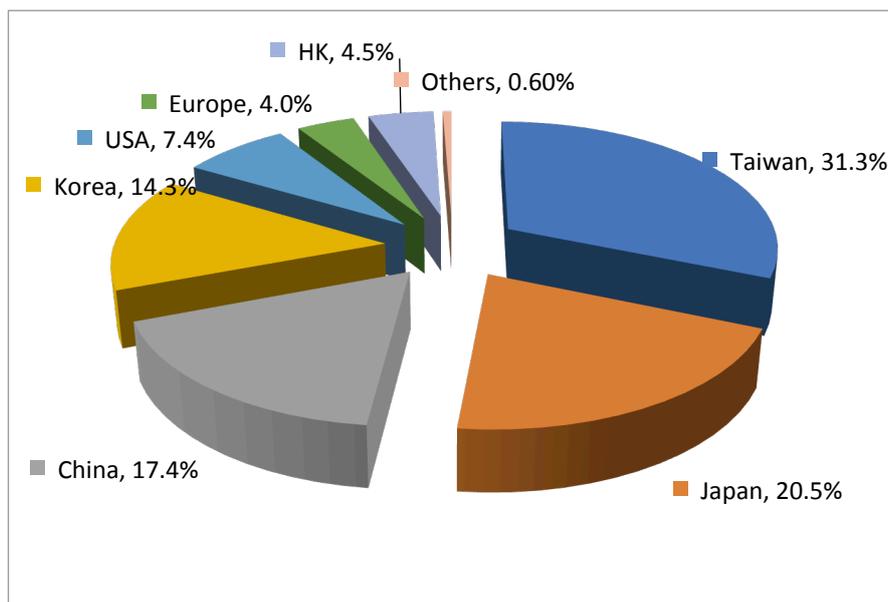
### Trend of Global PCB Output Value Scale



Source: IEK (01/2018)

According to the Industrial Technology Research Institute (IEK), the output value of year 2017 reached US\$65 billion, and the annual growth rate was approximately 11.68%, reaching a new high level in ten years while the output value of the global PCB had experienced a recession for two consecutive years. It was mainly due to the economic recovery by the growth of consumer electronics products and the rise of various emerging niche applications.

### Global PCB Production Distribution by Manufacturer Country in 2017

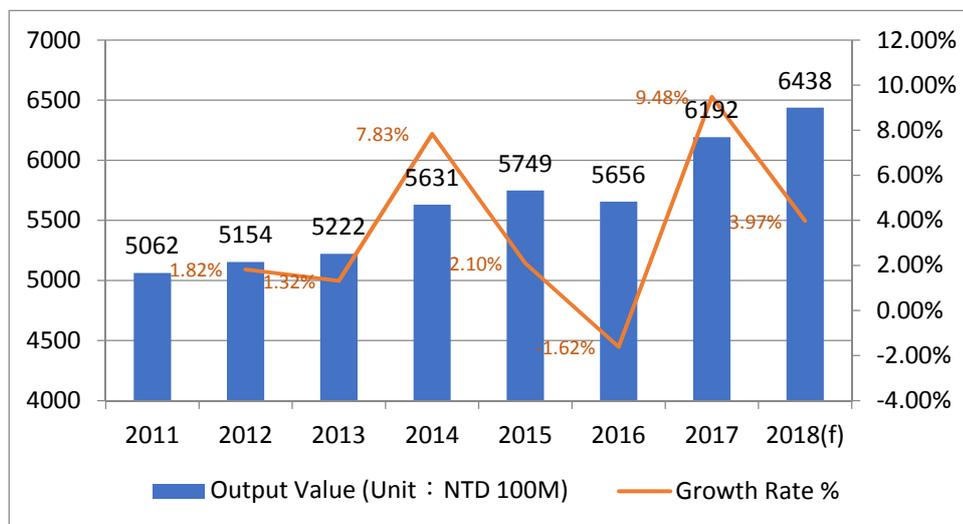


Source: IEK (01/2018)

Among them, Taiwanese companies took a leading position with a market share of 31.3%, Japan and South Korea declined, and China companies continued to leapfrog, with a market share of 17.4%, ranking third, still in a strong growth stage since most of them focused on niche market, such as industrial control, base stations, servers, and automobiles, the profitability is generally better than Taiwan, Japan, and South Korea when the average unit price is relatively high; in addition, these China companies raise funds to expand their production capacity by going public, they invest in automation, develop superior technologies, and dedicate to research and development to be possessed of medium-long-term competitiveness. In year 2018, the shipments of major electronic products will continue to show a growth trend, driving by 5G communications, Internet of Things, artificial intelligence, automotive application market, and some small and varied niche products. It is estimated that the PCB market will continue to grow. However, possible risks include: unstable demand, over expansion of capacity, the control of environmental laws and regulations, supply of raw materials, and the increase in price.

(2) Taiwan current situation and development

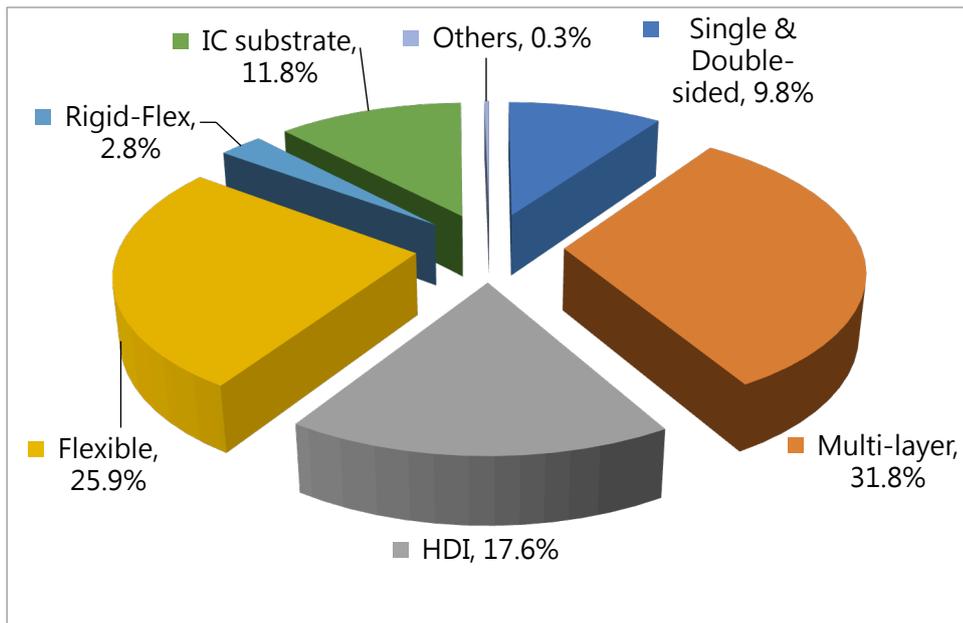
**Trend of Taiwan PCB Output Value Scale**



Source: TPCA, IEK (02/2018)

In year 2017, the total output value of Taiwan's PCB industry was NT\$619.2 billion, which grew by 9.48% compared to year 2016. It also reached a new height in ten years, mainly due to the growth in demand for circuit boards in 2017. The share of Taiwanese business setting their production base in China continues to increase, reaching 59.2% in 2017, and the production value of Southeast Asia areas has remained at 2.2%.

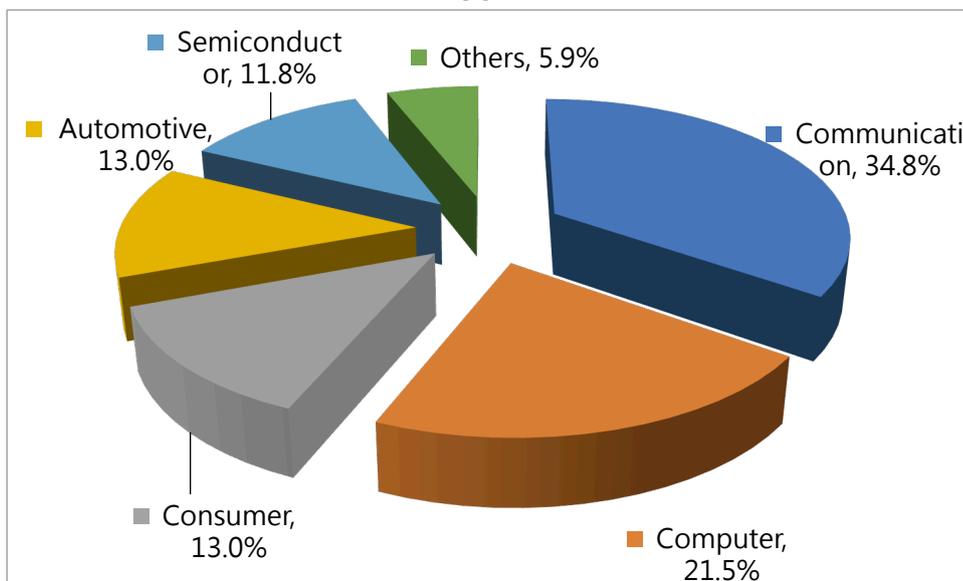
### Cross - strait PCB Product Structure in 2017



Source: TPCA, IEK (02/2018)

In year 2017, except for PCB substrate, all other products have grown. The product with the highest growth rate was Rigid Flex board, mainly due to the wider application of image sensing technology. Including the dual-lens trend of smart phones and the requirement for L-shaped battery designs; the demand for more camera modules driven by the popularity of automotive ADAS has also become another growth momentum.

### Cross - strait PCB Application Markets in 2017



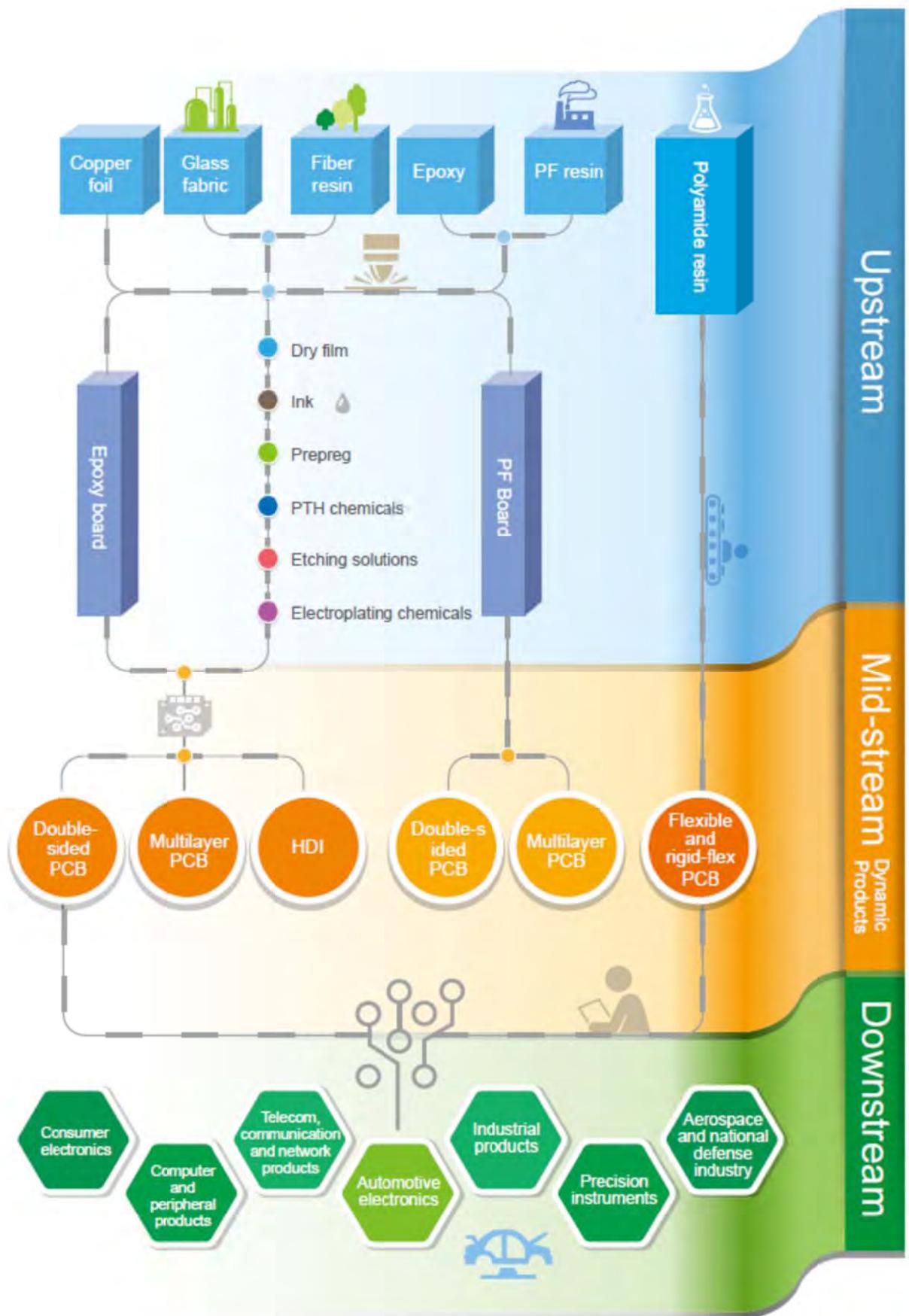
Source: TPCA, IEK (02/2018)

In terms of application market, the highest growth rate in 2017 was in the automotive and communications markets. In addition, the recovery in

business boom has also driven the growth of consumer applications. The smart phone market has coincided with Apple's 10th anniversary followed by the launch of new mobile phones, while 3D sensing of face recognition, SLP, full-screen, wireless charging and other new functions have also become the main driving force for the growth of the mobile phone market.

2. Relevance of upstream, middle, and downstream businesses in the industry

The PCB that produced by the Company include the following upstream main raw materials: copper foil, substrate, resin, dry film, ink, etching fluid and other chemical materials. Industry covers petrochemical and metal ; downstream clients include consumer electronics, computer and peripheral products, telecommunications and Internet, automotive electronics, industrial products, precision instruments and air defense etc. Hereby listed the company's associated chart with up-and-down stream industrial structure as below:



### 3. Product development trends and competitive situation

#### (1) Product development trends

In recent years, there are two major trends in the development of electronic products. First, all products are gradually becoming lighter and easy to carry. Second, the speed of information relay is becoming faster and the amount of electrical current/voltage is increasing. At the same time, high frequency millimeter wave technology is being developed, so that in addition to stronger heat dissipation, when the current passes, it should not be subjected to too much interference. Hence, PCB with micro via, thread, small pore, thin and multilayer structure, micro via lining and high electrical characteristics are the necessary trends to current product development. Additionally, to cater to the development of 5G generation and the request from system vendors, boards using low DK, low DF, Ultra Low Loss, Ceramic substrates and flexible materials LCP (Liquid Crystal Polymer) are also gradually increasing. The development of environmentally friendly green vehicles PHEV/EV is also growing rapidly, and various tie-in products such as high-voltage products, fast charging, and battery management have also taken spots at the table.

#### (2) Competitive situation

Since PCB has been in a position of oversupply for a long time, the development of global economy has entered a slow-growing phase, price competition has always been fierce, especially for customers who require large quantities, who tend to dominate over the extent of lowering price and time. But to grasp business opportunities, satisfy customer needs, and to achieve even better economies of scale to lower cost, each firm is competing to set up new sites and opening new production capacity. Because of China market's strong domestic demand and complete industrial chain, most companies have still considered China to be the optimal production location. However, various environmental regulations in China are becoming more stringent, minimal wages have risen, the State Council has cleared various tax incentives etc., have severely impacted the operational cost of foreign investments in China. How to lower production cost has become the toughest challenge to the PCB industry. Owing to China government's vigor promotion of the autonomy of electronics supply chain in the recent years, red supply chain has risen as a result. They obtain big amount of fund by going public or by government's subsidies to seize the market with low prices, consequently the price of low-end technology products has plummeted. In addition, Chinese manufacturers actively implemented the "Made in China 2025", and the Chinese government agencies at all levels provided various subsidy measures for automation and intelligence to increase the establishment of highly intelligent, high-efficiency, high-value and fully automated unmanned factories by China-funded manufacturers. Taiwanese business is bound to tend to the high-tech, high-quality, high-reliability product segment.

#### (C) Technology and R&D Overview

1. R&D expenses from the most recent year to the date on the annual report

Unit: NTD thousands

Year	2016	2017	Up to Mar. 31, 2018
R&D Expenses	116,114	72,579	4,122

The decrease in research and development expenses in year 2017 was due to partial of the initial market development costs and product development costs for the main strategic products (automotive board) were apportioned.

2. Technology or products that have been successfully developed from the most recent year to the date of the annual report:

Here we summarized our major R & D projects and results of 2017 in the following five points:

- (1) For high-speed high-frequency low signal loss products, we have successfully obtained certification of Insertion Loss -0.48dB/in, and succeeded in mass production. We also participated the testing of insertion loss -0.4db/in certification which required by 5G Communication era, the relevant materials and technology requirements of which are under active development.
- (2) For fine lines and thin products, 2 mil fine lines and 12 any-layer HDI products have been successfully produced massively, 14 any-layer HDI has passed sample certification. The process capability for 10 layer thin board with 24 mil thickness has also been developed and the sample is being certified. The improvement of 1.6 mil extremely fine line process capability is being developed.
- (3) In terms of Rigid-flex board and rotatable products, ultra-high resolution screen / Automotive lens module / Bluetooth headset / sports bracelet products are under mass production. The material (LCP) and technology of flex board for high-frequency have successfully passed the sample certification. The dual lens module product with ultra-flatness requirements has passed sample certification.
- (4) For automotive and microwave products, active safety protection products have been under mass production. The ADAS radar with 24GHz has shipped in small quantity; 77/79GHz millimeter wave products, of which the related technologies has been mastered, are under process setting development and product approval. The products of LiDAR are undergoing material certification and process setting development.
- (5) For heat sink material, the thick copper and buried copper that used in high-frequency communication receiver, electric car charging pile and automotive engine control modules / Car-used relay, 4oz product sample certification has been completed; 6oz / 8oz product under production process upgrade and 12oz product under material development.

(D) Short and Long-term Business Development Plan

1. Short-term business plan

- (1) Marketing plan

- Develop high margin products such as HDI, Rigid-Flex, and green products.
- Expand niche products such as electronic products for automobiles, SSD, cloud server.
- Strengthen the ties with overseas locations and agents, grasp business opportunities, and cultivate customers.
- Strengthen the customer support for timely delivery, quality, technicality, and service.

## (2) Production plan

- To respond to the plan of new products development and the plant expansion, successor training is being carried out actively, to prevent the talent shortage during the implementation of the plan.
- Continue to promote the performance management system. It is expected to influence each department and gradually to each individual in year 2017, making the company go toward the target of efficiency, thus costs will be reduced, quality will be improved.
- Introduce new ISO14001: 2015, ISO9001: 2015 and IATF16949: 2016, QC080000:2017,ISO45001:2018 into the system, to run the ISO management system with the combination of top management and operation management. Actively require the staff to fully carry out energy conservation and waste reduction, and to enhance safety and quality awareness.
- Focusing on the use of automation + intelligence + networking to reduce manpower demand and stabilize output and yield. By means of the new system's capacity for collecting and analyzing data in large numbers, these data can be easily provided for the top management to combine with corporate strategy, thus to create better operations performance
- Actively promote the improvement in energy conservation. In addition to cooperate with relevant energy-saving companies, also carry out high-efficiency energy-saving activities internally, such as replacing diesel with gas for boilers combustion, improving air conditioning condition, replacing the traditional air compressor with centrifugal air compressor, using AA energy-saving nozzle to reduce fuel consumption etc.
- In terms of waste reduction, continue to improve scrap rate, reduce the generation of wastewater, replace the highly polluted environmental chemicals, and further improve the classification and pretreatment of high-concentration wastewater. Strengthen the processing capacity of our own to save the amount of wastewater treatment, search for resource recycle technologies and reduce the cost of outsourced wastewater treatment.
- Huangshi Plant II plans to introduce AGV (auto guided vehicle). The temporary storage area for each station will be small because the WIP flow rate is fast. The target is to have double-sided board go into inventory within 72 hours.

- IE team collaborating with automation team and discuss with the manufacturing team about how to shorten the process and shorten the seconds of working hours, so the lead time from material purchase to delivery can be shortened, and create greater profits.

(3) R&D plan

- Semi flex technology
- 2 mil / 1.6 mil fine lines
- High end 16 and more layer board registration technology
- 4~6 Oz thick copper and buried embedded copper technology
- Back-drilling and cavity technology
- Mix material for high speed high frequency product
- 24Ghz, 28GHz, 39GHz, 60GHz, 77Ghz, 79GHz microwave millimeter wave high frequency technology
- 10 layer and above Rigid-Flex Board

2. Long-term business plan

(1) Marketing plan

- Searching for highly niche products
- Establishing long-term relationship with customers
- Participating in major international events, to open up the specific strategic markets.
- Cooperating and exchanging professional resources with foreign PCB companies who possess technical competence and patent, in order to obtain recognition from the end customer.

(2) Production plan

- Huangshi Plant I has begun production, and is actively planning to build plant II. Besides building the general through-hole automotive board production line, Huangshi Plant II is planned to have a RF production line, high-level high-density interconnect HDI line, flex board line and high-speed radar board line.

(3) R&D plan

- <1.6 mil SLP fine line process development
- Multiple net via technology process development
- Low warpage laminate technology process development
- Embedded passive component process development
- LCP flexible high-frequency materials and millimeter wave high frequency alternative new material process development
- 12oz heavy copper high heat dissipation material process development
- New products and new processes of environmental protection, waste reduction and energy-saving

## B. Market and Production/Sales Conditions

### (A) Market Analysis

#### 1. Sales Locations for Major Products

Unit: NTD thousands

Sales Location \ Year		2017 Consolidated	
		Sales Amount	Ratio %
Domestic		796,534	6.84%
Export	China	4,568,301	39.23%
	Germany	1,072,397	9.21%
	Thailand	1,022,510	8.78%
	South Korea	941,786	8.08%
	Malaysia	638,529	5.48%
	USA	634,963	5.45%
	Other countries	1,971,423	16.93%
Total		11,646,443	100.00%

Note: Revenue is categorized based on the location of the client who placed sales order.

#### 2. Market Share

Unit: Billion NTD

Item	Year	
	2016	2017
Value of cross-strait Taiwanese businesses in PCB industry	5,656	6,192
Dynamic Electronics' consolidated revenue	117	116
Dynamic Electronics' consolidated revenue/value of cross-strait Taiwanese businesses in PCB industry (%)	2.07%	1.87%

Source: IEK of ITRI

#### 3. Future Market Supply and Demand Conditions and Possibility of Growth

In the foreseeable future, PCB will still be in a situation of oversupply.

In terms of products, computer and tablet continue to shrink; smartphone grows slowly. In the next five years, it is estimated that the fast-growing new products will surround the use of 5G and green energy vehicles, including: Internet of things, auto pilot vehicles, unmanned aircraft, smart homes, wearable devices, virtual reality, medical care, robotics, high-frequency signal transceivers, wireless chargers, electric vehicle charging piles, logistics and automatic storage.

#### 4. Niche Competitiveness

Niche competitiveness of the Company includes:

- (1) Quality products that have received widespread recognition both locally and internationally, allowing for market expansion and in developing clients.
- (2) Having attained various certifications such as ISO-9001, ISO-14001, ISO-14064-1, OHSAS18001, QC080000, TS-16949, and ISO50001 etc., which enhances the competitiveness of the Company's products in the global

market, and allowing for the Company to successfully expand business scope.

- (3) Possessing excellent production skills and R&D capability.
- (4) Having established the model of dividing production tasks between both sides of the Strait to provide customers with quick delivery and services.
- (5) Continues to expand high-end production competency and establish automation and industry 4.0.
- (6) People turnover rate is lower than the other companies in the same industry.
- (7) The newly-built Huangshi Factory has a high degree of automated production, automatic collection, analysis and control of electronic messages, as well as high degree electronic management of vehicle numbers, face recognition, and etc.

## 5. Favorable and Unfavorable Factors for Future Development and Their Countermeasures

### (1) Favorable factors

- a. With the widespread popularity of the Internet and the development of wireless communication market and products, the personal mobile devices and their peripheral industries have developed throughout the world. Plus 5G is about to be released for trial use, the data transmission speed will be 10 times of 4G, and the expected amount of data will be 100 times of current amount. Moreover, with products such as cloud computing, Big Data, the Internet, wearable products continuing to innovate, the demand for PCB will continue to rise.
- b. The increase in electronic products for automobiles, green energy vehicles and the development of electric vehicles and auto-driving technologies are bringing forth new market and opportunities for the PCB.
- c. Conforming to industry development trends, the Company has continuously devoted itself into purchasing new machinery, strives toward new product development and the enhancement of production technology. Moreover, through the production procedure management accumulated over the years and catering to client needs, maintaining excellent quality and stability, the Company has enhanced the added-values of products and market competitiveness, and received widespread recognition from customers.
- d. Most of the Company's clients are world-renowned large-scale firms. To offer comprehensive service for clients and to avoid impacts from price wars from competing firms, the Company actively expands and builds global marketing channels to gradually enhance the ratio of external sales. In addition to providing instant, on-the-spot customer technical support and after-sales service, strengthen business relationships, the Company will be able to collect local market information and grasp market and product development trends faster, continue to develop potential new products and new clients, so that future business can experience long-term steady growth.

- e. With advances in medical technology and the retirement of baby boomers, Medicare needs of elderly is gradually enlarged, the medical equipment products that the company has been planning on developing since long ago will continue to grow.
  - f. To meet the future development needs, the second production base in China has been built in Huangshi, Wuhan, and production started at the end of the third quarter of 2017, which will greatly increase the flexibility of production capacity requirements.
- (2) Unfavorable factors and countermeasures
- a. Oversupply, many competitors, and competitors wage price wars  
Countermeasure: develop potentially niche products, avoid price wars in existing products, and actively attain various certifications, enter different fields and expand new business opportunities.
  - b. Clients demand routine price reduction, hurting profit  
Countermeasure: exert labor efficiency, strengthen production management, enhance production yield, and lower production cost. Seeking long-term cooperation with excellent suppliers, signing long-term strategic partnership agreements, develop new customers, select suitable products, and restructure product mix.
  - c. Labor shortage and labor cost is steadily rising over the years  
Countermeasure: improve work environment, optimize welfare measures, enhance staff solidarity and recognition. Enhance staff training, reward system for raising proposals, and encourage innovation and improvement. Develop a mentoring system to reward senior employees for teaching and caring for new employees. Additionally, to accelerate the transitioning to the automation of manufacturing process and reduce the burden on manpower.
  - d. Environmental cost is steadily rising  
Countermeasure: Enhancing the management mechanism of energy saving and waste reduction, reduce waste water discharge; Increase plant's disposal equipment and capacity, adding water reuse equipment and special condense wastewater silt drying equipment to reduce producing hazardous wastes and reduce disposal costs.
  - e. Fluctuations in exchange rates affect the Company's operations and profitability  
Countermeasures: maintain close contact with the foreign exchange units of banks, attain information pertaining to fluctuations in exchange rates and suggestions on ways to hedge these risks at any given time. Reasonably adjust the accounts that consist of solely foreign currency to lower the risk of fluctuations in exchange rates.
  - f. Raw materials shortage and price increases  
Countermeasure: Maintain long-term business relationship with strategic suppliers, remain high interaction between two sides to avoid the crisis of material cutoff, continue to develop new suppliers to increase the supplier selection; strengthen the internal cost management system to

reduce idle material and avoid wasting, to maintain the positive inventory. Maintain stable and close cooperative relations with key vendors to grasp the upstream and downstream raw materials price trends and capacity changes, in order to adjust the factory inventory level in advance and to reduce the impact of price increases.

g. Valuing work safety awareness

Countermeasures: Continue self-checking and self-correction of unsafe work factors in the workplace. Arrange all levels of supervisors to perform safety staff training to raise safety awareness across the plant. The factory head supervisor takes the lead to audit hidden dangers on-site so as to demonstrate the determination of improvement. Outsource external experts to perform factory audit.

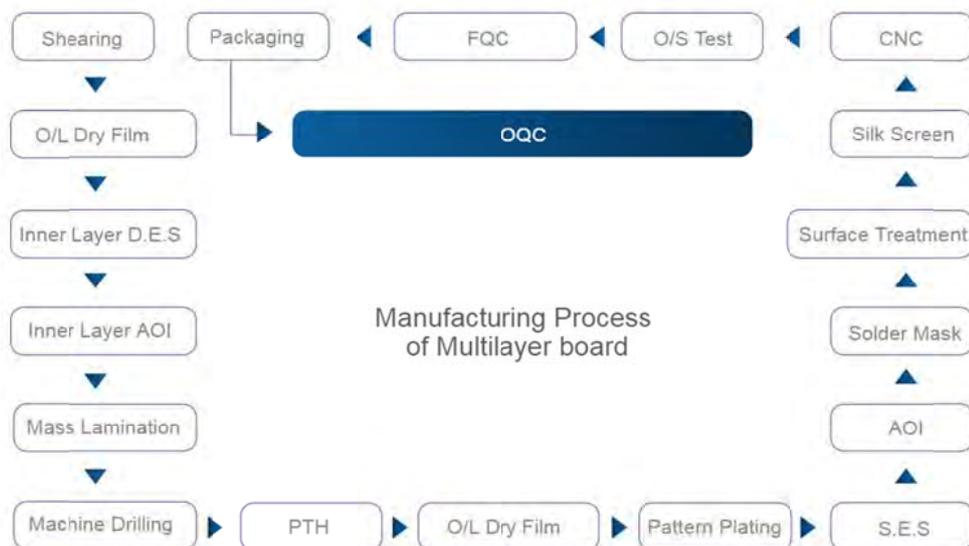
(B) Important Applications and Production Processes of Major Products

1. Important Applications of Major Products

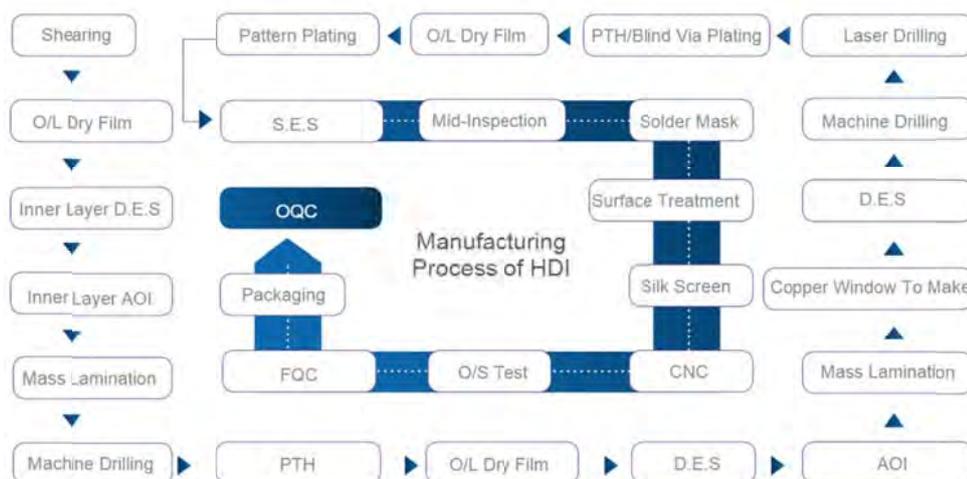
Product Type	Major Applications
Double-sided PCB	LED substrate, Automotive, TV controller etc.
Multilayer PCB	Storage devices, TFT-LCD, Set-top box, Communication board, Automotive, Notebook, Server, Industrial computers etc.
HDI	Car GPS, TFT-LCD, Tablet, Communication board, Medical products etc.
Rigid-Flex	Camera modules, TFT-LCD, Game console, Wearable devices etc.
High-frequency PCB	Car Radar

2. Manufacturing Process

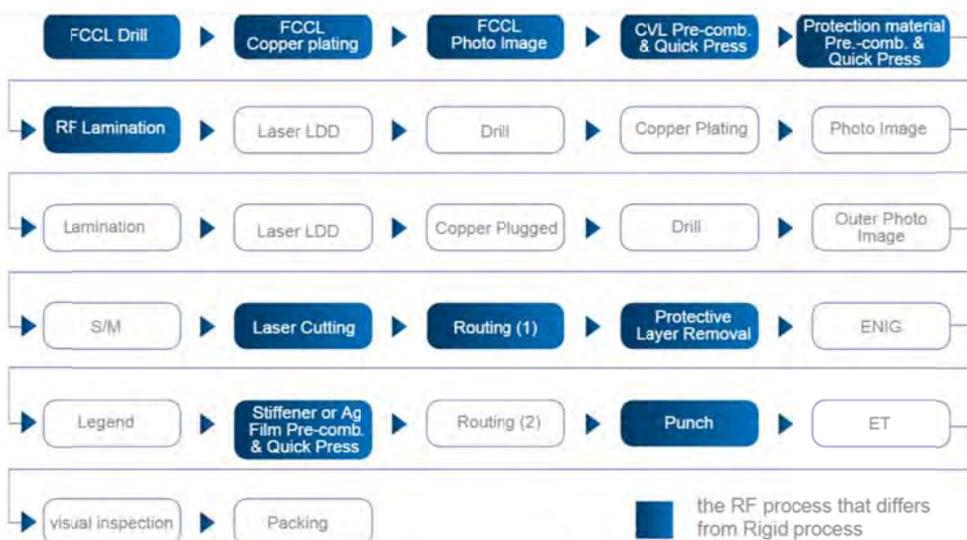
(1) Conventional



(2) HDI



(3) Rigid-Flex



(C) Supply Status of Major Raw Materials

The Company's primary raw materials include laminate, copper foil, and prepreg etc. Primary purchasing sources are domestic vendors that have all established long-term, stable relationships with the Company to assure quality, price, delivery date, service, and stable availability. The primary vendors of each of the primary raw material are listed below:

Major Raw Material	Major Supplier
Core	Iteq, Nanya, Elite, Sheng-yi, TUC
PP	Iteq, Nanya, Elite, Sheng-yi, TUC
FCCL	Panasonic, Doosan, ThinFlex, Nippon Steel
CVL	TaiFlex, ThinFlex
Dry Film	Eternal Materials, Chang Chun, Hitachi, DuPont, Asahi Kasei
Copper Foil	Nanya, Chang Chun, Co-Tech

- (D) For the recent two years, please list all vendors/ customers who have exceeded 10% of the Company's total purchasing/ selling for any given year, including the amount of its purchase/ sales amount and ratio, and explain the reasons of the changes in decreases/ increases.

1. Major vendors for the most recent two years:

Unit: NTD thousands

Item	2016 Consolidated				2017 Consolidated			
	Name	Amount	% of that year's net purchasing	Relationship with the issuer	Name	Amount	% of that year's net purchasing	Relationship with the issuer
1	A	845,097	13.13%	None	A	978,503	15.33%	None
2	B	690,097	10.72%	None	B	657,592	10.30%	None
3	Others	4,901,514	76.15%	None	Others	4,747,197	74.37%	None
	Net purchasing	6,436,708	100.00%		Net purchasing	6,383,292	100.00%	

Analysis: The company's major purchases are core, PP, copper foils, etc. In the most recent two years, only two suppliers accounted for more than 10% of net purchases in the whole year. No major differences.

2. Major customers for the most recent two years:

Unit: NTD thousands

Item	2016 Consolidated				2017 Consolidated			
	Name	Amount	% of that year's net sales	Relationship with the issuer	Name	Amount	% of that year's net sales	Relationship with the issuer
1	A	1,136,990	9.64%	None	A	1,112,313	9.55%	None
2	B	394,405	3.34%	None	B	933,435	8.01%	None
3	Others	10,260,443	87.02%	None	Others	9,600,695	82.44%	None
	Net sales	11,791,838	100.00%		Net sales	11,646,443	100.00%	

Analysis: In the recent two years, no customer accounts for more than 10% of annual net sales, which posed no significant influence over the overall Company.

(E) Production output quantity and value for the past two years

Unit: thousands square feet; thousands piece; NTD thousands

Year qty/value	2016			2017		
	Capacity	Quantity	Value	Capacity	Quantity	Value
Major products						
Double-sided PCB	9,000	7,457	1,450,946	9,600	7,603	1,655,111
Multilayer PCB	23,400	21,617	7,119,920	23,600	21,563	7,198,424
Touch panel	80	67	52,750	0	0	0
Total	32,480	29,141	8,623,616	33,200	29,166	8,853,535

Note 1: Production capacity means after factoring necessary halts and holidays, the quantity that the Company is capable of producing under normal operations with present production equipment.

Note 2: Since production of each layer of product can replace and support each other, hence the overall production capacity is disclosed.

(F) Sales volume for the past two years

Unit: thousands piece; NTD thousands

Year qty/value	2016				2017			
	Domestic sales		Export		Domestic sales		Export	
	Q'ty	Value	Q'ty	Value	Q'ty	Value	Q'ty	Value
Major products								

Double-sided PCB	204	43,267	7,931	2,053,237	196	58,532	8,366	2,054,723
Multilayer PCB	1,424	870,750	21,951	8,752,977	1,535	737,456	22,003	8,795,732
Touch panel	56	61,550	11	9,860	0	0	0	0
Others	0	197	0	0	0	0	0	0
Total	1,684	975,764	29,893	10,816,074	1,731	795,988	30,369	10,850,455

C. From the most recent two years to the date on the annual report, the number of workers, average years of service, average age, and distribution ratios of education

Year - consolidated		2016	2017	2018/3/31
Number of workers	Direct workers	4,248	4,577	5,317
	Indirect workers	1,504	1,765	1,840
	Total	5,752	6,342	7,157
Average age		30.06	30.52	30.50
Average years of service		2.61	2.44	2.16
Distribution of education	Ph.D.	3	3	3
	Master	18	21	23
	University	782	2,069	1,403
	High school	1,437	1,350	1,331
	Below high school	3,512	2,899	4,397
Total		5,752	6,342	7,157

Note: The increase in the number of employee in year 2017 and 2018 was due to the increase in demand for manpower as the Huangshi plant began production at the end of the third quarter of 2017.

D. Environmental Expenditure Information

(A) Taoyuan plant: Total environmental expenditure of year 2017 was NTD 27.25 mil.

(B) Kunshan plant: Total environmental expenditure of year 2017 was RMB 80.15 mil.

E. Employer and Employee Relations

(A) List out various employee welfare measures, advanced studies, training, retirement plan and its implementation, as well as negotiations between the employers and employees and steps taken to maintain various employee benefits

1. Employee welfare measures

Employees are important Company assets. To provide adequate care to the employees, in addition to full compliance to the Labor Law, the Company has various other measures to take care of its employees.

- (1) Offers free meals.
- (2) Refined kitchenette with fair trade coffee.
- (3) Free uniform.
- (4) First-rate dormitories for foreign employees, offering satellite TV, newspapers in their native language, hot water for 24 hours, entertainment facilities, and gym etc.
- (5) Free parking lot.
- (6) The Company sponsors and encourages students to participate in healthy activities such as marathon.
- (7) Routinely hosts carnivals and sports days.
- (8) Set up suggestion box for unfair treatment and ensures that suggestions are answered.
- (9) Employee group insurance.
- (10) Implement year-end bonus, holiday bonuses, performance bonus, and dividend structure.

- (11) Whenever an employee of the Company gets married, gives birth, dies or becomes amputated, there is always aid or pension etc.
- (12) Employee health check-up on a routine basis every year.
- (13) Set up medical grade blood pressure and sphygmometers to help employees monitor their health.
- (14) Set up library and employees can borrow books for free.
- (15) On-site and external skills training program for employees.
- (16) Foreign language classes for employees.
- (17) Aid for continuing education training for employees, and professional class for senior management.
- (18) Chinese training courses for Thai staff.
- (19) Various employee activities such as traveling and group lunch/dinner.

## 2. Continuing studies and training system

Our primary training plan includes educational training for new recruits, managerial capacity training, professional skills training, quality enhancement training, liberal arts class training etc. And the Company also conducts transferred personnel job training and employee job rotation, so that employees can be familiar with different kinds of work and learn different techniques. The actual hours of education training of year 2017 is 14.37 hours per person.

## 3. Retirement Structure

- (1) Since Jul. 1, 2005, The Company has implemented labor retirement policy, and utilizes a defined contribution system. Upon implementation, an employee is able to choose from between retirement policies in the Labor Standards Act, or to use this policy and to keep the working years prior to its implementation. For the employees who choose this new policy, the Company has entrusted actuaries to calculate, and the Company will be responsible of allocating 2% - 15% of the employee's salary into retirement reserved funds, which is saved in the accounts for retirement funds in the Central Trust under the name of "Committee for Supervising the Employee Retirement Fund." The Company has also attained permission from the Taoyuan City government to host meetings for the Committee for Supervising the Employee Retirement Fund every three months. The Committee is responsible for supervising and verifying tasks such as setting aside the labor retirement reserved funds, savings and expenditures etc. After July 2005, complying with the government policy of using individual retirement reserved fund accounts, the Company sets 6% of labor salary as labor retirement reserved funds, and saves this amount in the individual labor retirement reserved fund account.
- (2) In order to offer employees more flexibility in planning their career and life, the Company has successfully established the management policy for the golden handshake, and reported this to the authorities for approval.
- (3) Under the planning of the remuneration committee in year 2010, the Company will entrust the manager retirement management policy, in order to establish a more comprehensive personnel retaining system.

4. Other important agreements and various measures to protect employee benefit
  - (1) The employers and employees of the Company mostly utilize communications to solve various problems and maintain positive communication channels, in order to build mutual understanding and effectively enhance the coherence of all employees.
  - (2) The Company routinely hosts employer-employee meetings, including various departmental meetings, employee benefit committee meetings, employer-employee meetings, retirement fund supervisory committee, Occupational Safety and Health Committee, and Industrial Safety Conference etc., with the objective of understanding employee needs and attaining mutual understanding.

(B) Clearly list out losses sustained from employee-related disputes from the most recent year to the date on the annual report, and disclose estimates (in dollar amount) of what could happen currently and in the future and their countermeasures. If unable to provide a reasonable estimate, a company should explain the facts that it is unable to rationally estimate.

1. From the most recent year to the date on the annual report, the Company has not experienced any employee-related disputes.
2. In the future, the Company will continue to maintain positive employer-employee relationship through emphasizing employee benefit measures and providing smooth communication channels. The Company does not anticipate that any significant employee-related disputes will occur, nor will it lead to any significant losses in the future.

F. Important Contracts: none.

## VI. Financial Overview

### A. Concise Balanced Sheet and Income Statement for the past 5 years

#### (A) Concise Balance Sheet

##### 1. Concise Balance Sheet - Consolidated

Unit: NTD thousands

Item	Year	Financial Information for the past five years (Note 1)				
		2013	2014	2015	2016	2017
Current assets		5,759,676	5,799,053	6,073,389	6,267,294	6,828,137
Real estate, factories and equipment		4,726,884	5,042,156	4,505,619	3,425,029	4,845,857
Intangible assets		7,209	8,887	10,183	17,967	24,256
Other assets		112,917	167,485	178,429	467,895	499,141
Total assets		10,606,686	11,017,581	10,767,620	10,178,185	12,197,391
Current liabilities	Prior to allocation	4,697,664	4,968,770	5,418,099	5,430,727	5,479,622
	After distribution	4,697,664	4,968,770	5,418,099	5,430,727	(Note 2)
Non-current liabilities		1,479,610	1,224,224	749,963	472,865	2,510,000
Total liabilities	Prior to allocation	6,177,274	6,192,994	6,168,062	5,903,592	7,989,622
	After distribution	6,177,274	6,192,994	6,168,062	5,903,592	(Note 2)
Equity from parent company		4,378,912	4,778,544	4,554,287	4,274,593	4,207,769
Capital stock		2,860,594	2,860,594	2,810,594	2,810,594	2,810,594
Paid-in capital		1,060,950	1,060,950	1,061,873	1,061,873	1,061,873
Retained earnings	Before distribution	405,499	654,167	555,108	565,366	579,040
	After distribution	405,499	654,167	555,108	565,366	(Note 2)
Other equity		51,869	202,833	126,712	-163,240	-243,738
Treasury stock		0	0	0	0	0
Non-controlling interest		50,500	46,043	45,271	0	0
Total equity	Before distribution	4,429,412	4,824,587	4,599,558	4,274,593	4,207,769
	After distribution	4,429,412	4,824,587	4,599,558	4,274,593	(Note 2)

Note 1: The above annual financial information has been verified by certified public accountant.

Note 2: The resolution is finalized after the resolution of the shareholders meeting.

## 2. Concise Balance Sheet - Individual

Unit: NTD thousands

Item	Year	Financial information for the past five years (Note 1)				
		2013	2014	2015	2016	2017
Current assets		3,437,929	3,587,235	2,589,507	2,172,653	1,657,483
Investment using the Equity Method		3,198,407	4,014,866	4,195,000	4,246,831	4,485,504
Real estate, plants and equipment		747,571	832,192	793,098	650,262	618,245
Intangible assets		1,519	4,382	6,312	13,012	11,298
Other assets		61,504	119,232	130,697	157,258	199,853
Total assets		7,446,930	8,557,907	7,714,614	7,240,016	6,972,383
Current liabilities	Prior to distribution	2,411,795	3,022,194	2,578,138	2,597,306	1,963,885
	After distribution	2,411,795	3,022,194	2,578,138	2,597,306	(Note 2)
Non-current liabilities		656,223	757,169	582,189	368,117	800,729
Total liabilities	Prior to distribution	3,068,018	3,779,363	3,160,327	2,965,423	2,764,614
	After distribution	3,068,018	3,779,363	3,160,327	2,965,423	(Note 2)
Equity from parent company		4,378,912	4,778,544	4,554,287	4,274,593	4,207,769
Capital stock		2,860,594	2,860,594	2,810,594	2,810,594	2,810,594
Paid-in capital		1,060,950	1,060,950	1,061,873	1,061,873	1,061,873
Retained earnings	Before distribution	405,499	654,167	555,108	565,366	579,040
	After distribution	405,499	654,167	555,108	565,366	(Note 2)
Other equity		51,869	202,833	126,712	-163,240	-243,738
Treasury stock		0	0	0	0	0
Total equity	Before distribution	4,378,912	4,778,544	4,554,287	4,274,593	4,207,769
	After distribution	4,378,912	4,778,544	4,554,287	4,274,593	(Note 2)

Note 1: The above annual financial information has been verified by certified public accountant.

Note 2: The resolution is finalized after the resolution of the shareholders meeting.

## (B) Concise Income Statement

### 1. Concise Income Statement - Consolidated

Unit: NTD thousands

Item \ Year	Financial information for the past five years (Note 1)				
	2013	2014	2015	2016	2017
Revenue	10,140,523	10,755,314	11,150,214	11,791,838	11,646,443
Operating Margin	957,651	1,716,604	1,444,855	1,224,561	1,239,845
Operating Income	(312,519)	286,222	(160,129)	1,662	41,572
Non-operating income/expenses	54,379	8,408	67,159	40,784	(38,536)
Pre-tax net profit	(258,140)	294,630	(92,970)	42,446	3,036
Net profit for this period for continuing operating units	(258,140)	239,200	(92,971)	12,828	9,094
Loss from termination of business unit	0	0	0	0	0
Net profit (loss) for this period	(258,140)	239,200	(92,971)	12,828	9,094
Other accumulated profit/loss for this period (after-tax net value)	147,804	155,702	(81,314)	(290,394)	(75,918)
Total comprehensive profit (loss) for this period	(110,336)	394,905	(174,285)	(277,566)	(66,824)
Net profit for parent company	(255,383)	243,927	(93,866)	10,700	9,094
Net profit for non-controlling interest	(2,757)	(4,727)	895	2,128	0
Comprehensive profit/loss for parent company	(107,579)	399,632	(175,180)	(279,694)	(66,824)
Comprehensive profit/loss for non-controlling interest	(2,757)	(4,727)	895	2,128	0
Earnings per share	(0.90)	0.85	(0.33)	0.04	0.03

Note 1: The above annual financial information has been verified by certified public accountant.

### 2. Concise Income Statement - Individual

Unit: NTD thousands

Item \ Year	Financial information for the past 5 years (Note 1)				
	2013	2014	2015	2016	2017
Revenue	8,325,196	8,886,457	7,010,679	5,575,299	4,620,391
Operating Margin	180,223	428,366	413,154	275,720	173,907
Operating Income	(498,653)	(391,332)	(197,033)	(173,979)	(159,751)
Non-operating income/expenses	243,270	690,689	103,167	184,679	168,845
Pre-tax net profit	(255,383)	299,357	(93,866)	10,700	9,094
Net profit for this period for continuing operating units	(255,383)	243,927	(93,866)	10,700	9,094
Losses for terminated business unit	0	0	0	0	0
Net profit (loss) for this period	(255,383)	243,927	(93,866)	10,700	9,094
Other accumulated profit/loss for this period (after-tax net value)	147,804	155,705	(81,314)	(290,394)	(75,918)
Total comprehensive profit (loss) for this period	(107,579)	399,632	(175,180)	(279,694)	(66,824)
Earnings per share	(0.90)	0.85	(0.33)	0.04	0.03

Note 1: The above annual financial information has been verified by certified public accountant.

(C) CPA Names and Opinions for the Past Five Years

Year	CPA's Accounting Firm	Names of CPA	Opinion
2013	Ernst & Young Taiwan	Mao-Yi Hung, Hsin-Min Hsu	Unqualified opinion
2014	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2015	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2016	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion
2017	Ernst & Young Taiwan	Ching-Piao Cheng, Mao-Yi Hung	Unqualified opinion

## B. Financial Analysis for the Past Five Years

### (A) Financial Analysis - Consolidated

Item to be analyzed (Note 2)		Financial Analysis for the past five years (Note 1)				
		2013	2014	2015	2016	2017
Financial structure	Debt to asset ratio (%)	58.24	56.21	57.28	58.00	65.50
	Long-term funds to fixed asset ratio (%)	125.01	119.96	118.73	138.61	138.63
Debt payback ability	Liquidity ratio (%)	122.61	116.71	112.09	115.40	124.61
	Current ratio (%)	99.10	90.32	85.60	86.86	86.33
	Interest protection multiples	(1.46)	5.11	(0.66)	2.03	1.03
Operational ability	Receivables turnover (times)	3.01	3.22	3.23	3.42	3.44
	Average collection turnovers (days)	121	113	113	107	106
	Inventory turnover (times)	8.12	7.67	7.25	7.68	7.05
	Payables turnover (times)	5.05	5.05	5.06	4.91	4.60
	Average inventory turnover (days)	45	48	50	48	52
	Fixed asset turnover (times)	2.12	2.20	2.34	2.97	2.82
	Total asset turnover (times)	0.90	0.99	1.02	1.13	1.04
Profitability	Return on assets (%)	(1.52)	2.76	(0.43)	0.45	0.74
	Return on equity (%)	(5.72)	5.17	(1.97)	0.29	0.21
	Profit before tax to paid-in capital ratio (%)	(9.02)	10.30	(3.31)	1.51	0.11
	Net Profit Margin (%)	(2.55)	2.22	(0.83)	0.11	0.08
	Earnings per share (NTD)	(0.91)	0.85	(0.33)	0.04	0.03
Cash flow	Cash flow ratio (%)	16.42	17.95	16.08	9.98	1.53
	Cash flow adequacy ratio (%)	91.78	96.34	112.05	106.26	65.24
	Cash reinvestment ratio (%)	6.86	7.45	7.38	5.02	0.65
Leverage	Operating leverage	(1.75)	2.05	(6.23)	759.16	28.52
	Financial leverage	0.75	1.33	0.74	(0.04)	(0.88)

Explanation of reasons for changes in various financial ratios in the most recent two years (up or down by 20%)

1. Reduction of interest guarantee multiple: Mainly due to the decrease in pre-tax net profit of this term and the increase in interest expense.
2. Increase in return on assets: Mainly due to the decrease in net profit of this term and the increase in interest expense.
3. The proportion of return on equity and pre-tax net income in the paid-in capital ratio, net income ratio, and earnings per share have decreased: Mainly due to the decrease in net profit during the period.
4. The cash flow ratio, cash flow allowable ratio, and cash reinvestment ratio decreased: Mainly due to the decrease in net cash inflow from operating activities.
5. Reduction in operating leverage: Mainly due to the increase in operating profit.
6. Reduction in financial leverage: Mainly due to the increase in operating profit and increase in interest expense.

Note 1: The above annual financial information has been verified by certified public accountant.

Note 2: The calculation formulas of financial ratios are as follows:

1. Financial structure
  - (1) Debt to asset ratio = total liabilities / total asset
  - (2) Long-term funds to fixed asset ratio (%) = (total equity + non-current liabilities) / net real estate, factory plants and equipment
2. Debt payback ability
  - (1) Liquidity = current assets / Current liabilities
  - (2) Current ratio = (current assets – inventory – prepaid expense) / Current liabilities
  - (3) Interest protection multiple = income tax and net income before interest / interest expense for this period
3. Operational ability
  - (1) Receivable (including accounts receivable and bills receivable from operations) turnover ratio = net sales / accounts receivables and outstanding bills receivable
  - (2) Average collection turnovers = 365/accounts receivable ratio
  - (3) Inventory turnover = cost of goods sold / amount of average stock
  - (4) Payables turnover ratio = payables (including accounts payable and bills payable from operations) cost of goods sold / accounts payables and bills payables
  - (5) Average inventory turnover = 365 / payables turnover ratio
  - (6) Fixed asset turnover = net sales / net fixed asset
  - (7) Total asset turnover = net sales / average total asset
4. Profitability
  - (1) Return on assets = (profit or loss after tax + interest expense x (1 – interest rate))/average total asset
  - (2) Equity ratio = profit or loss after tax / average total equity
  - (3) Net profit margin = profit or loss after tax / net sales
  - (4) Earnings per share (EPS) = (equity from parent company – preferred stock dividend) /weighted average of issued shares (note 3: preferred stock dividend)
5. Cash flow
  - (1) Cash flow ratio = net operational cash/Current liabilities
  - (2) Net cash flow adequacy ratio (%) = net operating cash flow for the past 5 years / (capital expenditure + increase in inventory + cash dividend for the past 5 years)
  - (3) Cash reinvestment ratio = (net operating cash flow – cash dividend) / (fixed asset + long-term investment + other non-current assets + operational funds) (note 4)
6. Leverage
  - (1) Operational leverage = (net revenue – changes in operating cost and expenses) /operating profit
  - (2) Financial leverage = operational income / (operational income – interest expense)

Note 3: When considering the calculation formula of EPS, please pay special notice to the following:

1. This uses weighted average number of common stock as basis, rather than the issued stock by year end.
2. Those that have increases in cash or treasury stock should consider its circulation period in calculating weighted average number of shares.
3. Those that have reinvestment from earnings or increases in paid-in capital, in calculating EPS for past years and half-year, should adjust retroactively according to the ratio of increases, and do not need to take their release period into consideration.
4. If preferred stocks are accumulated preferred stock that cannot be transferred, then the share dividend (whether paid out) for that year should be subtracted from the profit after tax, or add onto loss after tax. If the preferred stock is non-accumulative in nature, when there is profit after tax, the dividend from preferred stock should be subtracted from profit after tax, but if there is loss, then no adjustment is necessary.

Note 4: When taking cash flow analysis into consideration, please pay special attention to the following:

1. Net operational cash flow refers to the operational net cash flow inflow in the cash flow statement.
2. Capital expenditure refers to the amount of cash outflow of capital investment each year.
3. Inventory increase is not calculated until when the ending inventory is greater than the opening balance. If inventory decreases by year end, this will be counted as zero.
4. Cash dividend includes cash dividend for common and preferred stock.
5. Gross fixed asset refers to the total fixed asset after deducting fixed asset prior to accumulated depreciation.

(A) Financial Analysis - Individual

Item to be analyzed (Note 2)		Financial Analysis for the past five years (Note 1)				
		2013	2014	2015	2016	2017
Financial structure	Debt to asset ratio (%)	41.20	44.15	40.97	40.96	39.65
	Long-term funds to fixed asset ratio (%)	673.53	665.00	647.44	713.72	810.12
Debt payback ability	Liquidity ratio (%)	142.55	118.70	100.44	83.65	84.40
	Current ratio (%)	122.54	98.72	86.31	71.59	68.68
	Interest protection multiples	(10.31)	20.34	(3.88)	1.57	1.45
Operational ability	Receivables turnover (times)	3.15	3.58	3.07	2.97	3.04
	Average collection turnovers (days)	116	102	119	123	120
	Inventory turnover (times)	14.17	15.17	13.74	16.72	16.09
	Payables turnover (times)	4.34	4.36	3.56	3.61	3.69
	Average inventory turnover (days)	26	24	27	22	23
	Fixed asset turnover (times)	10.32	11.25	8.63	7.73	7.28
	Total asset turnover (times)	1.05	1.11	0.86	0.75	0.65
Profitability	Return on assets (%)	(2.99)	3.21	(0.96)	0.35	0.36
	Return on equity (%)	(5.72)	5.33	(2.01)	0.24	0.21
	Profit before tax to paid-in capital ratio (%)	(8.93)	10.46	(3.34)	0.38	0.32
	Net Profit Margin (%)	(3.07)	2.74	(1.34)	0.19	0.20
	Earnings per share (NTD)	(0.90)	0.85	(0.33)	0.04	0.03
Cash flow	Cash flow ratio (%)	12.36	(1.34)	7.15	(1.19)	6.89
	Cash flow adequacy ratio (%)	79.44	122.68	164.35	104.80	122.62
	Cash reinvestment ratio (%)	4.86	(0.62)	2.97	(0.54)	2.19
Leverage	Operating leverage	(0.90)	(1.24)	(3.18)	(3.43)	(2.94)
	Financial leverage	0.96	0.96	0.91	0.90	0.89
Explanation of reasons for changes in various financial ratios in the most recent two years (up or down by 20%)						
1. Earnings per share decreased: Mainly due to the decrease in net profit of this term.						
2. Increase in cash flow ratio and cash reinvestment ratio: The decrease in accounts receivable led to an increase in net cash inflow from operating activities.						

Note 1: The above annual financial information has been verified by certified public accountant.

Note 2: The calculation formulas of financial ratios are the same as above.

- C. The audit report from the audit committee for the financial report of the most recent year  
Please see page 137 in this report.
- D. The financial statement of the most recent year, including accountant's audit report, balance sheet with two-year comparison, income statement, changes in equity, cash flow statement, and notes and attached tables.  
Please see pages 138 ~ 233 in this report.
- E. The Company's individual financial report of the most recent year with CPA's check and verification, excluding detailed table of important accounting items.  
Please see pages 234 ~ 322 in this report.
- F. From the most recent year to the date on this report, if any financial difficulties or turnover problems should occur to the Company and its affiliated firms, please list out their impacts on the financial conditions of the Company: none.

## VII. Review and Analysis of Financial Conditions and Performance, and Risk Management

### A. Analysis of Financial Conditions

Unit: NTD thousands

Item	Year	2016 (Consolidated)	2017 (Consolidated)	Variance	
				Amount	%
Current Assets		6,267,294	6,828,137	560,843	8.95%
Property, Plant and Equipment		3,425,029	4,845,857	1,420,828	41.48%
Other Assets and Intangible Assets (Including Funds and Investments)		485,862	523,397	37,535	7.73%
<b>Total Assets</b>		<b>10,178,185</b>	<b>12,197,391</b>	<b>2,019,206</b>	<b>19.84%</b>
Current Liabilities		5,430,727	5,479,622	48,895	0.90%
Non-current liabilities		472,865	2,510,000	2,037,135	430.81%
<b>Total Liabilities</b>		<b>5,903,592</b>	<b>7,989,622</b>	<b>2,086,030</b>	<b>35.33%</b>
Common Stock		2,810,594	2,810,594	0	-%
Capital Surplus		1,061,873	1,061,873	0	-%
Retained Earnings		565,366	579,040	13,674	2.42%
Other Equity		(163,240)	(243,738)	(80,498)	(49.31)%
<b>Total Equity</b>		<b>4,274,593</b>	<b>4,207,769</b>	<b>(66,824)</b>	<b>(1.56)%</b>

Explanation and analysis on percentage changes:

1. Real estate, plant and equipment increased: Mainly due to the increase in new equipment during this term.
2. Non-current liabilities and total liabilities increased: Mainly due to the increased long-term borrowings during this term..
3. Other equity and total shareholders' equity decreased: Mainly due to the decrease in the exchange difference in the translation of financial statements of foreign operating agencies.

## B. Analysis of Financial Performance

### (A) Main reasons of major changes in revenue, net operating profit and net profit before tax in the most recent two years

Unit: NTD thousands

Item	Year	2016	2017	Variance	
				Amount	%
Net Operating Revenue		11,791,838	11,646,443	(145,395)	(1.23)%
Operating Cost		10,567,277	10,406,598	(160,679)	(1.52)%
Gross Profit		1,224,561	1,239,845	15,284	1.25%
Operating Expense		1,222,899	1,198,273	(24,626)	(2.01)%
Operating Income		1,662	41,572	39,910	2,401.32%
Non-Operating Income and Expenses		40,784	(38,536)	(79,320)	(194.49)%
Income Before Tax		42,446	3,036	(39,410)	(92.85)%
Income Tax (Fee) Interests		(29,618)	6,058	35,676	120.45%
Net Income		12,828	9,094	(3,734)	(29.11)%
Other Comprehensive Income (Net Income After Tax)		(290,394)	(75,918)	214,476	73.86%
Total Comprehensive Income		(277,566)	(66,824)	210,742	75.93%

Explanation and analysis on percentage changes:

1. Operating profit increased: Mainly due to the increase in the operating margin and the decrease in operating expenses.
2. Reduction of non-operating income and expenses: Mainly due to the decrease in the net foreign exchange gains and the increase in interest expenses.
3. Net profit before tax and net profit of this term both decreased: Mainly affected by the above operating profit from non-operating income and expenses.
4. Income tax benefits increased: Mainly affected by the tax reduction and the increase in tax rebates of R&D of the subsidiary.
5. Other comprehensive income (net of tax) of this term increased: Mainly due to the decrease in the exchange difference in the translation of financial statements of foreign operating agencies due to exchange rate fluctuations.

### (B) Analysis of changes in gross profit by product type

Unit: NTD thousands

Product Type	Increase/Decrease of Gross Profit	Reason for Difference			
		Price Difference	Cost Difference	Sales Mix Difference	Quantity Difference
Double-sided PCB	(\$142,581)	(\$93,331)	(\$68,258)	\$13,012	\$5,996
Multi-layer PCB	91,205	(157,614)	242,765	(8,333)	14,387
Touch panel	(18,495)	0	0	(18,801)	306
Total	(\$69,871)	(\$250,945)	\$174,507	(\$14,122)	\$20,689
Cost of goods sold-Inventory Loss	\$1,946	unfavorable	favorable	unfavorable	favorable
Other	83,209				
Total	\$15,284				

Owing to the growth in the market demand of the main products, the sales volume difference showed positive, which was favorable; as for the price, both double-sided and multi-layer prices fell, so the overall result showed negative, which was unfavorable. In terms of cost price differences, it was favorable due to the decline of production costs in Kunshan plant. As a result, the final total gross profit subtotal for the current year decreased compared to last year, but other costs were due to the increase in sales of leftover material, resulting in an increase in overall gross profit.

(C) The expected number of sales and its basis, the possible impact on the company's future financial business and the response plan

In year 2018, the overall order is estimated to grow by about 10-15% shared by three plants. Taoyuan Plant will be focusing on Rigid Flex boards and new energy products, Kunshan Plant will continue to focus on automotive board, TFT-LCD, HDI and high-frequency board. Huangshi Plant will first start with TFT-LCD and develop automotive board at the same time. It is expected that there will be a steady growth in sales volume in the year 2018, which will have a positive effect on the company's future financial business.

C. Cash Flow

(A) Analysis of changes in cash flow in the most recent year

Item \ Year	2016	2017	Growth %
Cash flow percentage	9.98	1.53	(84.67)%
Cash flow adequacy ratio	106.26	65.24	(38.60)%
Cash reinvestment ratio	5.02	0.65	(87.05)%
Analysis of changes in growth percentage: In year 2017, due to the increase in payables, the net cash inflows from operating activities decreased. As a result, the cash flow and cash reinvestment ratios of year 2017 decreased.			

(B) Improvement plan for insufficient cash flow: not applicable

(C) Analysis of cash liquidity for the coming Year

Cash amount from beginning of the period (A)	Projected Net Cash Flow from the Year's Operation (B)	Projected Cash Outflow for the Entire Year (C)	Projected Cash Balance (A + B - C)	Contingency Plans for Projected Insufficient Cash Position	
				Investment Plan	Financial Management Plan
\$1,350,015	\$890,543	\$(683,226)	\$1,557,332	0	0

D. Impacts of Major Capital Expenditures in the Most Recent Year on Financial Operation: Not applicable.

E. Reinvestment Policies, Main Reasons of Profit and Loss and Improvement Plans in the Most Recent Year and Investment Plans for the Coming Year

Unit: NTD thousands

Item	Description	Amount of reinvestment profit (loss)	Policy	Major reasons of profit or loss	Improvement plan	Investment plan for the coming year
WINTEK (MAURITIUS) CO., LTD.		(12,437)	Investment Holdings	Recognized as investment income of the reinvested Dynamic (Kunshan) Electronics Co. Ltd. in mainland and Dynamic Electronics Holding Pte. Ltd. in Singapore.	-	-
Dynamic Electronics Europe GmbH		-	Sales Base	Liquidation was complete in January, 2017.	-	-
Dynamic PCB Electronics Co., Ltd.		(11)	Triangle Trade	Local government administration expenses.	-	-
Dynamic Electronics Co., Ltd. (Seychelles)		174,496	Trading business	Increased sales in the mainland led to profitability of this term.	-	-
Dynamic Electronics Trading Pte. Ltd.		246	Management & operation services	Income from offering management & operation services	-	-
Dynamic Electronics Holding Pte. Ltd.		(140,610)	Investment business	Recognized as investment loss of the reinvested mainland business-Dynamic Electronics (Huangshi) Co. Ltd.	-	-
Dynamic Electronics (Kunshan) Co., Ltd.		126,048	Production Site	Continuous Improvement and efficiency enhancement led to the profitability of this term.	-	-
Dynamic Electronics (Huangshi) Co., Ltd.		(140,209)	Production Site	The plant establishment did not reach the economic scale in the initial period, which was in the phase of loss and affected the overall profitability.	-	-

F. Sources of Risk

(A) Impacts of interest rate, currency exchange rate fluctuation and inflation on the Company's income and response measures in the future

Unit: NTD thousands

Item	Impacts on Company's profit/loss			Response Measures
	Year Item	2016	2017	
Interest Rate	Interest Income	9,803	17,766	The Company periodically observes market interest trends and evaluates capital sources according to bank deposit savings and applicable capital planning to reduce operation risks.
	Interest Expense	41,149	88,628	
Changes in Exchange Rate	Net profit/loss from Exchange	1,245	(10,487)	<p>1. Company products are mainly for export. In terms of raw material, with the exception of special raw materials that need to be purchased and manufactured in China, all other raw materials originate from domestic suppliers, therefore changes in exchange rates have a substantial level of impact on the Company's revenue and profit.</p> <p>2. The proportion of the company's overseas business is high, exchange gains and losses can impact the revenue and profit, in order to avoid company's profit being slashed by excessive fluctuations in exchange rates, the Company strengthened the exchange rate risk control, and to take the following measures:</p> <p>A. Collect daily exchange rate information in order to fully grasp the exchange rate trend and make timely decision on converting or holding foreign currency to reduce exchange rate risks.</p> <p>B. In terms of foreign exchange capital allocation, exchange rate risk can be reduced by the offset of foreign currency claims and liabilities through regular export and imported goods transaction.</p> <p>C. For payables denominated in foreign currencies, determine the exchange rate movements and analyze exchange gains and losses, decide whether to repay early or to pay with a bank loan, in order to avoid the risk of exchange rate fluctuations, and to achieve the purpose of cost savings.</p> <p>D. Consult with bank foreign exchange sector about hedging strategy, make decision for foreign currency according to funding requirements and the exchange rate situation, in order to reduce operational risk.</p> <p>E. When the exchange rate has a greater volatility, use other tools to avoid exchange risks, such as the transaction of forward foreign exchange and other manipulations, in order to avoid the risk of changes in exchange rates.</p>
Inflation	-	-	-	In recent years, domestic and foreign markets are facing the problem of inflation, although both have a negative impact on the overall economy and individual; the company may have the relative change in the product cost, selling price and market demand, but so far, no significant influence has occurred; the company will continue to observe and respond to market changes with appropriate adjustments.

(B) Major Reasons for Transaction Policies, Profit or Loss from Engaging in High-risk and Hyper-leveraged Investments, Fund Lending, Endorsement/ Guarantee and Derivatives and Correspondent Procedures and Response Measures

1. In the most recent year and as of the publishing date of the annual report to the public, the Company has not been engaged in any high-risk or hyper-leveraged investments. In the future, the Company will focus on development of its main industry focus. Under circumstances without prudent evaluation and decisions made by the board of directors, the Company will not be engaged in any kind of high-risk or hyper-leveraged investments.

2. Situation of the Company's Lending of Funds:

Unit: NTD thousands

Fund Lender	Borrower	Reason for Fund Lending	2017 end of year balance
Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	The working capital for the initial plant construction.	148,550
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Huangshi) Co., Ltd.	The working capital for the initial plant construction.	1,485,500

3. Situation of the Company's Endorsements and Guarantees:

Unit: NTD thousands

Entity making the Endorsement/ Guarantee	Entity for which the Endorsement/ Guarantee is made	Reason for Endorsement/ Guarantee	2017 end of year balance	Ways of improvement
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	No factory operation, unable to provide collateral for the bank..	148,550	In response to the principle of risk control, apply for working capital amount for this subsidiary, the financing amount of its bank shall be adjusted and reduced depending on its demand for the working capital in the future.
	Dynamic Electronics (Kunshan) Co., Ltd.	Cross-strait laws and regulations are not able to provide security for local banks in Taiwan.	594,200	In response to the principle of risk control, establish the cross-strait bank financing amount for this subsidiary to balance the risk of bank financing that might resulted from the cross-strait policy.

4. Situation of the Company's Derivatives Trading:

The Company's main derivatives exchange primarily involve forward transactions in order to reduce foreign exchange risks; the Company periodically evaluates risks and reports to the board of directors at every board meeting. In the future, the Company will continue to observe foreign currency exchange rate trends, conduct forward transaction operations within the board of directors authorized limits, in order to reduce company risks in holding USD capital.

- (C) R&D Plans and Estimated Expenses in Coming Years
1. 2018 R&D Plans: 10 layers up Rigid-Flex boards, high-frequency high-speed materials and hybrid design, thick copper and buried embedded copper cooling technology, embedded passive components, 1.6 mil fine circuit.
  2. It is expected that the R&D budget to be invested in 2018 will be NTD51,000,000. (The reason for the decrease comparing to year 2017 is the main strategic product – automotive PCB, the initial market development and product development cost of it have all been apportioned.)
- (D) Effects of domestic/foreign policy changes and law amendments on the Company's finance and response measures
1. In terms of regulatory environment, the relevant new laws and regulations of Taiwan in year 2017 related to the company include: National Health Insurance Law, Customs Import Tariff, Water Pollution Prevention and Control Law, Water Release Standard, Management Measures of Toxic Chemical Substance remedy facilities, detection and alarm equipment, Waste Disposal laws, Drinking water quality Standards, Fire laws, Occupational Safety and Health laws, Labor health protection rules, etc. We are constantly paying attention to the amendment of laws, regulations and policies, and the company's long-term development and daily operation situation, and making accordant adjustments in the company's governance and management development strategy at appropriate time.
  2. In year 2017, China revised the laws and regulations which affected the real economy based on the policy of optimized economic structure (from industrial-driven to industrial-and-service-driven, from investment-driven to investment-and-consumption-driven). Among them, those closely related to the industrial and commercial manufacturing industry are: Corporate Income Tax Law, General Principles of Civil Law, Occupational Disease Prevention Law, Import and Export Tariff Regulations, Implementation Regulation of Import and Export Commodity Inspection Law, Provisional Regulations on VAT and other laws and regulations; In addition, since July 1, 2017, the minimum monthly salary in Suzhou has been raised by 120RMB, from the original 1,820RMB starting January 1 2016 to 1,940RMB, the minimum hourly wage is adjusted to 17RMB. Viewing by the macroeconomic situation of year 2018, GDP will be rising, the overall economic environment will continue to improve. However, the tight supply of raw materials and rising transportation costs will have a certain degree of influence on the production and business activities of enterprises.
- (E) Effects of technology development and industry changes on the Company's finance and response measures
- Following the electronic technology expanding to communications, personal mobile devices and Internet communities, the company's PCB have also been successfully extended to smart phones, wearable devices, the Internet, pre-safe automotive electronics, 5G communications and medical equipment and other fields. The company pays close attention to the changes in technology and industry, while

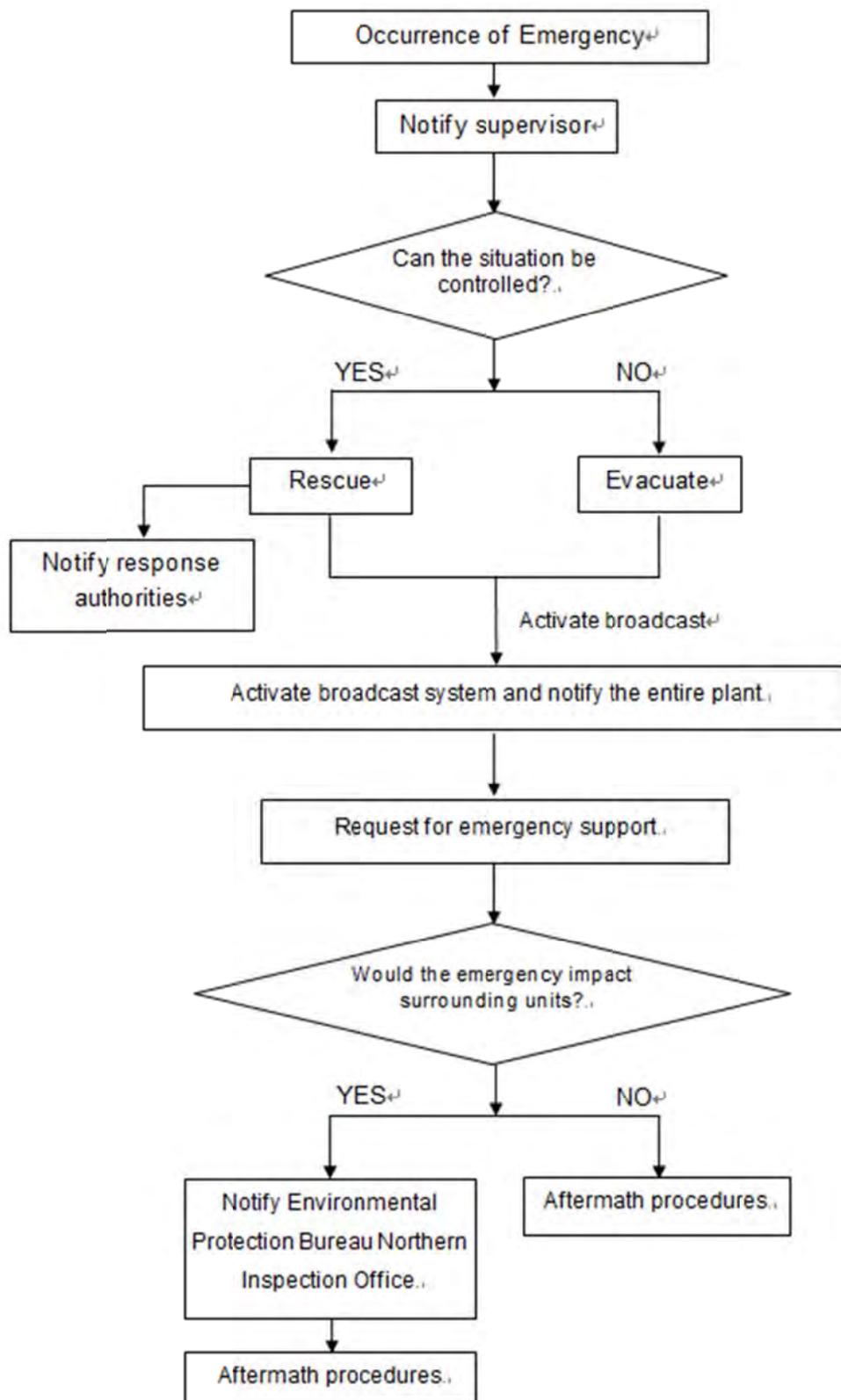
constantly sophisticated our technology development and process capabilities, also to adjust the strategy to cope with the changes in the market at all time.

- (F) Effects of changes of corporate images on the Company's crisis management and response measures: Not applicable
- (G) Expected Benefits, Risks and Response Measures in Mergers and Acquisitions: Not applicable
- (H) Possible risks and response measures and expected benefits from plant expansion: The Company properly planned and maintained the flexibility of the production capacity when expanding the Huangshi plant. When the demand for products is effectively grasped, the Company will enhance the production process and output to avoid the risk of idle production capacity. The possible risk and response measures are as follows:
1. Risk of raising working capital  
Response measures: own funds, bank loans, mainland government subsidies.
  2. Risk of customer orders  
Response measures: Strengthening the yield, quality and technical capacity, developing high-end, high value-added niche-type products, meantime planning alternative products.
- (I) Risks and Response Measures in Concentration in Purchase and Sales  
In the recent two years, only two of the company's suppliers account for over 10% of the company's purchasing net amount, and the highest percentage is 15.33% of the company's total purchase amount, so there is no risk caused by excessive concentration. In the recent two years, none of the company's customers accounts for over 10% of the company's sales net amount, so there is no risk caused by excessive concentration.
- (J) Impacts, Risks and Response Measures in Changes or Transfer in Directors, Supervisors and Substantial Shareholders with Shareholdings Greater than 10%: Not applicable.
- (K) Impact, Risks and Response Measures in Changes of Ownership: Not applicable.
- (L) With regard to litigation or non-litigation events, the name of its board directors, supervisors, Presidents, major shareholders holding greater than 1% of outstanding shares and the Company's subsidiaries should be stated. With regard to litigation (whether pending or for which a verdict has been reached), non-litigation or administrative appeals involving the Company, and the results may greatly affect the rights of its shareholders and bond prices, the Company shall disclose the details of the disputes, the amount involved, the litigation starting dates, primary litigants, and the status as of the publishing date of the annual report: Not applicable.
- (M) Other Major Risks and Response Measures:

## 1. Assessment of Risk Issues

In year 2017, the Risk Management Committee assessed 15 risk subjects, including: tracking of health status of senior supervisors, risks of technology cooperation with Vario Print, rapid invasion of low price automotive boards by Chinese-based suppliers, rising price and shortage of raw material, internal risk of information security, and fluctuation in exchange rate, corporate environmental protection credit evaluation, firefighting facilities, drainage reduction that limits production, VOC emissions reduction that limits production, heavy metal exceeding the standard that brings legal responsibility to the person in charge of the company, shortage of waste disposal sites, heavy metal copper emission standard tighten up, real-time connection setting of discharged water quality has no illegal window period, large-scale labor inspections, etc. The person in charge respond immediately with solutions, and reported in the board meeting after being audited by the auditors, and keep track of the follow-up. At the same time, the committee made a link map of risks to understand the relevance of risks and make decisions more comprehensive and effective. In addition, all these risk reports shall reach the chairman according to the significance level defined by the committee.

## 2. Preparations and Response Procedures for Emergency Situations



### 3. Other incidents impacting normal operation:

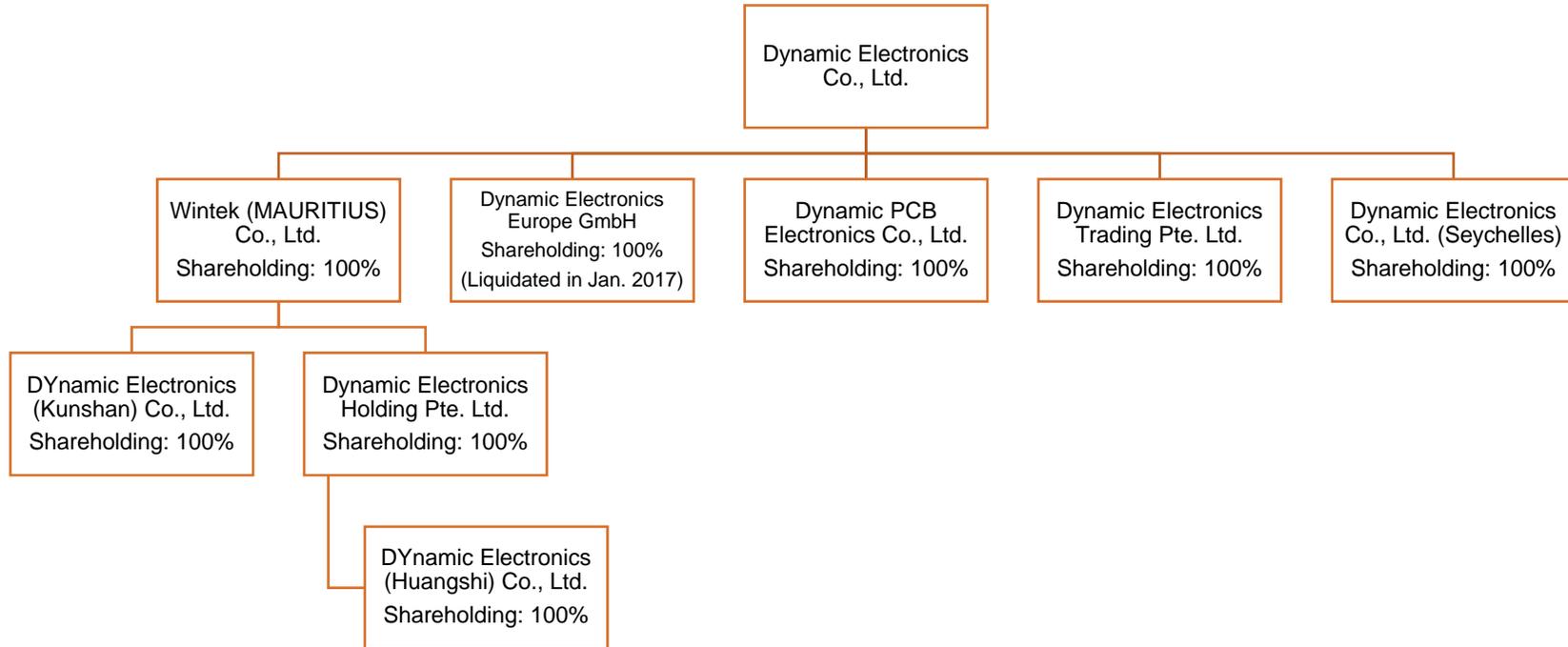
1	When short on staff	<p>Divided into short-term and long-term responses:</p> <ol style="list-style-type: none"> <li>1) Short-term: To flexibly arrange manpower among production lines, outsourcing may be arranged by the production planning depending on the situation to prevent impact on product delivery.</li> <li>2) Long-term: through application channels, employ foreign labor or contract staff for training and management in order to meet manpower requirements.</li> </ol>
2	During production equipment malfunction	<ol style="list-style-type: none"> <li>1) When malfunction of production equipment occurs, first send the engineering personnel to understand the situation and make analysis, then to shut down the power for the malfunctioning equipment and hang the caution sign for “under maintenance.”</li> <li>2) If the engineering personnel is unable to handle the problem, the department in requirement is to submit an “Equipment maintenance application/purchase order form” and then the engineering department is responsible for contacting maintenance company to come for repair.</li> <li>3) After the maintained equipment is confirmed by the manufacturing process supervisor, and has its “Repair/Maintenance record” recorded with its maintenance. If the repair cannot be complete smoothly, the production planning personnel will conduct production coordination.</li> <li>4) Repair/Maintenance contracts should be signed with main production equipment and manufacturing suppliers.</li> <li>5) To avoid the impact of major production equipment failure on the production capacity, the maintenance contracts for the key production equipment will be signed with the equipment manufacturers.</li> </ol>
3	During supplier emergency situations	<ol style="list-style-type: none"> <li>1) Check the inventories at factory and at supplier.</li> <li>2) Seek information for suppliers with substitute products, when necessary buy from foreign suppliers in order to maintain regular product delivery to customers.</li> <li>3) The Plant President is to assemble a response team to meet and discuss response strategies.</li> <li>4) Depending on the type of situation, all department supervisors act up to the directions instructed by the response team.</li> </ol>
4	During contingencies in public services: water/ electricity outage	<ol style="list-style-type: none"> <li>1) Keep generators in good condition in order to maintain regular operations during emergency electrical outage.</li> <li>2) Build additional water storage tank, obtain groundwater rights for temporary use in times of short-term water outage.</li> <li>3) In times of water/electricity outage, in addition to taking emergency response measures, production modification plans should be made by the production manager or outsourced to legitimate manufacturers.</li> <li>4) In times of contingencies, the production unit should immediately take control of products in the process of production and have the series labeled for future quality tracking.</li> </ol>

G. Other Important Matters: none.

## VIII. Affiliated Companies and Other Special Disclosures

### A. Related Information on Affiliated Companies

#### (A) Subsidiaries and Affiliated Companies Business Organization Structure



(B) Basic Information of Subsidiary and Affiliated Companies:

Unit: thousand shares / thousand NTD; Dec. 31, 2017

Company Name	Date of Incorporation	Address	Paid-in Capital	Major Business Activities
WINTEK( MAURITIUS) CO., LTD.	2001.12	Level3,Alexander House,35 Cybercity,Ebene ,Mauritius	USD 83,500	Investment Holding
Dynamic Electronics Europe GmbH (Note 1)	2004.01	Moraenenhoehe 47533 Kleve Germany	EUR 0	Trading of Printed Circuit Board
Dynamic PCB Electronics Co., Ltd.	2008.01	1 <sup>st</sup> Floor,#5DEKK House,De Zippora Street, P.O.BOX 456 Providence Industrial Estate,Mahe,Republic of Seychelles	USD 50	Trading of Printed Circuit Board
Dynamic Electronics Co.,Ltd. (Seychelles)	2015.01	1 <sup>st</sup> Floor,#5DEKK House,De Zippora Street, P.O.BOX 456 Providence Industrial Estate,Mahe,Republic of Seychelles	USD 7,200	Trading of Printed Circuit Board
Dynamic Electronics Trading Pte. Ltd.	2015.06	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE (169876)	USD 50	Management and operational services
Dynamic Electronics Holding Pte. Ltd.	2015.12	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE (169876)	USD 30,000	Investment holding
Dynamic Electronics (Kunshan) Co., Ltd..	2002.02	No. 1688, Jinshajiang North Rd. Kunshan City, Jiangsu Province 215344, China	USD 80,000	Production and sales of Printed Circuit Board
Dynamic Electronics (Huangshi) Co., Ltd.	2016.03	Economic and Technological Development Zone, Jinshan Road 189, Huangshi, China	USD 30,000	Production and sales of Printed Circuit Board

Note 1: The liquidation of Dynamic Electronics Europe GmbH was complete in January 2017.

(C) Companies with Control or Subsidiary Relationships according to Article 369-3 of the R.O.C. Company Law: none

(D) Business Operations within Company Affiliates and their Relationships: Investment, Shareholding, Manufacturing Operation and Trade.

## (E) Information about Directors, Supervisors, and Managers of Subsidiary and Affiliates:

Unit: Shares; Dec. 31, 2017

Company Name	Title	Name or Representative	Holding of Shares	
			Shares	%
WINTEK( MAURITIUS) CO., LTD.	Director	Ken Huang	8,350,000	100.00%
Dynamic Electronics Europe GmbH	Director	Ken Huang	-	100.00%
Dynamic PCB Electronics Co., Ltd.	Director	Ken Huang	50,000	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	Director	Ken Huang	7,200,000	100.00%
Dynamic Electronics Trading Pte. Ltd.	Director	Ken Huang, Stoney Chiu, Lily Chiang, Wanhui Lim	50,000	100.00%
Dynamic Electronics Holding Pte. Ltd.	Director	Ken Huang, Stoney Chiu, Lily Chiang, Wanhui Lim	30,000,002	100.00%
Dynamic Electronics (Kunshan) Co., Ltd.	Director Supervisor President	Ken Huang, Stoney Chiu, Lily Chiang Jean Liu Stoney Chiu	-	100.00%
Dynamic Electronics (Huangshi) Co., Ltd.	Director Supervisor President	Ken Huang, Stoney Chiu, Lily Chiang Jean Liu Stoney Chiu	-	100.00%

(F) Operation Results of Affiliated Companies

Unit: thousand NTD; Dec. 31, 2017

Company Name	Paid-In Capital	Total Assets	Total Liabilities	Total Equity	Operating Revenue	Operating Income	Net Income	EPS
Dynamic Electronics Co., Ltd.	2,810,594	6,972,383	2,764,614	4,207,769	4,620,391	(159,751)	9,094	0.03
WINTEK( MAURITIUS) CO., LTD.	2,716,696	5,395,828	1,190,416	4,205,412	0	(223)	(12,437)	-
Dynamic Electronics Europe GmbH	0	0	0	0	0	0	0	-
Dynamic PCB Electronics Co., Ltd.	1,555	1,835,297	1,833,355	1,942	7,270,136	(35)	(11)	-
Dynamic Electronics Co., Ltd. (Seychelles)	224,005	1,758,332	1,471,240	287,092	5,493,702	165,229	174,496	-
Dynamic Electronics Trading Pte. Ltd.	1,541	2,065	176	1,889	1,323	139	246	-
Dynamic Electronics Holding Pte. Ltd.	892,800	760,196	771	759,425	0	(401)	(140,610)	-
Dynamic Electronics (Kunshan) Co., Ltd.	2,380,800	6,956,016	3,515,222	3,440,794	8,826,511	182,303	126,048	-
Dynamic Electronics (Huangshi) Co., Ltd.	892,800	2,934,426	2,174,230	760,196	115,200	(158,118)	(140,209)	-

Note 1: Refer to foreign exchange rates to NTD:

For the balance sheet, USD=29.76, RMB=4.55450.

For the income statement, USD=30.442489, RMB=4.50431.

(G) The most recent year's report is prepared according to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises". The Company's 2017 report (starting from January 1<sup>st</sup>, 2017 to December 31<sup>st</sup>, 2017) "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" should include consolidated business reports and consolidated financial statements of affiliated enterprises, and according to Article 27 of International Accounting Standards, the parent and subsidiary companies' consolidated financial statements should be identical, the consolidated business reports and consolidated financial statements of affiliated enterprises are already stated within the consolidated financial statements for the parent and subsidiary companies, therefore there will be no separate preparation for consolidated business reports and financial statements of affiliated enterprises.

B. Private Placement Securities in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

- C. Company's Shares Held or Transferred by Subsidiaries in the Most Recent Year and as of the Publishing Date of the Annual Report: none.
- D. Other Supplementary Information: none.
- E. Pursuant to the Article 36-2-2 of Security Exchange Act, Event Having Material Impact on Shareholders' Equity or Share Price in the Most Recent Year and as of the Publishing Date of the Annual Report: none.

## VIII. Other Information Disclosures

- A. Precautionary Measures for a Safe Working Environment and Personnel Security
- (A) To ensure prevention of workers being exposed to hazardous material, for exposed concentration to meet law regulated standards, the Company carries out operation environment inspection twice a year in order to implement the supervision and monitor on work environment. Inspection plan is announced before putting it into practice, and the implementation result is disclosed to the public. Also the Company make environmental improvement in accordance with the monitoring results, in the meantime, combine with the staff health check report by the company's annual health check service and the help of occupational disease physician to identify the working conditions that need improvement and develop appropriate improvement measures for it. For the machines and equipment that may cause harm to the operator, the Industrial Safety Department should require the equipment operating unit to carry out periodical inspection on their own besides conducting the regular inspection by facilities standards, so that the occupational accidents due to equipment problem can be avoided; for the potential occurrence of accident and the risk factors that exist in the environment, the staff can know more through the education, training, bulletin board and regular-time announcement, which can remind employees and provide them with prevention solutions.
- (B) In order to fully understand the health condition of our employees, assign the most suitable job, and prevent occupational illness, in addition to establishing medical care and emergency personnel according to law regulations, health examinations are conducted for new employees, periodic health examinations for active employees and special health examinations for workers exposed to hazardous operation. For employees with exceptionally abnormal results from the health examination, the plant nurse will provide tracking and care for their health conditions, and when necessary, they may consider adjustments or modifications to their job content.
- (C) During the period between June and July every year, Taoyuan Plant would appoint a medical institution that approved by the Occupational Safety and Health Department to implement health check and specific health check for all the staff of Taoyuan plant. After implementation, a comparison report with all previous health status data will be provided for each employee to assist the employee in health management; A series of health talks will be held by appointed factory doctors and external lecturers based on the health check results and the factory characteristics, to enable the staff to acquire more knowledge of occupational disease prevention. Kunshan plant will have the Industrial Safety and Health Department collect the health conditions comparison charts, exhibiting posters regarding occupational illness prevention and awareness through the exhibition portal every month, promoting employees' prevention and awareness of occupational illness.
- (D) In year 2017, both Taoyuan Plant and Kunshan Plant succeeded in passing the annual review of the OHSAS 18001 system.to ensure effective operation of industrial safety management system.
- (E) To enhance the safety awareness of the two plants, carrying out a monthly security rating of the each class in two plants, as well as taking forward the relevant security

activities. Hopefully the purpose of production safety will be achieved by the giving reward or punishment according to the rating result of each month.

(F) Year 2017 Industrial Safety Improvement Items of Taoyuan Plant:

1. Fire circuit and flame detection sensor inspection and repair, old fire door renew, and CO2 fire extinguisher installation.
2. Purchased gas detectors for limited space operations, infrared thermometers, and safety equipment cabinets.
3. Helmets, gas masks, and first aid supplies renew
4. High noise equipment of press machine improvement.

(G) Year 2017 Industrial Safety Improvement Items of Kunshan Plant:

1. Continuously implement the standardization of safe production.
2. Carried out all-level supervisors' qualification for security personnel certificates and strengthened the safety awareness of all employees.
3. Continuously revise the safety procedures for each post.
4. Continuously carry out investigation and management work for hidden problems, develop and implement the security inspection plan.
5. Implemented senior leaders such as the president, leading the team to participate in the inspection of hidden safety hazards, continuously reduced the hidden dangers in the workplace, and provided employees with a comfortable and safe working environment.
6. Promoted the implementation of the special "six preventions" action ( preventing accidents of electric shock, high altitude fall, in-plant motor vehicle accidents, collapse, mechanical injuries, and objective strike) to prevent major accidents.
7. Strengthened the management of construction companies, established and promoted the safety performance appraisal system for construction companies, and prevented construction safety production accidents.

B. Material Insider Information Non-Disclosure Procedure

The Company has established the "Material Insider Information Non-Disclosure Procedure", the authority 【Chairman Office】 should notify supervisors and employees to be aware of whether there is important information to be disclosed according to law regulations. Furthermore, in order to reduce risks of inside trading, 【Chairman Office】 should annually promote awareness to the supervisors and employees, and request all personnel above the level of management, related personnel of financial and audit departments signing the "Material Information Confidentiality Agreement".

## X. Auditor's Report and 2017 Financial Statement

Dynamic Electronics Co., Ltd.

### Statement on Internal Control System

Date: Feb 26 2018

According to self-inspected results, the Company's internal control system of 2017 is stated in the following:

1. The Company understands the board of directors and Presidents' responsibility to establish, implement and maintain the Company's internal control system. The Company has established such regulations, intending to achieve objectives regarding effectiveness and efficiency (including profit, performance and ensuring asset security etc.) of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, as well as compliance with applicable laws, regulations, and bylaws, providing reasonable guarantee.
2. The internal control system has its intrinsic limits, no matter how complete the design, effective internal control can only provide reasonable guarantee for meeting the three aforementioned objectives; along with environmental and conditional changes, effectiveness of internal control regulations may change also. However, self-inspection mechanisms have been established into the Company's internal control system, the Company will take actions to fix a deficiency once it has been identified.
3. According to the "Regulations Governing Establishment of Internal Control Systems by Public Companies", (hereafter referred to as the Guideline) regulating the criteria for internal control systems effectiveness, the Company has assessed the effectiveness of the design and implementation of its internal control system. Intended for management and control processes, the Guideline's criteria for assessing internal control systems is comprised of five constituent elements: 1. Control environment, 2. Risk assessment, 3. Control activities, 4. Information and communications, and 5. Monitoring activities. Every element is comprised of further constituents. Please see "the Guideline" for the aforementioned elements.
4. The Company has assessed the effectiveness of the design and effectiveness of its internal control system according to the aforementioned internal control system criteria.
5. The assessment results show that as of December 31<sup>st</sup>, 2017, the Company's internal control system (including inspection and management of its subsidiaries), is effective in its design and implementation, meeting objectives including its effectiveness and efficiency (including profit, performance and ensuring asset security etc.) of operations, reliability, timeliness, transparency, and regulatory compliance of reporting, as well as compliance with applicable laws, regulations, and bylaws, providing reasonable guarantee in achieving the aforementioned objectives.
6. This Statement will become a main content item in the Company's Annual Report and its public announcements, and will be made public. Contents described above containing fraudulent materials, undisclosed items, or other illegalities, will incur legal responsibility under Articles 20, 32, 171, and 174 of the Securities Transaction Law.
7. This Statement was approved by the directors attending the Company's Board of Directors meeting on Feb. 26, 2018, among the 7 attendees, there were 0 dissenting opinions.

Dynamic Electronics Co., Ltd.

Chairman: Ken Huang Signature



President: Stoney Chiu Signature



## **Audit Committee's Review Report**

It is agreed to and resolved by the Audit Committee and the Board of Directors that the company's 2017 Financial Statement was audited and certified by Ernest & Young, who is designated by the Board of Directors; and an audit report which refers to the Financial Statement was issued.

In addition, the Company's business report of 2017 and statement of Deficit Compensation which were submitted by The Board of Directors have been considered to be compliant with the relevant regulations of Company Law after having them reviewed by the Audit Committee of Dynamic Electronics Co., Ltd. According to article 219 of Company Law, we hereby submit this report.

To  
2018 Annual Meeting of Shareholders of Dynamic Electronics Co., Ltd.

Chairman of the Audit Committee: Po-sheng Lin

A handwritten signature in black ink, reading "Po Sheng Lin". The signature is written in a cursive, flowing style.

March 30, 2018

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

**DYNAMIC ELECTRONICS CO., LTD.  
AND SUBSIDIARIES  
CONSOLIDATED FINANCIAL STATEMENTS  
WITH AUDIT REPORT OF INDEPENDENT ACCOUNTANTS  
AS OF DECEMBER 31, 2017 AND 2016  
AND FOR THE YEARS THEN ENDED**

Address: No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)  
Telephone: (03)349-3300

The reader is advised that these consolidated financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of Financial Statements and a Report Originally Issued in Chinese

**MANAGEMENT REPRESENTATION LETTER**

The entities that are required to be included in the combined financial statements of Dynamic Electronics Co., LTD. as of December 31, 2017 and for the year then ended under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standard No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, Dynamic Electronics Co., LTD. and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,

DYNAMIC ELECTRONICS CO., LTD.

By

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KEN HUANG

Chairman

February 26, 2018

English Translation of Consolidated Financial Statements and a Report Originally Issued in Chinese  
**AUDIT REPORT OF INDEPENDENT AUDITORS**

To: the Board of Directors  
Dynamic Electronics Co., LTD.

**Opinion**

We have audited the accompanying consolidated balance sheets of Dynamic Electronics Co., LTD. (the “Company”) and its subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including the summary of significant accounting policies (together “the consolidated financial statements”).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2017 and 2016, and their consolidated financial performance and cash flows for the years then ended, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2017 consolidated financial statements. These matters were addressed in the context of

our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's consolidated revenue amounting to NT\$11,646,443 thousand for the year ended December 31, 2017 is a significant account to the Company's consolidated financial statements. The Company and its subsidiaries have conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, variety of sale terms and conditions enacted in the main sale contracts or sale orders contributed to the complexity for the Company and its subsidiaries to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing and testing the effectiveness of relevant internal controls related to revenue recognition, particularly those controls for shipment to or from foreign warehouses, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the accounting for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the consolidated financial statements.

### Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company and its subsidiaries' inventory in amount of NT\$1,497,780 thousand, representing 12.28% of consolidated total assets, as of December 31, 2017 is significant to the Company's consolidated financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter – provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company and its subsidiaries' inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by 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 ability to continue as a going concern of the Company and its subsidiaries, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committee or supervisors, are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

## **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 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company and its subsidiaries. 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 Company and its subsidiaries to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the accompanying notes, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company and its subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2017 consolidated financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Others**

We have audited and expressed an unqualified opinion on the parent-company-only financial statements of Dynamic Electronics Co., Ltd. for the years ended December 31, 2017 and 2016.

Ernst & Young  
February 26, 2018  
Taipei, Taiwan,  
Republic of China

### Notices to Readers

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

As of December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2017		As of December 31, 2016	
Code	Accounts	Notes	Amount	%	Amount	%
11xx	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$1,350,015	11	\$1,261,941	12
1147	Debt instrument investments for which no active market exists	4, 6(2), 8	30,201	-	1,417	-
1150	Notes receivable, net	4, 6(3)	160,786	2	226,286	2
1170	Accounts receivable, net	4, 6(4)	3,064,091	25	3,142,427	31
1200	Other receivables		112,848	1	81,806	1
1310	Inventories, net	4, 6(5)	1,497,780	12	1,272,885	13
1410	Prepayments	6(13)	599,959	5	277,270	3
1470	Other current assets		12,457	-	3,262	-
	Total current assets		<u>6,828,137</u>	<u>56</u>	<u>6,267,294</u>	<u>62</u>
15xx	Non-current assets					
1600	Property, plant and equipment	4, 6(6), 8	4,845,857	40	3,425,029	34
1780	Intangible assets	4, 6(7)	24,256	-	17,967	-
1840	Deferred tax assets	4, 6(20)	197,706	2	155,354	1
1900	Other assets-others	6(8)	301,435	2	312,541	3
	Total non-current assets		<u>5,369,254</u>	<u>44</u>	<u>3,910,891</u>	<u>38</u>
	Total assets		<u>\$12,197,391</u>	<u>100</u>	<u>\$10,178,185</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)

As of December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2017		As of December 31, 2016	
Code	Accounts	Notes	Amount	%	Amount	%
21xx	Current liabilities					
2100	Short-term loans	6(9)	\$2,067,173	17	\$2,145,170	21
2170	Accounts payable		2,223,209	18	2,151,893	21
2180	Accounts payable-related parties	7	-	-	153,744	1
2200	Other payables	6(10)	1,089,225	9	773,075	8
2220	Other payables-related parties	7	47	-	421	-
2230	Current tax liabilities	4, 6(20)	12,769	-	5	-
2300	Other current liabilities-others		33,999	-	51,215	-
2322	Current portion of long-term loans	6(12), 8	53,200	1	155,204	2
	Total current liabilities		<u>5,479,622</u>	<u>45</u>	<u>5,430,727</u>	<u>53</u>
25xx	Non-current liabilities					
2540	Long-term loans	6(12), 8	1,886,000	16	138,604	2
2570	Deferred tax liabilities	4, 6(20)	252,786	2	226,921	2
2630	Long-term deferred revenue	4, 6(11)	286,158	2	-	-
2640	Net defined benefit liability	4, 6(13)	1,143	-	927	-
2645	Guarantee deposits		83,913	1	106,413	1
	Total non-current liabilities		<u>2,510,000</u>	<u>21</u>	<u>472,865</u>	<u>5</u>
	Total liabilities		<u>7,989,622</u>	<u>66</u>	<u>5,903,592</u>	<u>58</u>
31xx	Equity attributable to the parent company					
3100	Capital	6(14)				
3110	Common stock		2,810,594	23	2,810,594	28
3200	Capital surplus	6(14)	1,061,873	9	1,061,873	11
3300	Retained earnings	6(14)				
3310	Legal reserve		531,385	4	531,385	5
3320	Special reserve		299,666	2	299,666	3
3350	Accumulated profit or loss		(252,011)	(2)	(265,685)	(3)
3400	Other components of equity		(243,738)	(2)	(163,240)	(2)
	Total equity		<u>4,207,769</u>	<u>34</u>	<u>4,274,593</u>	<u>42</u>
	Total liabilities and equity		<u>\$12,197,391</u>	<u>100</u>	<u>\$10,178,185</u>	<u>100</u>

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
For the years ended December 31, 2017 and 2016  
(Amounts Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

Code	Accounts	Notes	2017		2016	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(15)	\$11,646,443	100	\$11,791,838	100
5000	Operating costs	7	(10,406,598)	(89)	(10,567,277)	(90)
5900	Gross profit		1,239,845	11	1,224,561	10
6000	Operating expenses	7				
6100	Sales and marketing expenses		(663,757)	(6)	(620,099)	(5)
6200	General and administrative expenses		(461,937)	(4)	(486,686)	(4)
6300	Research and development expenses		(72,579)	(1)	(116,114)	(1)
	Operating expenses total		(1,198,273)	(11)	(1,222,899)	(10)
6900	Operating income		41,572	-	1,662	-
7000	Non-operating income and expenses					
7010	Other income	6(18)	92,711	1	98,234	1
7020	Other gains and losses	6(18),7	(42,619)	-	(16,301)	-
7050	Finance costs	6(18),7	(88,628)	(1)	(41,149)	(1)
	Non-operating income and expenses total		(38,536)	-	40,784	-
7900	Income from continuing operations before income tax		3,036	-	42,446	-
7950	Income tax benefit (expense)	4, 6(20)	6,058	-	(29,618)	-
8200	Net income		9,094	-	12,828	-
8300	Other comprehensive income (loss)	6(19)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurement of defined benefit plans		4,580	-	(442)	-
8360	May be reclassified to profit or loss in subsequent periods					
8361	Exchange differences arising on translation of foreign operations		(96,985)	(2)	(349,340)	(3)
8399	Income tax related to items that may be reclassified subsequently to profit or loss		16,487	-	59,388	1
	Total other comprehensive income (loss), net of tax		(75,918)	(2)	(290,394)	(2)
8500	Total comprehensive income (loss)		<u>\$(66,824)</u>	<u>(2)</u>	<u>\$(277,566)</u>	<u>(2)</u>
8600	Net income attributable to:					
8610	Shareholders of the parent		\$9,094	-	\$10,700	-
8620	Non-controlling interests		-	-	2,128	-
			<u>\$9,094</u>	<u>-</u>	<u>\$12,828</u>	<u>-</u>
8700	Total comprehensive income (loss) attributable to:					
8710	Shareholders of the parent		\$(66,824)	(2)	\$(279,694)	(2)
8720	Non-controlling interests		-	-	2,128	-
			<u>\$(66,824)</u>	<u>(2)</u>	<u>\$(277,566)</u>	<u>(2)</u>
9750	Earnings per share - basic (In NT\$)	6(21)	<u>\$0.03</u>		<u>\$0.04</u>	
9850	Earnings per share - diluted (In NT\$)	6(21)	<u>\$0.03</u>		<u>\$0.04</u>	

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

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2017 and 2016

(In Thousands of New Taiwan Dollars)

Code	Items	Equity Attributable to Shareholders of the Parent						Non-controlling Interests	Total Equity	
		Capital	Capital Surplus	Retained Earnings			Other Components of equity			
				Legal Reserve	Special Reserve	Accumulated profit or loss	Exchange differences arising on translation of foreign operations			
		3110	3200	3310	3320	3350	3410	31xx	36XX	3xxx
A1	Balance as of January 1, 2016	\$2,810,594	\$1,061,873	\$531,385	\$299,666	\$(275,943)	\$126,712	\$4,554,287	\$45,271	\$4,599,558
D1	Net income for 2016					10,700		10,700	2,128	12,828
D3	Other comprehensive income (loss) for 2016					(442)	(289,952)	(290,394)		(290,394)
D5	Total comprehensive income (loss)	-	-	-	-	10,258	(289,952)	(279,694)	2,128	(277,566)
O1	Decrease in non-controlling interests								(47,399)	(47,399)
Z1	Balance as of December 31, 2016	<u>\$2,810,594</u>	<u>\$1,061,873</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$(265,685)</u>	<u>\$(163,240)</u>	<u>\$4,274,593</u>	<u>\$-</u>	<u>\$4,274,593</u>
A1	Balance as of January 1, 2017	\$2,810,594	\$1,061,873	\$531,385	\$299,666	\$(265,685)	\$(163,240)	\$4,274,593	\$-	\$4,274,593
D1	Net income in 2017					9,094		9,094		9,094
D3	Other comprehensive income (loss) in 2017					4,580	(80,498)	(75,918)		(75,918)
D5	Total comprehensive income (loss)	-	-	-	-	13,674	(80,498)	(66,824)	-	(66,824)
Z1	Balance as of December 31, 2017	<u>\$2,810,594</u>	<u>\$1,061,873</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$(252,011)</u>	<u>\$(243,738)</u>	<u>\$4,207,769</u>	<u>\$-</u>	<u>\$4,207,769</u>

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

## DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2017	2016	Code	Items	2017	2016
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$3,036	\$42,446	B02700	Acquisition of property, plant and equipment	(1,769,256)	(409,148)
A20000	Adjustments:			B02800	Proceeds from disposal of property, plant and equipment	10,745	11,209
A20010	Income and expense adjustments:			B00600	Acquisition of debt instrument investments for which no active market exists	(28,784)	(40)
A20300	Bad debt expenses (reversal)	-	2,188	B04500	Acquisition of intangible assets	(17,582)	(14,947)
A20100	Depreciation	647,066	789,932	B03700	Decrease (Increase) in refundable deposits	(1,116)	482
A20200	Amortization	11,163	6,870	B01900	Disposal of subsidiary resulted in decrease of net cash	-	(9,637)
A20900	Interest expense	88,628	41,149	B09900	Increase (decrease) in long-term deferred revenue	297,391	-
A21200	Interest revenue	(17,766)	(9,803)	BBBB	Net cash provided by (used in) investing activities	<u>(1,508,602)</u>	<u>(422,081)</u>
A22500	Loss on disposal of property, plant and equipment	11,996	467				
A23200	Loss (gain) on disposal of investment under equity method	(8,202)	(4,221)				
A23700	Impairment loss (reversal) on non-financial assets	5,189	10,719				
A29900	Earned revenue from government grants	(11,109)	-				
A30000	Changes in operating assets and liabilities:			CCCC	Cash flows from financing activities:		
A31130	Notes receivable	65,500	(46,205)	C00100	Increase in (repayment of) short-term loans	(77,997)	169,402
A31150	Accounts receivable	12,960	(69,516)	C01600	Increase in long-term loans	1,939,200	-
A31180	Other receivables	(43,489)	3,475	C01700	Repayment of long-term loans	(293,808)	(196,858)
A31200	Inventories	(224,895)	(64,418)	C03000	Increase (Decrease) in guarantee deposits	(22,500)	52,310
A31230	Prepayments	(322,689)	(122,546)	C03900	Increase (Decrease) in lease payable	-	(1,892)
A31240	Other current assets	(9,195)	(3,188)	CCCC	Net cash provided by (used in) financing activities	<u>1,544,895</u>	<u>22,962</u>
A31990	Long-term prepaid rent	12,222	(264,082)				
A32130	Notes payable	-	1,236				
A32140	Notes payable-related parties	-	420				
A32150	Accounts payable	71,316	256,748				
A32160	Accounts payable-related parties	(54,653)	89,706				
A32180	Accrued expenses	(65,071)	(28,877)				
A32190	Other payables-related parties	(374)	(848)				
A32230	Other current liabilities	(17,216)	(18,184)	DDDD	Effect of exchange rate changes on cash and cash equivalents	<u>(32,250)</u>	<u>(98,435)</u>
A32240	Net defined benefit liability	4,796	(1,500)				
A32000	Cash generated from operations	<u>159,213</u>	<u>611,968</u>				
A33100	Interest received	17,766	9,803	EEEE	Net increase (decrease) in cash and cash equivalents	88,074	44,565
A33300	Interest paid	(86,944)	(41,701)	E00100	Cash and cash equivalents at beginning of period	1,261,941	1,217,376
A33500	Income tax paid	(6,004)	(37,951)	E00200	Cash and cash equivalents at end of period	<u>\$1,350,015</u>	<u>\$1,261,941</u>
AAAA	Net cash provided by (used in) operating activities	<u>84,031</u>	<u>542,119</u>				

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

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
As of December 31, 2017 and 2016 and for the years then ended  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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1. History and organization

Dynamic Electronics Co., Ltd. (“the Company”) was incorporated in August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company’s registered office and the main business location is at No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)

2. Date and procedures of authorization of financial statements for issue

The consolidated financial statements of the Company and its subsidiaries (“the Group”) were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 26, 2018.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments.

The Group applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2017. The nature and the impact of each new standard and amendment have no material effect on the Group.

(2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Group as at the end of the reporting period are listed below.

(a) IFRS 15 “Revenue from Contracts with Customers”

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b)IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 Financial Instruments (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after January 1, 2018.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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(C)IFRS 10 “Consolidated Financial Statements” and IAS 28“Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

(d)IAS 12 “Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after January 1, 2017.

(e)Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendments are effective for annual periods beginning on or after January 1, 2017.

(f)IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The amendment clarifies how to identify a performance obligation in a contract, determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendment is effective for annual periods beginning on or after January 1, 2018.

(g)IFRS 2 “Shared-Based Payment” — Amendments to IFRS 2

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2018.

(h)Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches:

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to the transfers of investment property. The amendments clarify that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(j) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28 “Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k)IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. Apart from the potential impact of the standards and interpretations listed under (a), (b), (e), and (f) which is described below, all other standards and interpretations have no material impact on the Group:

(a)IFRS 15 “Revenue from Contracts with Customers” (including Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”)

The Group elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Group also elected to apply this standard retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group’s principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Group are summarized as follows:

A. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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requirements of IFRS 15, the Group shall recognize revenue when (or as) the Group satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Group's revenue recognition from sale of goods. However, for some contracts, if the Group has the right to transfer the goods to customers but does not have a right to an amount of consideration that is unconditional, these contracts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. There is not material impact on the Group.

B. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b)IFRS 9 “Financial Instruments”

The Group elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Group:

A. Classification and measurement of financial assets

Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with the requirements of IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFRS 15 is measured using the simplified approach (provision matrix). The aforementioned requirements on impairment is different from the current incurred loss model and have no material impact on the Group.

B. Others

Consequential amendments on the related disclosures in IFRS 7 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

(c)Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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financing activities at the beginning and end of the period would be required.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Group's financial statements are listed below.

(a) IFRS 16 "Leases"

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(b) IFRIC 23 "Uncertainty Over Income Tax Treatments"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

- (i) Estimates of future cash flows;
- (ii) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (iii) A risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

(d) IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(e) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(f) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 12 “Income Taxes”

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after January 1, 2019.

(g) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after January 1, 2019.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Group’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Group is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Group at this point in time. All other standards and interpretations have no material impact on the Group.

4. Summary of significant accounting policies

(1) Statement of compliance

The consolidated financial statements of the Group for the years ended December 31, 2017 and 2016 have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (“the Regulations”) and International Financial Reporting Standards, International Accounting Standards, and Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed by the FSC.

(2) Basis of preparation

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

(3)Basis of consolidation

Preparation principle of consolidated financial statements

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a)power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- (b)exposure, or rights, to variable returns from its involvement with the investee, and
- (c)the ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a)the contractual arrangement with the other vote holders of the investee
- (b)rights arising from other contractual arrangements
- (c)the Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries are fully consolidated from the acquisition date, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using uniform accounting policies. All intra-group balances, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total comprehensive income of the subsidiaries is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control of a subsidiary, it:

- (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- (b) derecognizes the carrying amount of any non-controlling interest;
- (c) recognizes the fair value of the consideration received;
- (d) recognizes the fair value of any investment retained;
- (e) recognizes any surplus or deficit in profit or loss; and
- (f) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

The consolidated entities are listed as follows:

Investor	Subsidiary	Main businesses	Percentage of ownership (%)	
			2017.12.31	2016.12.31
The Company	WINTEK (MAURITIUS) CO., LTD.	The business of PCB	100.00%	100.00%
The Company	Dynamic Electronics Europe GmbH	Trading of PCB	(Note 1)	100.00%
The Company	Dynamic PCB Electronics Co., Ltd.	Trading of PCB	100.00%	100.00%
The Company	Abon Touch Systems Inc.	Electronic component manufacturing	-%	(Note 2)
The Company	Dynamic Electronics Co., Ltd. (Seychelles)	Trading of PCB	100.00%	100.00%

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company	Dynamic Electronics Trading Pte. Ltd.	Management operations services	100.00%	100.00%
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	100.00%	100.00%
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	Investing activities	100.00%	100.00%
Dynamic Electronics Holding Pte. Ltd	Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	100.00%	100.00% (Note 3)

Note1: Dynamic Electronics Europe GmbH was liquidated in January 2017.

Note2: The Company's board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. The Company derecognized Abon Touch Systems Inc.'s financial accounts from the consolidated financial statements starting the date when losing the control power. The Company has successfully collected the proceeds of NT\$50,383 thousand from the transactions on March 30, 2016.

Note3: The Company indirectly established Dynamic Electronics (Huangshi) Co., Ltd. by investment of remittances in 2016.

(4) Foreign currency transactions and translation of financial statements in foreign currency

The Group's consolidated financial statements are presented in NT\$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rates prevailing at the date of the transaction. Monetary assets

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(5) Foreign currency transactions and translation of financial statements in foreign currency

The assets and liabilities of foreign operations are translated into New Taiwan dollar at the closing rate of exchange prevailing at the balance sheet date and their income and expenses are translated at an average rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income under exchange differences on translation of foreign operations. On disposal of the foreign operation, cumulative amount of the exchange differences recognized in other comprehensive income under separate component of equity is reclassified from equity to profit or loss when recognizing the disposal gain/loss.

On the partial disposal of a subsidiary that includes a foreign operation that does not result in

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the NCIs in that foreign operation, instead of recognized in profit or loss. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

Any goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and expressed in its functional currency.

(6) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Group expects to realize the asset, or intends to sell or consume it, in its normal operating cycle
- (b) The Group holds the asset primarily for the purpose of trading
- (c) The Group expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Group expects to settle the liability in its normal operating cycle
- (b) The Group holds the liability primarily for the purpose of trading
- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(7) Cash and cash equivalents

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (including fixed-term deposits that have maturities equal to or less than three months from the date of acquisition).

(8) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are recognized initially at fair value plus or minus, in the case of financial assets and financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

The Group accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Group are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition based on their natures and purposes.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

- i. it is acquired principally for the purpose of selling in short term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company classifies as at fair value through profit or loss, upon initial recognition designates as available-for-sale, or those for which the holder may not recover substantially all of its initial investment due to credit worsening.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments with no active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- i. significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;  
or
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv. the disappearance of an active market for that financial asset due to financial difficulties of the issuer.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the amount recorded for impairment is the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. The impairment amount is reclassified from equity to profit or loss. Impairment losses on equity investments are not reversed through profit or loss. Increases in their fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income is based on the reduced carrying amount of assets and calculated using the effective interest rate which is the discount rate for measuring impairment loss. Interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Group has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the consideration received or receivable including any cumulative gain or loss

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

that had been recognized in other comprehensive income, is recognized in profit or loss.

(b) Financial liabilities and equity

Classification between liabilities or equity

The Group classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

Equity instruments

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

Financial liabilities

Financial liabilities within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- i. it is acquired principally for the purpose of selling it in short term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss, including interest paid, is recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the liabilities are derecognized and amortized through the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(9) Derivative financial instrument

The Group uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently premeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(10) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) In the principal market for the asset or liability, or

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

(b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(11) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and conditions are accounted for as follows:

Raw materials – By actual purchase cost with weighted average method.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(12) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “Property, plant and equipment”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10~40 years
Machinery and equipment	1~10 years
Transportation equipment	4~6 years
Office equipment	3~6 years
Other equipment	1~9 years

An item of property, plant and equipment or any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The property, plant and equipment’s residual values, useful lives and methods of depreciation are reviewed at each financial year. If the expected values differ from the estimates, the differences are recorded as a change in accounting estimate.

(13) Leases

Group as a lessee

Finance leases which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

so as to achieve a constant rate of interest on the remaining balance of the liability.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

(14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A summary of the policies applied to the Group’s intangible assets is as follows:

	Computer software	Technology Expertise
Useful lives	3~5 years	5~6 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(15) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “Impairment of Assets” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group would conduct impairment tests at individual or CGU level. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired. An asset’s recoverable amount is the higher of an asset’s net fair value or its value in use.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the recoverable amount of the asset or CGU. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time.

(17) Treasury stock

The Group's own equity instruments repurchased (treasury shares) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(18) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Conditions and methods for the recognition of various types of revenue are listed below:

Sale of goods

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

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have been retained;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

(e)the costs incurred in respect of the transaction can be measured reliably.

Interest income

Interest incomes from financial assets at amortized costs (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets are estimated using the effective interest method and recognized in profit or loss.

Dividend income

Dividend incomes are recognized only when the Group has the right to receive the dividends.

(19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(20) Post-employment benefits

All regular employees of the Group and its domestic subsidiaries are entitled to pension plans that are managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Group and its domestic subsidiaries. Therefore, fund assets are not included in the Group's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Group and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Group recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

(21) Share-based payment transactions

The cost of equity-settled transactions between the Group and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

(22) Income taxes

Income tax expense (benefit) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% income tax for undistributed earnings of the Group and its subsidiaries is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

recover or settle the carrying amount of its assets and liabilities.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

5. Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) The Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flow model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

(b) Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the consolidated financial statements.

(c) Pension benefits

The cost of post-employment benefit pension plan and the present value of the defined benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions, including the change in the discount rate and expected salary level. The assumptions used for measuring pension cost and defined benefit obligation are disclosed in Note 6.

(d) Revenue Recognition-Sales returns and allowances

The Group estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(e) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carryforward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax asset of the Group as of December 31, 2017.

6. Contents of significant accounts

(1)Cash and cash equivalents

	<u>2017.12.31</u>	<u>2016.12.31</u>
Cash on hand	\$815	\$734
Checking and savings	1,347,325	1,259,179
Fixed-term deposits	1,875	2,028
Total	<u>\$1,350,015</u>	<u>\$1,261,941</u>

(2)Debt instrument investments for which no active market exists

	<u>2017.12.31</u>	<u>2016.12.31</u>
Restricted cash- Current	\$27,701	\$-
Fixed-term deposits	2,500	1,417
Total	<u>\$30,201</u>	<u>\$1,417</u>

Please refer to Note 8 for details on Debt instrument investments for which no active market exists under pledge.

(3)Notes receivable, net

	<u>2017.12.31</u>	<u>2016.12.31</u>
Notes receivables arising from operating activities	\$160,786	\$226,286
Less: allowance for doubtful debts	-	-
Total	<u>\$160,786</u>	<u>\$226,286</u>

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Notes receivables were not pledged.

(4)Accounts receivable

(a) Accounts receivable, net consist of the follow :

	2017.12.31	2016.12.31
Accounts receivable from operating activities	\$3,160,013	\$3,233,582
Less: allowance for doubtful debts	(13,683)	(13,683)
Less: sales returns and allowance	(82,239)	(77,472)
Total	<u>\$3,064,091</u>	<u>\$3,142,427</u>

(b) A provision has been recognized for sales returns and allowances based on past experience and other known factors. The provision is recognized and the corresponding entry is made against operating revenue at the time of sales.

(c) Sale terms are generally on 60~150 days. The movements of the provision for impairment of accounts receivable are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
2017.01.01	\$-	\$13,683	\$13,683
Charge for the current period	-	-	-
Write off	-	-	-
2017.12.31	<u>\$-</u>	<u>\$13,683</u>	<u>\$13,683</u>
2016.01.01	\$-	\$14,520	\$14,520
Charge for the current period	-	2,188	2,188
Write off	-	-	-
Other	-	(3,025)	(3,025)
2016.12.31	<u>\$-</u>	<u>\$13,683</u>	<u>\$13,683</u>

(d) Aging analysis of accounts receivable that is past due as at the end of the reporting period but not impaired is as follows:

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Neither past due nor impaired	Past due but not impaired					Total
		Less than 30 days	31~60 days	61~90 days	91~120 days	More than 121 days	
2017.12.31	\$2,956,812	\$88,154	\$13,731	\$4,951	\$-	\$443	\$3,064,091
2016.12.31	3,009,371	127,792	1,917	2,994	-	353	3,142,427

(e) Accounts receivable were not pledged.

(5) Inventories

(a) Details of inventories are as below :

	2017.12.31	2016.12.31
Raw materials	\$277,510	\$196,030
Supplies & parts	1,722	1,777
Work in progress	357,639	295,289
Finished goods	860,909	779,789
Total	<u>\$1,497,780</u>	<u>\$1,272,885</u>

(b) The cost of inventories recognized in expenses amounts to NT\$10,406,598 thousand for the year ended December 31, 2017 while NT\$10,567,277 thousand for the year ended December 31, 2016. The following losses were included in cost of sales :

	2017	2016
Inventory valuation losses	\$48,095	\$35,211
Unapplied fixed manufacturing expenses	-	2,110
Physical inventory losses	6,801	454
Total	<u>\$54,896</u>	<u>\$37,775</u>

(c) Inventories were not pledged.

(6) Property, plant and equipment

Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Leased assets	Construction in progress and equipment to be examined	Total
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Cost:

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2017.01.01	\$137,171	\$1,299,489	\$6,951,442	\$21,497	\$66,141	\$1,157,049	\$-	\$312,375	\$9,945,164
Additions	-	-	8,205	1,224	21,092	160,454	-	1,963,061	2,154,036
Disposals	-	-	(183,329)	(1,693)	(2,726)	(116,686)	-	-	(304,434)
Transfer	-	3,240	37,501	2,516	292	36,656	-	(80,205)	-
Exchange differences	-	(21,190)	(89,000)	(337)	(1,085)	(19,670)	-	(5,125)	(136,407)
Other changes	-	-	-	-	-	-	-	-	-
2017.12.31	<u>\$137,171</u>	<u>\$1,281,539</u>	<u>\$6,724,819</u>	<u>\$23,207</u>	<u>\$83,714</u>	<u>\$1,217,803</u>	<u>\$-</u>	<u>\$2,190,106</u>	<u>\$11,658,359</u>
2016.01.01	\$227,171	\$1,582,779	\$7,540,826	\$22,439	\$110,616	\$1,300,376	\$36,800	\$324,729	\$11,145,736
Additions	-	-	15,472	-	1,330	78,600	-	196,983	292,385
Disposals	(90,000)	(184,857)	(256,770)	-	(47,785)	(174,505)	(36,800)	(5,570)	(796,287)
Transfer	-	-	150,205	490	6,413	34,433	-	(191,541)	-
Exchange differences	-	(98,433)	(498,291)	(1,432)	(4,433)	(81,855)	-	(12,226)	(696,670)
Other changes	-	-	-	-	-	-	-	-	-
2016.12.31	<u>\$137,171</u>	<u>\$1,299,489</u>	<u>\$6,951,442</u>	<u>\$21,497</u>	<u>\$66,141</u>	<u>\$1,157,049</u>	<u>\$-</u>	<u>\$312,375</u>	<u>\$9,945,164</u>
Depreciation and impairment:									
2017.01.01	\$-	\$435,752	\$5,149,563	\$15,917	\$46,645	\$872,258	\$-	\$-	\$6,520,135
Depreciation	-	41,830	403,349	3,123	8,801	189,963	-	-	647,066
Impairment loss	-	-	5,189	-	-	-	-	-	5,189
Disposals	-	-	(163,918)	(1,498)	(2,442)	(113,835)	-	-	(281,693)
Transfer	-	-	-	-	-	-	-	-	-
Exchange differences	-	(6,338)	(57,977)	(232)	(647)	(13,001)	-	-	(78,195)
Other changes	-	-	-	-	-	-	-	-	-
2017.12.31	<u>\$-</u>	<u>\$471,244</u>	<u>\$5,336,206</u>	<u>\$17,310</u>	<u>\$52,357</u>	<u>\$935,385</u>	<u>\$-</u>	<u>\$-</u>	<u>\$6,812,502</u>
2016.01.01	\$-	\$465,801	\$5,165,571	\$13,665	\$81,971	\$896,234	\$16,875	\$-	\$6,640,117
Depreciation	-	45,468	523,089	3,282	8,660	208,301	1,132	-	789,932
Impairment loss	-	-	10,719	-	-	-	-	-	10,719
Disposals	-	(45,676)	(200,592)	-	(40,762)	(169,745)	(18,007)	-	(474,782)

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Transfer	-	-	-	-	-	-	-	-	-
Exchange differences	-	(29,841)	(349,224)	(1,030)	(3,224)	(62,532)	-	-	(445,851)
Other changes	-	-	-	-	-	-	-	-	-
2016.12.31	\$-	\$435,752	\$5,149,563	\$15,917	\$46,645	\$872,258	\$-	\$-	\$6,520,135
Net carrying amount as at:									
2017.12.31	\$137,171	\$810,295	\$1,388,613	\$5,897	\$31,357	\$282,418	\$-	\$2,190,106	\$4,845,857
2016.12.31	\$137,171	\$863,737	\$1,801,879	\$5,580	\$19,496	\$284,791	\$-	\$312,375	\$3,425,029

In the year ended December 31, 2017, the Group wrote down the carrying value of certain idle property, plant and equipment to NT\$0 by recognizing an impairment loss in amount of NT\$5,189 thousand in the statement of comprehensive income.

In the year ended December 31, 2016, the Group wrote down the carrying value of certain idle property, plant and equipment to NT \$0 by recognizing an impairment loss in amount of NT \$10,719 thousand in the statement of comprehensive income.

Significant components of building include main building structure and additional expansion construction, which are depreciated over their useful lives of 30~40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(7) Intangible assets

	Computer software	Technology expertise	Total
Cost:			
2017.01.01	\$27,033	\$750	\$27,783
Increase	17,582	-	17,582
Decrease	(1,543)	-	(1,543)
Exchange differences	(173)	-	(173)
2017.12.31	\$42,899	\$750	\$43,649
2016.01.01	\$19,321	\$750	\$20,071
Increase	14,947	-	14,947

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Decrease	(6,397)	-	(6,397)
Decrease— Others	(210)	-	(210)
Exchange differences	(628)	-	(628)
2016.12.31	<u>\$27,033</u>	<u>\$750</u>	<u>\$27,783</u>

Amortization:			
2017.01.01	\$9,262	\$554	\$9,816
Amortization	11,044	119	11,163
Decrease	(1,543)	-	(1,543)
Exchange differences	(43)	-	(43)
2017.12.31	<u>\$18,720</u>	<u>\$673</u>	<u>\$19,393</u>

2016.01.01	\$9,453	\$435	\$9,888
Amortization	6,751	119	6,870
Decrease	(6,397)	-	(6,397)
Decrease— Others	(140)	-	(140)
Exchange differences	(405)	-	(405)
2016.12.31	<u>\$9,262</u>	<u>\$554</u>	<u>\$9,816</u>
Net carrying amount as at:			
2017.12.31	<u>\$24,179</u>	<u>\$77</u>	<u>\$24,256</u>
2016.12.31	<u>\$17,771</u>	<u>\$196</u>	<u>\$17,967</u>

Amortization of intangible assets is as follows:

	<u>2017</u>	<u>2016</u>
Operating costs	\$2,444	\$658
Operating expenses	8,719	6,212
Total	<u>\$11,163</u>	<u>\$6,870</u>

(8) Other non-current assets

	<u>2017.12.31</u>	<u>2016.12.31</u>
Refundable deposits	\$8,897	\$7,781
Long-term prepaid rent— land use right	292,538	304,760
Total	<u>\$301,435</u>	<u>\$312,541</u>

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(9) Short-term loans

(a) Short-term loans consist of the following:

	Interest Rates	2017.12.31	2016.12.31
	(%)		
Unsecured bank loans	1.10% ~ 4.57%	<u>\$2,067,173</u>	<u>\$2,145,170</u>

(b) The Group's unused short-term lines of credits amounts to NT\$3,204,675 thousand and NT\$3,067,849 thousand as of December 31, 2017 and 2016, respectively.

(10) Other payables

Other payables consist of the following:	2017.12.31	2016.12.31
Accrued expenses	\$612,041	\$682,335
Accrued interest payable	3,946	2,282
Payables to equipment suppliers	<u>473,238</u>	<u>88,458</u>
Total	<u>\$1,089,225</u>	<u>\$773,075</u>

(11) Long-term deferred revenue

Government grants

	2017	2016
Beginning balance	\$-	\$-
Received during the period	297,391	-
Released to the statement of comprehensive income	(11,109)	-
Exchange differences	<u>(124)</u>	-
Ending Balance	<u>\$286,158</u>	<u>\$-</u>
	<u>2017.12.31</u>	<u>2016.12.31</u>
Non-current deferred revenue - government grants related to assets	<u>\$286,158</u>	<u>\$-</u>

Government grants have been received for purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to the grants.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(12) Long-term loans

(a) Details of long-term loans as of December 31, 2017 and 2016 are as follows:

Lenders	2017.12.31	Interest Rate (%) (Note2)	Maturity and terms of repayment
JihSun Bank – Taoyuan Branch – Secured bank loans (Note1)	\$273,300	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$3,462 thousand and last repayment NT\$6,741, within 7 years with a grace period of 6 months.
JihSun Bank – Taoyuan Branch – Secured bank loans (Note1)	326,700	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$4,138 thousand and last repayment NT\$8,059, within 7 years with a grace period of 6 months.
E. Sun Bank and credit unions	1,190,400	Interest is at LIBOR 3M+1.7%. If 3M TAIFX3 is higher than LIBOR 3M0.3%, interest is at 3M TAIFX3-0.3%+1.7% and subject to adjustments due to financial ratio.	The loan principal is repaid starting 24 months from the first usage date. The un-repaid loan shall be fully repaid in 3 semi-annual installments, 10% of unpaid balance for first and second and 80% for the third.
E. Sun Bank and credit unions	148,800	Interest is at LIBOR 3M+1.7%. If 3M TAIFX3 is higher than LIBOR 3M0.3%, interest is at 3M TAIFX3-0.3%+1.7% and subject to adjustments due to financial ratio.	The loan principal is repaid in 3 semi-annual installments, 10% for first and second and 80% for the third starting 24 months from the first usage date. Any portion of the repayments, if granted of a 2-year extension, shall be repaid starting 3 years from the first usage date in 5 semi-annual installments, 15% for first 4 and 40% for the fifth.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

		.7% and subject to adjustments due to financial ratio.
Total	<u>1,939,200</u>	
Less: Current portion of long-term loans	(53,200)	
Non-current portion of long-term loans	<u><u>\$1,886,000</u></u>	

<u>Lenders</u>	<u>2016.12.31</u>	<u>Interest Rate (%) (Note2)</u>	<u>Maturity and terms of repayment</u>
Mega International Commercial Bank - Taoyuan Branch— Secured bank loans (Note1)	\$104,808	Time deposit interest rate plus 0.75% for first two years, and the rate plus 0.875% from third year	The loan is at the term from December 3, 2010 to December 3, 2020, and repayable in 37 quarterly installments starting from December 2011.
Mega International Commercial Bank - Taoyuan Branch— Secured bank loans (Note1)	120,000	One-year time deposit interest rate plus 0.875%	The loan is at the term from November 21, 2013 to November 21, 2018, and repayable in 20 quarterly installments starting from December 2013.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li	53,000	Two-year time deposit interest rate plus 0.875%	The loan is at the term from December 12, 2014 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2015.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Branch— Secured bank loans (Note1)			
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch— Secured bank loans (Note1)	16,000	Two-year time deposit interest rate plus 1%	The loan is at the term from October 25, 2012 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2013.
Total	293,808		
Less: Current portion of long-term loans	(155,204)		
Non-current portion of long-term loans	\$138,604		

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

Note2: Interest rates of long-term loans are as follows:

	2017.12.31	2016.12.31
Interest Rates (%)	1.75%~3.60%	1.80%~2.00%

(b)The Group entered into an agreement of syndicated loans in credit line of USD50,000 thousand with E.Sun Bank, Mega International Commercial Bank and 7 other banks on March 17, 2017. According to the agreement, the Company's liquidity ratio, debt ratio and interest expenditure coverage derived from annual consolidated financial statements should meet certain criteria.

In the event that the Group's financial statements do not meet with any of the criteria or restrictions specified, the Company shall improve it in 9 months after the end of the fiscal year. The improvement documentation proposed by the Company shall also be reviewed by certified public accountants. During the period of improvement, (1) the unused credit line of underlying loan agreement shall be suspended from further usage until the

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

Group's financial ratio meet the required criteria. ; (2) the interest shall be increased by 0.15% from the immediate interest payment date as notified by the managing bank to the interest payment date immediately after the issue has been improved. The borrower's right to utilize the credit line shall be suspended and punished in accordance with related covenants in the agreement immediately when the managing banks discover any breach of loan contract.

(13) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Subsidiaries located in the People's Republic of China will contribute social welfare benefits based on a certain percentage of employees' salaries or wages to the employees' individual pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 amounted to NT\$17,383 thousand and NT\$18,077 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Group amounted to NT\$216 thousand both for the years ended December 31, 2017 and 2016.

Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

15<sup>th</sup> year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$1,136 thousand to its defined benefit plan during the 12 months beginning after December 31, 2017.

As of December 31, 2017 and 2016, the maturities of the Company's defined benefit plan were expected in 2027 and 2026.

Pension costs recognized in profit or loss for the years ended December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Current period service costs	\$869	\$836
Interest income or expense	(541)	(677)
Past service cost	1,127	-
Payments from the plan	-	-
Total	<u>\$1,455</u>	<u>\$159</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2017.12.31	2016.12.31	2016.01.01
Defined benefit obligation	\$38,477	\$49,663	\$51,513
Plan assets at fair value	(78,826)	(85,750)	(82,343)
Other non-current liabilities - Accrued pension liabilities recognized on the consolidated balance sheets	<u>\$(40,349)</u>	<u>\$(36,087)</u>	<u>\$(30,830)</u>

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2016.01.01	\$51,513	\$82,343	\$(30,830)
Current period service costs	836	-	836
Net interest expense (income)	1,039	1,716	(677)
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	<u>1,875</u>	<u>1,716</u>	<u>159</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,425	-	1,425
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	(1,942)	-	(1,942)
Return on plan asset assets	-	(959)	959
Subtotal	<u>(517)</u>	<u>(959)</u>	<u>442</u>
Payments from the plan	(3,208)	(3,208)	-
Contributions by employer	-	5,858	(5,858)
Effect of changes in foreign exchange rate	-	-	-
2016.12.31	49,663	85,750	(36,087)
Current period service costs	869	-	869
Net interest expense (income)	745	1,286	(541)
Past service cost and gains and losses arising from settlements	1,127	-	1,127

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Subtotal	2,741	1,286	1,455
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	776	-	776
Actuarial gains and losses arising from changes in financial assumptions	305	-	305
Experience adjustments	(6,065)	-	(6,065)
Return on plan assets	-	(404)	404
Subtotal	(4,984)	(404)	(4,580)
Payments from the plan	(8,943)	(8,943)	-
Contributions by employer	-	1,137	(1,137)
Effect of changes in foreign exchange rate	-	-	-
2017.12.31	\$38,477	\$78,826	\$(40,349)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2017	2016
Discount rate	1.39%	1.50%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption is shown as below:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increase by 0.5%	\$-	\$(1,918)	\$-	\$(2,330)

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Discount rate decrease by 0.5%	2,182	-	2,656	-
Expected salary level increased by 0.5%	2,179	-	2,656	-
Expected salary level decreased by 0.5%	-	(1,934)	-	(2,351)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(14) Equities

(a) Common stock

As of December 31, 2017 and 2016, the Company's authorized capital was NT\$4,000,000 thousand, each share at par of NT\$10. The Company's paid-in capital were NT\$2,810,594 thousand divided into 281,059,335 shares.

(b) Capital surplus

	2017.12.31	2016.12.31
Additional paid-in capital	\$989,014	\$989,014
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531
Gain on sale of assets	155	155
Employee stock option	5,249	5,249
Share options	19,710	19,710
Total	<u>\$1,061,873</u>	<u>\$1,061,873</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to the number of shares being held by each of them.

(c) Retained earnings and dividend policies

(1) Earning distribution

The Company's shareholders' meeting held on May 27, 2016 passed the resolution of amending the Articles of Incorporation, according to the revised Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2) Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

(3) According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company.

When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

the number of shares being held by shareholders.

- (4) Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT\$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.

As of December 31, 2017 and 2016, special reserve set aside for the first-time adoption of T-IFRS reduced to NT\$299,666 thousand accordingly.

- (5) There was no earnings distribution for the years ended December 31, 2017 and 2016.

For 2017 and 2016 employee and directors' compensation under the new Article to be amended, please refer to Note 6(17) for more details.

(d) Non-controlling interests

	2017	2016
Beginning balance	\$-	\$45,271

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Loss attributable to non-controlling interests	-	2,128
Others	-	(47,399)
Ending balance	<u>\$-</u>	<u>\$-</u>

(15) Operating revenues

	2017	2016
Sale of goods	\$11,852,825	\$12,046,193
Less: Sales returns, discounts and allowances	(206,382)	(254,355)
Total	<u>\$11,646,443</u>	<u>\$11,791,838</u>

(16) Operating leases - The Group as a lessee

The Group has entered into commercial leases on certain motor vehicles and items of land and buildings. These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2017 and 2016 are as follows:

	2017.12.31	2016.12.31
Within one year	\$354	\$708
Above one year to five years	-	354
Total	<u>\$354</u>	<u>\$1,062</u>

Operating lease expenses recognized are as follows:

	2017	2016
Minimum lease payments	<u>\$31,596</u>	<u>\$31,676</u>

(17) Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2017 and 2016 is as follows:

## DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$1,627,946	\$250,720	\$1,878,666	\$1,656,093	\$221,527	\$1,877,620
Labor and health insurance	35,124	5,442	40,566	31,922	6,043	37,965
Pension	12,516	6,538	19,054	12,531	5,921	18,452
Other employee benefits expense	98,830	1,503	100,333	123,787	49,098	172,885
Depreciation	619,429	27,637	647,066	734,014	55,918	789,932
Amortization	2,444	8,719	11,163	658	6,212	6,870

A resolution was passed at the shareholders' meeting of the Company held on May 27, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, 10%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the years ended December 31, 2017 and 2016, the Group incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

## (18) Non-operating income and expenses

## (a) Other incomes

	2017	2016
Interest income	\$17,766	\$9,803
Other income – others	74,945	88,431

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total	\$92,711	\$98,234
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(b) Other gains and losses

	2017	2016
Gain (loss) on disposal of property, plant and equipment	\$(11,996)	\$(467)
Foreign exchange gains (losses), net	(10,487)	1,245
Impairment losses		
Property, plant and equipment	(5,189)	(10,719)
Gain on disposal of investment	8,202	4,221
Others losses – others	(23,149)	(10,581)
Total	\$(42,619)	\$(16,301)

(c) Finance costs

	2017	2016
Interest on borrowings from bank	\$88,628	\$41,149

(19) Components of other comprehensive income (loss)

For the year ended December 31, 2017

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$4,580	\$-	\$4,580	\$-	\$4,580
May be reclassified to profit or loss					

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

in subsequent periods:					
Exchange differences arising on translation of foreign operations	(96,985)	-	(96,985)	16,487	(80,498)
Total	<u>\$(92,405)</u>	<u>\$-</u>	<u>\$(92,405)</u>	<u>\$16,487</u>	<u>\$(75,918)</u>

For the year ended December 31, 2016

	Arising during the period	Reclassification adjustments during the period	Other comprehensive income, before tax	Income tax relating to components of other comprehensive income	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(442)	\$-	\$(442)	\$-	\$(442)
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(349,340)	-	(349,340)	59,388	(289,952)
Total	<u>\$(349,782)</u>	<u>\$-</u>	<u>\$(349,782)</u>	<u>\$59,388</u>	<u>\$(290,394)</u>

(20) Income tax

(a)The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	<u>2017</u>	<u>2016</u>
Current income tax expense (income):		
Current income tax charge	\$19,015	\$29,618
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	-	-
Adjustments in respect of current income tax of prior periods	(25,073)	-

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total income tax expense (income)	<u>\$ (6,058)</u>	<u>\$ 29,618</u>
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Income tax relating to components of other comprehensive income

	<u>2017</u>	<u>2016</u>
Deferred tax expense (income):		
Exchange differences arising on translation of foreign operations	<u>\$ (16,487)</u>	<u>\$ (59,388)</u>

(b) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	<u>2017</u>	<u>2016</u>
Accounting profit before tax from continuing operations	<u>\$ 3,036</u>	<u>\$ 42,446</u>
Tax at the domestic rates applicable to profits in the country concerned	\$ 19,554	\$ 22,600
Tax effect of revenues exempt from taxation	-	(1,096)
Tax effect of expenses not deductible for tax purposes	(319)	16,974
Tax effect of deferred tax assets/liabilities	(220)	(8,860)
Prior years' tax adjustments	<u>(25,073)</u>	<u>-</u>
Total income tax expense (income) recognized in profit or loss	<u>\$ (6,058)</u>	<u>\$ 29,618</u>

(c) Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Other	Ending balance as of December 31, 2017
Temporary differences					
Unrealized loss on inventory valuation	\$ 2,651	\$ 248	\$ -	\$ -	\$ 2,899
Loss on inventory written-off and	2,609	(2,272)	-	-	337

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

obsolescence					
Investments accounted for using the equity method	(226,881)	(42,392)	16,487	-	(252,786)
Over 2 years payables	73	-	-	-	73
Gain on disposal of property, plant and equipment	2,505	(341)	-	-	2,164
Unrealized exchange loss (gain)	(40)	395	-	-	355
Sales returns and allowances	8,469	(1,513)	-	-	6,956
Commission expense	17,248	(8,734)	-	-	8,514
Bad debt Expense	-	294	-	-	294
Unused tax losses	120,215	54,315	-	-	174,530
Employee benefits	1,584	-	-	-	1,584
Deferred tax income/ (expense)		\$-	\$16,487	\$-	
Net deferred tax assets/(liabilities)	<u>\$(71,567)</u>				<u>\$(55,080)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$155,354</u>				<u>\$197,706</u>
Deferred tax liabilities	<u>\$(226,921)</u>				<u>\$(252,786)</u>

For the year ended December 31, 2016

	Beginning balance as of January 1, 2016	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Other	Ending balance as of December 31, 2016
Temporary differences					
Unrealized loss on inventory valuation	\$4,081	\$(1,430)	\$-	\$-	\$2,651
Loss on inventory written-off and obsolescence	-	2,609	-	-	2,609
Investments accounted for using the equity method	(259,186)	(27,083)	59,388	-	(226,881)

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Over 2 years payables	73	-	-	-	73
Gain on disposal of property, plant and equipment	1,394	1,111	-	-	2,505
Unrealized exchange loss (gain)	(721)	681	-	-	(40)
Sales returns and allowances	13,895	(5,426)	-	-	8,469
Commission expense	18,857	(1,609)	-	-	17,248
Unused tax losses	89,068	31,147	-	-	120,215
Employee benefits	1,844	-	-	(260)	1,584
Deferred tax income/ (expense)		\$-	\$59,388	\$(260)	
Net deferred tax assets/(liabilities)	<u>\$(130,695)</u>				<u>\$(71,567)</u>
Reflected in balance sheet as follows:					
Deferred tax assets	<u>\$129,212</u>				<u>\$155,354</u>
Deferred tax liabilities	<u>\$(259,907)</u>				<u>\$(226,921)</u>

(d) Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that have not been recognized amounts to NT\$73,953 thousand and NT\$53,206 thousand, respectively.

(e) Imputation credit information

	<u>2017.12.31</u>	<u>2016.12.31</u>
Balances of imputation credit amounts	<u>\$247,606</u>	<u>\$247,606</u>

The expected creditable ratio for 2017 and actual creditable ratio for 2016 were both 0%.

Effective January 1, 2016, the creditable ratio for the individual shareholders residing in the Republic of China will be reduced to half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law. The expected creditable ratio for 2017 mentioned above is only for reference as it will become invalid based on the abolishment of Partially Imputation System on Integrated Income Tax due to an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018.

Earnings generated prior to December 31, 1997 have been fully appropriated.

(f) The following tables contain information of the net operating losses of the Company:

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Year incurred	Net Operating Loss	Expiration year
2013	\$357,540	2023
2014	224,933	2024
2015	160,778	2025
2016	169,590	2026
2017(estimated)	235,931	2027
Total	<u>\$1,148,772</u>	

(g) The assessment of income tax returns

As of December 31, 2017, the tax assessments on the Company's tax filings have been approved up to the year of 2014.

(21) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2017	2016
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$9,094</u>	<u>\$10,700</u>
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	<u>284,465</u>	<u>284,465</u>
Basic earnings per share (in NT\$)	<u>\$0.03</u>	<u>\$0.04</u>
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	<u>\$9,094</u>	<u>\$10,700</u>
Profit attributable to ordinary equity holders of the	<u>\$9,094</u>	<u>\$10,700</u>

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Company after dilution (in thousand NT\$)		
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	284,465	284,465
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	284,465	284,465
Diluted earnings per share (in NT\$)	\$0.03	\$0.04

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

7. Related party transactions

- (1) Information of the related parties that had transactions with the Group during the financial reporting period is as follows :

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
PALWONN ELECTRONICS (SUZHOU) CO., LTD.	Other related party
HONGLAN ELECTRONICS CO., LTD.	Other related party
ABONMAX CO., LTD.	Other related party

- (2) Significant transactions with related parties

- (a) Purchases

	2017	2016
Other related parties	\$1,090	\$376,627

As the specifications of merchandise purchased from related parties are different from those from other third-party companies, the purchasing prices to related parties were not comparable. Payment terms for related parties were 90~120 days after monthly closing, and 60~120 days after monthly closing for general suppliers.

- (b) Account payable to related parties

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	<u>2017.12.31</u>	<u>2016.12.31</u>
Other related parties	\$-	\$153,744

(c) Payables to related parties

	<u>2017.12.31</u>	<u>2016.12.31</u>
Other related parties	\$47	\$421

(d) For the year ended December 31, 2016, the interest expenses incurred by the Group for unsecured loans acquired from related parties was amounted to NT\$694 thousand.

(e) Operating expenses incurred by the Group recognized from related parties in 2017 and 2016 amounted to NT\$1,899 thousand and NT\$523 thousand respectively.

(f) Disposal of assets transaction

	Shares of transaction	Object of transaction	2016	
			Price	Gain
Other related parties	8,589,873	Abon Touchsystems Inc.	<u>\$50,383</u>	<u>\$4,221</u>

No such matter for the year ended December 31, 2017.

(g) Key management personnel compensation

	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$34,101	\$35,186
Post-employment benefits	794	834
Total	<u>\$34,895</u>	<u>\$36,020</u>

8. Assets pledged as collateral

As of December 31, 2017 and 2016, the assets pledged for the Group's loans consist of the following:

Assets	Book value	Financial institutions	Purpose
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English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

<u>2017.12.31</u>			
Property, plant and equipment – land	\$137,171	JihSun Bank	Secured loans
Property, plant and equipment – buildings	91,623	JihSun Bank	Secured loans
Debt instrument investments for which no active market exists	27,701	Bank of Communications	L/C guarantee
Total	<u>\$256,495</u>		

<u>Assets</u>	<u>Book value</u>	<u>Financial institutions</u>	<u>Purpose</u>
<u>2016.12.31</u>			
Property, plant and equipment – land	\$137,171	Mega International Commercial Bank	Secured loans
Property, plant and equipment – buildings	94,914	Mega International Commercial Bank	Secured loans
Property, plant and equipment – machinery and equipment	196,596	Shanghai Commercial & Saving Bank, Ltd.	Secured loans
Total	<u>\$428,681</u>		

9. Significant contingencies and unrecognized contract commitments

As of December 31, 2017, the Group's outstanding contracts relating to purchased property, plant and equipment were as follows:

<u>Type of Asset</u>	<u>Total Amount</u>	<u>Amount paid</u>	<u>Amount unpaid</u>
Machinery and construction contracts	<u>\$2,076,846</u>	<u>\$1,296,800</u>	<u>\$780,046</u>

Amount paid was recorded under construction in progress and equipment to be examined.

10. Losses due to major disasters

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

None.

11. Significant subsequent events

Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018. The Company's deferred tax asset and deferred tax liability would increase by NT\$34,889 thousand and NT\$44,609 thousand, respectively, subsequently in 2018 as a result of the tax rate change.

12. Others

(1) Categories of financial instruments

Financial assets

	<u>2017.12.31</u>	<u>2016.12.31</u>
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	\$1,349,200	\$1,261,207
Debt instrument investments for which no active market exists	30,201	1,417
Notes receivable, net	160,786	226,286
Accounts receivable, net	3,064,091	3,142,427
Other receivables	112,848	81,806
Total	<u>\$4,717,126</u>	<u>\$4,713,143</u>

Financial liabilities

	<u>2016.12.31</u>	<u>2015.12.31</u>
Financial liabilities at amortized cost:		
Short-term loans	\$2,067,173	\$2,145,170
Payables	3,312,481	3,079,133
Long-term loans (including current portion)	1,939,200	293,808
Total	<u>\$7,318,854</u>	<u>\$5,518,111</u>

(2) Financial risk management objectives and policies

The Group's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Group identifies measures and manages the aforementioned risks based on the Group's policy and risk

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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appetite.

The Group has established appropriate policies, procedures and internal controls for financial risk management. Before the Group enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Group complies with its financial risk management policies at all times.

(3) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

Foreign currency risk

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense are denominated in a different currency from the Group's functional currency) and the Group's net investments in foreign subsidiaries.

The Group has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Group also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Group.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Group's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Group's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analyses is as follows:

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2017 and 2016 is decreased/increased by NT\$9,043 thousand and NT\$2,364 thousand, respectively.

When NTD strengthens/weakens against RMB by 1%, the profit for the years ended December 31, 2017 and 2016 is decreased/increased by NT\$10,336 thousand and NT\$3,023 thousand, respectively.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2017 and 2016 to decrease/increase by NT\$3,202 thousand and NT\$1,680 thousand, respectively.

Equity price risk

As of December 31, 2017 and 2016, the Group does not hold equity securities at fair value; therefore the Group is not subject to equity price risk.

(4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Group is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Group's internal

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2017 and 2016, accounts receivable from top ten customers represent 54.10% and 47.55% of the total accounts receivables of the Group, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Group's treasury in accordance with the Group's policy. The Group only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents, bank borrowings and finance leases. The table below summarizes the maturity profile of the Group's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<u>2017.12.31</u>					
Loans	\$2,140,888	\$1,630,208	\$193,558	\$186,774	\$4,151,428
Payables	3,312,481	-	-	-	3,312,481
<u>2016.12.31</u>					
Loans	\$2,309,946	\$115,866	\$26,628	\$-	\$2,452,440
Payables	3,079,133	-	-	-	3,079,133

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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(6) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
- ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
- iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
- iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
- v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

(b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Group's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(7) for fair value measurement hierarchy for financial instruments of the Group.

(7) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Group's assets and liabilities

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Group does not have assets that are measured at fair value on a non-recurring basis. And the Group does not have assets or liabilities that are measured at fair value on a recurring basis.

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1 and Level 2 fair value measurements.

(8) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	2017.12.31			2016.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	\$124,775	29.76	\$3,713,306	\$100,759	32.2	\$3,244,442
RMB	\$218,809	4.5545	\$996,567	\$330,056	4.6418	\$1,532,052
<u>Financial liabilities</u>						
Monetary items:						
USD	\$129,182	29.76	\$3,844,477	\$94,841	32.22	\$3,055,420
RMB	\$445,666	4.5545	\$2,029,781	\$258,901	4.6418	\$1,201,766

The above information is disclosed based on the carrying amount of foreign currency (after conversion to functional currency).

Since there were varieties of foreign currency transactions of the Group, the Group was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Group recognized exchange gain (loss) amounted to NT\$(10,487) thousand and NT\$1,245 thousand for the years ended December 31, 2017 and 2016, respectively.

(9) Capital management

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

- a. Financing provided to others for the year ended December 31, 2017: Please refer to Attachment 1.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2017: Please refer to Attachment 2.
- c. Securities held as of December 31, 2017 (excluding subsidiaries, associates and joint ventures): None.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2017: Please refer to Attachment 3.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2017: None.
- i. Financial instruments and derivative transactions: None.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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- j. Significant intercompany transactions between the parent with subsidiaries or among subsidiaries: Please refer to Attachment 8.
- (2) Information on investees :
- A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 4.
- B. An investor controls operating; investing and financial decisions of an investee, the related information Note 13 for the investee shall be disclosed as below:
- (a) Financing provided to others for the year ended December 31, 2017: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2017: None.
- (c) Securities held as of December 31, 2017 (excluding subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: Please refer to Attachment 5.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2017: Please refer to Attachment 6.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

---

(h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2017: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: None.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Information on investments in Mainland China:

- a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	\$2,380,800 (Note 2, 3, 6)	(Note 1)	\$2,260,265	\$-	\$-	\$2,260,265	\$123,222 (Note 2)	100%	\$123,222 (Note 2, 4, 5, 12)	\$3,440,796 (Note 2, 4, 5, 12)	\$1,205,280 (Note 2)	\$2,260,265	\$2,260,265	No upper limit (Note 11)
Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	\$892,800 (Note 2, 7, 8)	(Note 9)	\$292,330	\$152,200	\$-	\$444,530	\$(137,066)	100%	\$(137,066) (Note 2, 4, 10, 12)	\$760,196 (Note 2, 4, 10, 12)	\$-	\$444,530	\$444,530	

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Note 1: The Company indirectly invested 100% in Dynamic Electronics (Kunshan) Co. Ltd.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD 80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: Recognized investment income and carrying value by WINTEK (MAURITIUS) CO., LTD.

Note 6: The difference between investments remitted from Taiwan in amount of USD 69,500 thousand and the received paid-in capital of USD 80,000 thousand was a capital injection of USD 10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD14,000 thousand remitted from Taiwan and the paid-in capital of USD30,000 thousand is a capital injection of USD16,000 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD30,000 thousand.

Note 9: The Company indirectly invested in its China subsidiary, Dynamic Electronics (Huangshi) Co. Ltd., through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd.

Note 10: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment loss of Dynamic Electronics (Huangshi) Co. Ltd.

Note 11: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

Note 12: Transactions between consolidated entities are eliminated in the consolidated financial statements.

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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- b. Purchases and accounts payable with the related parties: Please refer to Attachment 8.
- c. Sales and accounts receivable with the related parties: None.
- d. The profit and loss produced by transaction of the property: None.
- e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 2.
- f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 1.
- g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service: Please refer to Attachment 8.
- h. The aforementioned transaction had been eliminated in the consolidated financial statements. Please refer to Attachment 8.

14. Segment information

- (1) For management purposes, the Group is organized into business units based on their products and services and has two reportable operating segments as follows:

Taiwan PCB segment: The segment is primarily responsible for the manufacturing of PCBs and selling them to electronic producers.

China (Kunshan) PCB segment: This segment is primarily responsible for the manufacturing of PCBs and selling them to the parent company as well as electronic producers.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured based on accounting policies consistent with those in the consolidated financial statements.

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reportable segment information for the years ended December 31, 2017 and 2016 were as follows:

	Taiwan PCB segment	China (Kunshan) PCB segment	Sub-total	Other segments (Note1)	Adjustments and eliminations (Note2)	Consolidated
<u>2017</u>						
Revenues						
External customers	\$10,090,308	\$1,556,135	\$11,646,443	\$-	\$-	\$11,646,443
Inter-segment	23,785	7,270,377	7,294,162	-	(7,294,162)	-
Interest revenue	6,575	11,191	17,766	-	-	17,766
Total	<u>\$10,120,668</u>	<u>\$8,837,703</u>	<u>\$18,958,371</u>	<u>\$-</u>	<u>\$(7,294,162)</u>	<u>\$11,664,209</u>
Segment income (loss)	<u>\$(129,574)</u>	<u>\$138,668</u>	<u>\$9,094</u>	<u>\$-</u>	<u>\$-</u>	<u>\$9,094</u>
<u>2016</u>						
Revenues						
External customers	\$9,874,067	\$1,846,361	\$11,720,428	\$71,410	\$-	\$11,791,838
Inter-segment	35,547	7,211,610	7,247,157	-	(7,247,157)	-
Interest revenue	4,016	5,785	9,801	2	-	9,803
Total	<u>\$9,913,630</u>	<u>\$9,063,756</u>	<u>\$18,977,386</u>	<u>\$71,412</u>	<u>\$(7,247,157)</u>	<u>\$11,801,641</u>
Segment income (loss)	<u>\$(106,858)</u>	<u>\$115,331</u>	<u>\$8,473</u>	<u>\$4,355</u>	<u>\$-</u>	<u>\$12,828</u>

Note 1: Revenues come from other operating segments that did not exceed the quantitative threshold for separate reporting.

Note 2: Inter-segment revenues are eliminated upon consolidation and recorded under the “adjustments and eliminations” column.

Details of operational asset-related information as of December 31, 2017 and 2016 are as follows:

	Taiwan PCB segment	China (Kunshan) PCB segment	Sub-total	Other segments	Adjustments and eliminations	Consolidated
<u>2017.12.31</u>						

English Translation of Consolidated Financial Statements and Footnotes Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Segment assets	<u>\$10,210,157</u>	<u>\$6,956,016</u>	<u>\$17,166,173</u>	<u>\$-</u>	<u>\$(4,968,782)</u>	<u>\$12,197,391</u>
<u>2016.12.31</u>						
Segment assets	<u>\$6,852,651</u>	<u>\$7,028,049</u>	<u>\$13,880,700</u>	<u>\$37,273</u>	<u>\$(3,739,788)</u>	<u>\$10,178,185</u>

(2) Geographical information

(a) Revenues from external customers (Note)

	<u>2017</u>	<u>2016</u>
Taiwan	\$796,534	\$975,764
China	4,568,301	5,699,301
Thailand	1,072,397	923,368
Germany	1,022,510	1,016,721
Korea	941,786	782,175
Other countries	3,244,915	2,394,509
Total	<u>\$11,646,443</u>	<u>\$11,791,838</u>

Note: The revenue information above is based on the location of the customer.

(b) Non-current assets

	<u>2017.12.31</u>	<u>2016.12.31</u>
Taiwan	\$631,690	\$665,178
China	4,539,858	3,090,359
Total	<u>\$5,171,548</u>	<u>\$3,755,537</u>

(3) Information about major customers

As the revenue generated from sales to Customer for the year 2017 and 2016 did not achieve 10% of the operating revenue of the Group, it was not disclosed.

English Translation of Consolidated Financial Statements Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES  
Financing provided to others  
For the year ended December 31, 2017

Attachment 1

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter-party	Limit of total financing amount
													Item	Value		
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$148,550	\$148,550	\$-	-%	2	\$-	Business turnover	\$-	-	\$-	\$841,554 (Note 3)	\$1,683,108 (Note 3)
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$45,920	\$-	\$-	-%	2	\$-	Business turnover	\$-	-	\$-	\$344,080 (Note 4)	\$688,160 (Note 4)
2	WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Other Yes	\$1,530,000	\$1,485,500	\$1,188,400	3.38%~3.6%	2	\$-	Business turnover	\$-	-	\$-	\$2,523,247 (Note 5)	\$2,523,247 (Note 5)
3	Dynamic Electronics CO., LTD. (Seychelles)	Dynamic Electronics Co., Ltd.	Other receivables -related parties	Other	\$60,740	\$-	\$-	-%	2	\$-	Business turnover	\$-	-	\$-	\$287,092 (Note 6)	\$287,092 (Note 6)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1. Need for operating is coded "1".
2. Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 40% of the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed 20% of the lender's net assets value as of December 31, 2017.

Note 4: Limit of total financing amount shall not exceed 20% of the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed 10% of the lender's net assets value as of December 31, 2017.

Note 5: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2017.

Note 6: Limit of total financing amount shall not exceed the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed the lender's net assets value as of December 31, 2017.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2017

Attachment 2

(In Thousands of New Taiwan Dollars)

No. (Note 1)	Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
	Name	Name	Relationship (Note2)											
0	Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc.(Note 4)	1	\$4,207,769	\$182,000	\$-	\$-	\$-	-%	\$4,207,769	N	N	N	
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics Co., Ltd. (Seychelles)	2	\$4,207,769	\$161,000	\$148,550	\$-	\$-	3.53%	\$4,207,769	Y	N	N	
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	3	\$4,207,769	\$612,000	\$594,200	\$326,810	\$-	14.12%	\$4,207,769	Y	N	Y	

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The six categories of between the Company and endorseees as follows:

1. An investee company that has a business relationship with the Company.
2. A subsidiary in which the Company holds directly over 50% of equity interest.
3. An investee in which the Company invests and its subsidiaries hold over 50% of equity interest.
4. An investee in which the Company holds direct or indirect over 50% of equity method.
5. An investee that has provided guarantees to the Company, and vice versa, due to contractual requirements.
6. An investee in which the Company conjunctionally invests with other shareholders, and for which the Company has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

Note 4: The Company's board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. As a result, the Company has set aside and submitted to its Audit Committee a rectification plan regarding endorsement/guarantee provided to others and will implement the plan as scheduled and report to the board of directors.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2017

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	\$2,632,587	76.49%	90~100 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable \$737,236	69.86%	Note 1

Note 1: Transactions are eliminated when preparing the consolidated financial statements.

## DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Investees over Which the Company Exercise Significant Influence or Control Directly or Indirectly (Excluding Investees in Mainland China)

As of December 31, 2017

Attachment 4

(In Thousands of Foreign Currency / New Taiwan Dollars)

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2017			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2017	As of December 31, 2016	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	The business of PCB	\$2,716,696	\$2,564,496	8,350,000	100.00%	\$4,207,310	\$(12,437)	\$184	Note4
Dynamic Electronics Co., Ltd.	Dynamic Electronics Europe GmbH	Moraenenhoehe 45 47533 Kleve Germany	PCB and business which relates to import and export	\$-	\$873	-	-%	\$-	\$-	\$-	Note2
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$1,555	\$1,555	50,000	100.00%	\$1,942	\$(11)	\$(11)	Note4
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$224,005	\$224,005	7,200,000	100.00%	\$287,091	\$174,496	\$174,496	Note4
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	\$1,541	\$1,541	50,000	100.00%	\$1,889	\$246	\$246	Note4
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	\$945,490	\$793,290	30,000,002	100.00%	USD 25,595	USD (4,619)	USD (4,543)	Note4

Note1: Including investment gain recognized under equity method amounted to NT\$12,437 thousand, realized profit on transaction between subsidiaries amounted to NT\$10,724 thousand and unrealized loss on transaction between subsidiaries amounted to NT\$1,897 thousand.

Note2: Dynamic Electronics Europe GmbH was liquidated in January 2017.

Note3: Including investment loss recognized under equity method amounted to USD(4,619) thousand and unrealized loss on transaction between subsidiaries amounted to USD76 thousand.

Note4: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Acquisition of Individual Real Estate with Amount exceeding the lower of NT\$300 Million or 20% of Capital Stock

For the Year ended December 31, 2017

Attachment 5

(In Thousands of Foreign Currency)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Dynamic Electronics (Huangshi) Co. Ltd.	Buildings Construction of Huangshi Plant	2016.06.20	RMB 167,568	RMB 121,006 thousand was paid as of December 31, 2017.	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2017

Attachment 6

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details			Abnormal Transaction		Notes/Accounts Payable or Receivable		Note	
			Purchase/Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance		% to Total
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 1,621,393	82.74%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 402,561	71.21%	Note1
Dynamic Electronics (Kunshan) Co., Ltd.	Palwonn Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	RMB 25,576	2.32%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 21,231	5.66%	Note1
Palwonn Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Sales	RMB 25,576	100.00%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable RMB 21,231	100.00%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	Sales	USD 151,697	63.52%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 36,832	59.79%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 87,118	36.48%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 24,773	40.21%	Note1
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Purchases	USD 238,815	100.00%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 61,605	100.00%	Note1
Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 151,697	94.43%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 36,832	91.63%	Note1

Note1: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Receivables from Related Parties with Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

As of December 31, 2017

Attachment 7

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	<u>RMB 402,561</u> (Note1,2)	<u>4.08</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	<u>USD 24,773</u> (Note1,2)	<u>3.16</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	<u>USD 36,832</u> (Note1,2)	<u>4.81</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>

Note1: Accounts receivable.

Note2: Transactions are eliminated when preparing the consolidated financial statements.

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD. AND SUBSIDIARIES

Intercompany relationships and significant intercompany transactions

For the year Ended December 31, 2017

Attachment 8

(In Thousands of Foreign Currency / New Taiwan Dollars)

No. (Note 1)	Company Name	Counter-Party	Nature of Relationship (Note 2)	Intercompany Transaction			Percentage to Consolidated Net Revenue or Total Assets (Note 3)
				Financial Statement Account	Amount	Terms	
	<u>Year 2017</u>						
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Purchases	\$2,632,587	90 days after monthly closing	22.60%
0	Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1	Accounts payable	737,236	90 days after monthly closing	6.04%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Purchases	233	90 days after monthly closing	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Accounts receivable	202	90 days after monthly closing	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Other payable	4,010	90 days after monthly closing	0.03%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Processing revenue	17,775	90 days after monthly closing	0.15%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Other income	6,010	90 days after monthly closing	0.05%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Other revenue	30	-	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	1	Other managing expenses	(108)	-	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Holding Pte. Ltd.	1	Other receivables	578	-	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd (Seychelles)	1	Interest expenses	759	-	0.01%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	1	Other receivables	282	-	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	1	Other revenue	70	-	-%
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	1	Other managing expenses	(216)	-	-%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Purchases	USD 238,815	90 days after monthly closing	61.02%
1	Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	3	Accounts payable	USD 61,605	90 days after monthly closing	15.03%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Purchases	USD 151,697	90 days after monthly closing	38.76%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic PCB Electronics Co., Ltd.	3	Accounts payable	USD 36,832	90 days after monthly closing	8.99%
2	Dynamic Electronics Co., Ltd (Seychelles)	Dynamic Electronics Trading Pte. Ltd.	3	Other managing expenses	USD 43	-	0.01%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Purchases	RMB 25,576	90 days after monthly closing	1.00%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Accounts payable	RMB 21,231	90 days after monthly closing	0.79%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	RMB 1,182	-	0.04%
3	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Interest revenue	RMB 189	-	0.01%
3	Wintek (Mauritius) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Other receivables	USD 40,000	-	9.76%
3	Wintek (Mauritius) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	3	Interest revenue	USD 580	-	0.15%

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Transactions are categorized as follows :

1. Investor to investee
2. Investee to investor.
3. Investee to investee.

Note 3: The percentage base with respect to the total consolidated revenue-weighted average (about income statement accounts) or total assets (about balance sheet accounts).

Note 4: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

English Translation of Financial Statements and a Report Originally Issued in Chinese

**DYNAMIC ELECTRONICS CO., LTD.**  
**PARENT-COMPANY-ONLY FINANCIAL STATEMENTS**  
**WITH AUDIT REPORT OF INDEPENDENT ACCOUNTANTS**  
**AS OF DECEMBER 31, 2017 AND 2016**  
**AND FOR THE YEARS THEN ENDED**

Address: No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)  
Telephone: (03)349-3300

The reader is advised that these parent company only financial statements have been prepared originally in Chinese. In the event of a conflict between these financial statements and the original Chinese version or difference in interpretation between the two versions, the Chinese language financial statements shall prevail.

English Translation of a Report Originally Issued in Chinese  
AUDIT REPORT OF INDEPENDENT AUDITORS

To: the Board of Directors  
Dynamic Electronics Co., LTD.

**Opinion**

We have audited the accompanying parent-company-only balance sheets of Dynamic Electronics Co., LTD. (the “Company”) as of December 31, 2017 and 2016, and the related parent-company-only statements of comprehensive income, changes in equity and cash flows for the years then ended, and notes to the parent-company-only financial statements, including the summary of significant accounting policies (together “the parent-company-only financial statements”).

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

**Basis for Opinion**

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

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of parent-company-only financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the parent-company-only financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue Recognition

We determine that revenue recognition is one of the key audit matters. The Company's revenue amounting to NT\$4,620,391 thousand for the year ended December 31, 2017 is a significant account to the Company's financial statements. The Company has conducted these sale activities in multi-marketplace, including Taiwan, China, Asia and Europe, etc. Furthermore, variety of sale terms and conditions enacted in its main sale contracts or sale orders contributed to the complexity for the Company to decide the appropriate timing of transfer the risk of ownership and return of goods to the buyers. We therefore conclude that there are significant risks with respect to the topic of revenue recognition.

Our audit procedures therefore include, but not limit to, evaluating the properness of accounting policy for revenue recognition, assessing, testing the effectiveness of relevant internal controls related to revenue recognition and executing the test of detail transaction, obtaining major sale orders or agreements to inspect the terms and conditions, checking the consistency of the accounting for revenue recognition with sale agreement or orders, performing analytical review procedures on monthly sale revenues, and executing sale cut-off tests, etc. We have also evaluated the appropriateness of the related disclosure in Note 6 to the financial statements.

### Provision against inventory

We determine that provision against inventory is also one of the key audit matters. The Company's inventory in amount of NT\$253,210 thousand, representing 3.63% of total assets, as of December 31, 2017 is significant to the Company's financial statements. The application market of the Company's main products, PCB, has been developing and changing rapidly and influenced significantly by end-customers' preference. The management therefore has to closely monitor the status of new products development and market demand for evaluating any significant impairment, including loss from market decline and slow-movement, incurred toward inventory. Also there was significant management judgement involved in determining the sufficiency of inventory loss provision. With respect to the key audit matter – provision against inventory, our audit procedures include, but not limit to, evaluating the appropriateness of inventory provision policy including how to identify the phased-out or slow-moving items, testing the correctness of inventory aging report, analyzing the reasons for slow-moving inventory, performing observation on the Company's inventory physical taking, and looking into the status of inventory utilization. Meanwhile, we have evaluated the appropriateness of the related disclosure in Note 5 and 6 to the financial statements.

## **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 the requirements of the Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of 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 ability to continue as a going concern of the Company, 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 audit committee, are responsible for overseeing the financial reporting process of the Company.

## **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 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 exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess 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. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent-company-only financial statements, including the accompanying notes, and whether the parent-company-only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent-company-only financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2016 parent-company-only financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young  
February 26, 2018  
Taipei, Taiwan,  
Republic of China

Notice to Readers

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

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.  
PARENT-COMPANY-ONLY BALANCE SHEETS

As of December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Assets			As of December 31, 2017		As of December 31, 2016	
Code	Accounts	Notes	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalents	4, 6(1)	\$141,020	2	\$162,899	2
1150	Notes receivable, net	4, 6(2)	8,716	-	10,806	-
1170	Accounts receivable, net	4, 6(3)	1,172,471	17	1,662,028	23
1180	Accounts receivable - related parties, net	7	202	-	6,601	-
1200	Other receivables		14,504	-	16,238	-
1210	Other receivables - related parties	7	860	-	272	-
1310	Inventories, net	4, 6(4)	253,210	4	266,887	4
1410	Prepayments		55,518	1	46,444	1
1470	Other current assets		10,982	-	478	-
11XX	Total current assets		<u>1,657,483</u>	<u>24</u>	<u>2,172,653</u>	<u>30</u>
	Non-current assets					
1550	Investment accounted for under equity method	4, 6(5)	4,485,504	64	4,246,831	59
1600	Property, plant and equipment, net	4, 6(6), 8, 9	618,245	9	650,262	9
1780	Intangible assets, net	4, 6(7)	11,298	-	13,012	-
1840	Deferred tax assets	4, 6(19)	197,706	3	155,354	2
1900	Other non-current assets	6(8)	2,147	-	1,904	-
1942	Long-term accounts receivable - related parties, net	7	-	-	-	-
15XX	Total non-current assets		<u>5,314,900</u>	<u>76</u>	<u>5,067,363</u>	<u>70</u>
1XXX	Total Assets		<u>\$6,972,383</u>	<u>100</u>	<u>\$7,240,016</u>	<u>100</u>

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY BALANCE SHEETS(Continued)

As of December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity			As of December 31, 2017		As of December 31, 2016	
Code	Accounts	Notes	Amount	%	Amount	%
	Current liabilities					
2100	Short-term loans	6(9)	\$643,440	9	\$813,310	11
2170	Accounts payable		318,029	4	377,070	5
2180	Accounts payable - related parties	7	737,236	11	978,935	14
2200	Other payables	6(10)	196,869	3	258,138	4
2220	Other payables - related parties	7	4,057	-	2,290	-
2300	Other current liabilities		11,054	-	12,359	-
2322	Current portion of long-term loans	6(11), 8	53,200	1	155,204	2
21XX	Total current liabilities		<u>1,963,885</u>	<u>28</u>	<u>2,597,306</u>	<u>36</u>
	Non-current liabilities					
2540	Long-term loans	6(11), 8	546,800	8	138,604	2
2570	Deferred tax liabilities	4, 6(19)	252,786	4	226,921	3
2640	Net defined benefit liabilities	4, 6(12)	1,143	-	927	-
2650	Credit balance of equity investments	4, 6(5)	-	-	1,665	-
25XX	Total non-current liabilities		<u>800,729</u>	<u>12</u>	<u>368,117</u>	<u>5</u>
2XXX	Total liabilities		<u>2,764,614</u>	<u>40</u>	<u>2,965,423</u>	<u>41</u>
	Capital					
3100	Capital	6(13)				
3110	Common stock		2,810,594	40	2,810,594	39
3200	Capital surplus	6(13)	1,061,873	15	1,061,873	15
3300	Retained earnings	6(13)				
3310	Legal reserve		531,385	8	531,385	7
3320	Special reserve		299,666	4	299,666	4
3350	Accumulated profit or loss		(252,011)	(4)	(265,685)	(4)
3400	Other components of equity		(243,738)	(3)	(163,240)	(2)
3XXX	Total equity		<u>4,207,769</u>	<u>60</u>	<u>4,274,593</u>	<u>59</u>
	Total liabilities and equity		<u>\$6,972,383</u>	<u>100</u>	<u>\$7,240,016</u>	<u>100</u>

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2017 and 2016

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

Code	Accounts	Notes	2017		2016	
			Amount	%	Amount	%
4000	Operating revenues	4, 6(14), 7	\$4,620,391	100	\$5,575,299	100
5000	Operating costs	6(4), 7	(4,446,484)	(96)	(5,299,579)	(95)
5900	Gross profit		173,907	4	275,720	5
6000	Operating expenses	7				
6100	Sales and marketing expenses		(190,925)	(4)	(241,368)	(4)
6200	General and administrative expenses		(137,247)	(3)	(157,930)	(3)
6300	Research and development expenses		(5,486)	-	(50,401)	(1)
	Operating expenses total		(333,658)	(7)	(449,699)	(8)
6900	Operating loss		(159,751)	(3)	(173,979)	(3)
7000	Non-operating income and expenses	6(17), 7				
7010	Other income		33,218	-	52,468	1
7020	Other gains and losses		(19,027)	-	(10,690)	-
7050	Finance costs		(20,261)	-	(18,638)	-
7070	Share of profit or loss of subsidiaries, associates and joint ventures	4, 6(5)	174,915	3	161,539	2
	Non-operating income and expenses total		168,845	3	184,679	3
7900	Income from continuing operations before income tax		9,094	-	10,700	-
7950	Income tax	4, 6(19)	-	-	-	-
8200	Net income		9,094	-	10,700	-
8300	Other comprehensive income (loss)	6(18)				
8310	Not to be reclassified to profit or loss in subsequent periods					
8311	Remeasurements of defined benefit plans		4,580	-	(442)	-
8360	May be reclassified to profit or loss in subsequent periods					
8361	Exchange differences arising on translation of foreign operations		(96,985)	(2)	(349,340)	(6)
8399	Income tax related to items that may be reclassified subsequently to profit or loss		16,487	-	59,388	1
	Total other comprehensive income (loss), net of tax		(75,918)	(2)	(290,394)	(5)
8500	Total comprehensive income (loss)		\$(66,824)	(2)	\$(279,694)	(5)
9750	Earnings per share - basic (in NT\$)	6(20)	\$0.03		\$0.04	
9850	Earnings per share - diluted (in NT\$)	6(20)	\$0.03		\$0.04	

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	Capital 3110	Capital Surplus 3200	Retained Earnings			Other Components of equity	3XXX
				Legal Reserve 3310	Special Reserve 3320	Accumulated profit or loss 3350	Exchange differences arising on translation of foreign operations 3410	
A1	Balance as of January 1, 2016	\$2,810,594	\$1,061,873	\$531,385	\$299,666	\$(275,943)	\$126,712	\$4,554,287
D1	Net income for 2016					10,700		10,700
D3	Other comprehensive income (loss) for 2016					(442)	(289,952)	(290,394)
D5	Total comprehensive income (loss)	-	-	-	-	10,258	(289,952)	(279,694)
Z1	Balance as of December 31, 2016	<u>\$2,810,594</u>	<u>\$1,061,873</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$(265,685)</u>	<u>\$(163,240)</u>	<u>\$4,274,593</u>
A1	Balance as of January 1, 2017	\$2,810,594	\$1,061,873	\$531,385	\$299,666	\$(265,685)	(163,240)	\$4,274,593
D1	Net income for 2017					9,094		9,094
D3	Other comprehensive income (loss) for 2017					4,580	(80,498)	(75,918)
D5	Total comprehensive income (loss)	-	-	-	-	13,674	(80,498)	(66,824)
Z1	Balance as of December 31, 2017	<u>\$2,810,594</u>	<u>\$1,061,873</u>	<u>\$531,385</u>	<u>\$299,666</u>	<u>\$(252,011)</u>	<u>\$(243,738)</u>	<u>\$4,207,769</u>

(The accompanying notes are an integral part of the parent-company-only financial statements.)

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

PARENT-COMPANY-ONLY STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

(Amounts Expressed in Thousands of New Taiwan Dollars)

Code	Items	2017	2016	Code	Items	2017	2016
AAAA	Cash flows from operating activities:			BBBB	Cash flows from investing activities:		
A10000	Net income before tax	\$9,094	\$10,700	B01800	Acquisition of Investment accounted for under equity method	(152,200)	(292,330)
A20000	Adjustments:			B02800	Acquisition of property, plant and equipment	(135,041)	(31,145)
A20010	Profit or loss not effecting cash flows:			B04400	Proceeds from disposal of property, plant and equipment	40	8,526
A20300	Bad debt expense	-	2,188	B04500	Acquisition of intangible assets	(6,120)	(11,811)
A20100	Depreciation	160,699	166,640	B03700	Decrease (increase) in refundable deposits	(243)	(80)
A20200	Amortization	7,834	5,111	B01900	Proceeds from disposal of investment under equity method	-	50,383
A20900	Interest expense	20,261	18,638	BBBB	Net cash provided by (used in) investing activities	(293,564)	(276,457)
A21200	Interest income	(292)	(312)				
A22400	Share of profit or loss of subsidiaries, associates and joint ventures	(174,915)	(161,539)				
A22500	Loss (gain) on disposal of property, plant and equipment	(2,046)	(1,953)				
A23200	Loss (gain) on disposal of investment under equity method	(8,202)	(4,221)				
A30000	Changes in operating assets and liabilities:						
A31130	Notes receivable	2,090	640				
A31150	Accounts receivable	489,557	102,758				
A31160	Accounts receivable - related parties	6,399	(3,060)				
A31180	Other receivable	1,734	213	CCCC	Cash flows from financing activities:		
A31190	Other receivable - related parties	(588)	35,542	C00100	Increase in (repayment of) short-term loans	(169,870)	266,747
A31200	Inventories	13,677	61,101	C01600	Increase in long-term loans	600,000	-
A31230	Prepayment	(9,074)	(10,201)	C01700	Repayment of long-term loans	(293,808)	(187,339)
A31240	Other current assets	(10,504)	(346)	CCCC	Net cash provided by (used in) financing activities	136,322	79,408
A32150	Accounts payable	(59,041)	26,944				
A32160	Accounts payable - related parties	(241,699)	(250,722)				
A32180	Accrued expenses	(55,186)	(13,247)				
A32190	Other payables - related parties	1,767	2,290				
A32230	Other current liabilities	(1,305)	2,133				
A32240	Net defined benefit liabilities	4,796	(1,500)				
A32000	Cash generated from operations	155,056	(12,203)				
A33100	Interest received	292	312				
A33300	Interest paid	(19,985)	(19,079)	EEEE	Net Increase (decrease) in cash and cash equivalents	(21,879)	(228,019)
A33500	Income tax paid	-	-	E00100	Cash and cash equivalents at beginning of period	162,899	390,918
AAAA	Net cash provided by (used in) operating activities	135,363	(30,970)	E00200	Cash and cash equivalents at end of period	\$141,020	\$162,899

(The accompanying notes are an integral part of the parent-company-only financial statements.)

1. History and organization

Dynamic Electronics Co., Ltd. (“the Company”) was incorporated in August 18, 1988. The main activities of the Company are engaged in the design, development, and manufacture of multi-layers PCB boards and electronics components. The Company’s common shares were publicly listed on the Taiwan Stock Exchange (TWSE) in March 18, 2009. The Company’s registered office and the main business location is at No. 356, Shanying Rd., Guishan Dist., Taoyuan City, Taiwan (R.O.C.)

2. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized to be issued in accordance with a resolution of the Board of Directors’ meeting held on February 26, 2018.

3. Newly issued or revised standards and interpretations

(1) Changes in accounting policies resulting from applying for the first time certain standards and amendments.

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are recognized by Financial Supervisory Commission (“FSC”) and become effective for annual periods beginning on or after January 1, 2017. The nature and the impact of each new standard and amendment have no material effect on the Company.

(2) Standards or interpretations issued, revised or amended, which are endorsed by FSC, but not yet adopted by the Company at the date of issuance of the Company’s financial statements are listed below.

(a) IFRS 15 “Revenue from Contracts with Customers”

The core principle of the new Standard is for companies to recognize revenue to depict the transfer of promised goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. An entity recognizes revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The new Standard includes a cohesive set of disclosure requirements that would result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The Standard is effective for annual periods beginning on or after January 1, 2018.

(b) IFRS 9 “Financial Instruments”

The IASB has issued the final version of IFRS 9, which combines classification and measurement, the expected credit loss impairment model and hedge accounting. The standard will replace IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9 *Financial Instruments* (which include standards issued on classification and measurement of financial assets and liabilities and hedge accounting).

Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore there is requirement that ‘own credit risk’ adjustments are not recognized in profit or loss.

Impairment: Expected credit loss model is used to evaluate impairment. Entities are required to recognize either 12-month or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition.

Hedge accounting: Hedge accounting is more closely aligned with risk management activities and hedge effectiveness is measured based on the hedge ratio.

The new standard is effective for annual periods beginning on or after January 1, 2018. Consequential amendments on the related disclosures also become effective for annual periods beginning on or after January 1, 2018.

- (c) IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” — Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures

The amendments address the inconsistency between the requirements in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures, in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. IAS 28 restricts gains and losses arising from contributions of non-monetary assets to an associate or a joint venture to the extent of the interest attributable to the other equity holders in the associate or joint ventures. IFRS 10 requires full profit or loss recognition on the loss of control of the subsidiary. IAS 28 was amended so that the gain or loss resulting from the sale or contribution of assets that constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized in full.

IFRS 10 was also amended so that the gains or loss resulting from the sale or contribution of a subsidiary that does not constitute a business as defined in IFRS 3 between an investor and its associate or joint venture is recognized only to the extent of the unrelated investors’ interests in the associate or joint venture.

The effective date of this amendment has been postponed indefinitely, but early adoption is allowed.

- (d) IAS 12 “Income Taxes” — Recognition of Deferred Tax Assets for Unrealized Losses

The amendment clarifies how to account for deferred tax assets for unrealized losses. The amendment is effective for annual periods beginning on or after January 1, 2017.

- (e) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”:

The amendment relates to changes in liabilities arising from financing activities and to require a reconciliation of the carrying amount of liabilities at the beginning and end of the period. The amendment is effective for annual periods beginning on or after January 1, 2017.

- (f) IFRS 15 “Revenue from Contracts with Customers” — Clarifications to IFRS 15

The amendment clarifies how to identify a performance obligation in a contract,

determine whether an entity is a principal or an agent, and determine whether the revenue from granting a license should be recognized at a point in time or over time. The amendment is effective for annual periods beginning on or after January 1, 2018.

(g) IFRS 2 “Shared-Based Payment” — Amendments to IFRS 2

The amendment contains (1) clarifying that vesting conditions (service and non-market performance conditions), upon which satisfaction of a cash-settled share-based payment transaction is conditional, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date. Instead, these are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction, (2) clarifying if tax laws or regulations require the employer to withhold a certain amount in order to meet the employee’s tax obligation associated with the share-based payment, such transactions will be classified in their entirety as equity-settled share-based payment transactions if they would have been so classified in the absence of the net share settlement feature, and (3) clarifying that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The equity-settled share-based payment transaction is measured by reference to the fair value of the equity instruments granted at the modification date and is recognized in equity, on the modification date, to the extent to which goods or services have been received. The liability for the cash-settled share-based payment transaction as at the modification date is derecognized on that date. Any difference between the carrying amount of the liability derecognized and the amount recognized in equity on the modification date is recognized immediately in profit or loss. The amendment is effective for annual periods beginning on or after January 1, 2018.

(h) Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts — Amendments to IFRS 4

The amendments help to resolve issues arising from the different effective dates for IFRS 9 “Financial Instruments” (January 1, 2018) and the new insurance contracts standard about to be issued by the IASB (still to be decided, but not before January 1, 2020). The amendments allow entities issuing insurance contracts within the scope of IFRS 4 to mitigate certain effects of applying IFRS 9 “Financial Instruments” before the IASB’s new insurance contracts standard becomes effective. The amendments introduce two approaches: an overlay approach and a temporary exemption. The overlay approach allows an entity applying IFRS 9 to remove from profit or loss the effects of some of the

accounting mismatches that may occur from applying IFRS 9 before the new insurance contracts standard is applied. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 until 2021 (these entities that defer the application of IFRS 9 will continue to apply IAS 39).

(i) Transfers of Investment Property — Amendments to IAS 40

The amendments relate to transfers of investment property. The amendments clarify that a change in use occurs when a property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use, the entity should transfer property into and out of investment property accordingly. A change in management's intention for the use of a property does not provide evidence of a change in use. The amendments are effective for annual periods beginning on or after January 1, 2018.

(j) Improvements to International Financial Reporting Standards (2014-2016 cycle):

IFRS 1 “First-time Adoption of International Financial Reporting Standards”

The amendments amend transition requirements relating to certain standards and delete short-term exemptions under Appendix E for first-time adopter. The amendments are effective for annual periods beginning on or after January 1, 2018.

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interests that are classified as held for sale or discontinued operations. The amendments are effective for annual periods beginning on or after January 1, 2017.

IAS 28 “Investments in Associates and Joint Ventures”

The amendments clarify that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and other qualifying entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 “Financial Instruments” on an investment-by-investment basis. Besides, if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by

that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries on an investment-by-investment basis. The amendments are effective for annual periods beginning on or after January 1, 2018.

(k) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

The interpretation clarifies that when applying paragraphs 21 and 22 of IAS 21 “The Effects of Changes in Foreign Exchange Rates”, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation is effective for annual periods beginning on or after January 1, 2018.

The abovementioned standards and interpretations issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after January 1, 2018. Apart from the potential impact of the standards and interpretations listed under (a), (b), (e), and (f) which is described below, all other standards and interpretations have no material impact on the Company:

(a) IFRS 15 “Revenue from Contracts with Customers” and (f) IFRS 15 “Revenue from

Contracts with Customers” — Clarifications to IFRS 15

The Company elected to recognize the cumulative effect of initially applying IFRS 15 at the date of initial application (January 1, 2018). The Company also elected to apply this standard retrospectively only to the contracts that are not completed at the date of initial application.

The Company’s principal activities consist of the sale of goods. The impacts arising from the adoption of IFRS 15 on the Company are summarized as follows.

- A. Revenue from sale of goods is currently recognized when goods have been delivered to the buyer. Starting from the date of initial application, in accordance with the requirements of IFRS 15, the Company shall recognize revenue when (or as) the Company satisfies a performance obligation by transferring a promised good to a customer. IFRS 15 has no impact on the Company’s revenue recognition from sale

of goods. However, for some contracts, if the Company has the right to transfer the goods to customers but does not has a right to an amount of consideration that is unconditional, these contacts should be presented as contract assets. It is different from the accounting treatment of recognizing trade receivables before the date of initial application. There is not material impact on the Company.

B. In accordance with the requirements of IFRS 15, more extensive disclosure would have to be made.

(b) IFRS 9 “Financial Instruments”

The Company elects not to restate prior periods in accordance with the requirements of IFRS 9 at the date of initial application (January 1, 2018). The adoption of IFRS 9 has the following impacts on the Company.

A. Classification and measurement of financial assets

Impairment of financial assets

This is applicable to financial assets not measured at fair value through profit or loss. In accordance with the requirements of IFRS 9, a loss allowance for debt instruments is measured using the expected credit loss model, whereas trade receivables or contract assets that result from transactions that are within the scope of IFS 15 is measured using the simplified approach (provision matrix). The aforementioned requirements on impairment is different from the current incurred loss model and have no material impact on the Company.

B. Others

Consequential amendments on the related disclosures in IFRS 7 were also made as a result of the application of IFRS 9, which include the disclosure requirements related to the initial application of IFRS 9. Therefore more extensive disclosure would have to be made.

(c) Disclosure Initiative — Amendment to IAS 7 “Statement of Cash Flows”

Additional disclosure of a reconciliation of the carrying amount of liabilities arising from financing activities at the beginning and end of the period would be required.

(3) Standards or interpretations issued, revised or amended, by IASB but not yet endorsed by FSC at the date of issuance of the Company's financial statements are listed below.

(a) IFRS 16 "Leases"

The new standard requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions). Lessor accounting still uses the dual classification approach: operating lease and finance lease. The Standard is effective for annual periods beginning on or after January 1, 2019.

(b) IFRIC 23 "Uncertainty Over Income Tax Treatments"

The Interpretation clarifies application of recognition and measurement requirements in IAS 12 "Income Taxes" when there is uncertainty over income tax treatments. The Interpretation is effective for annual periods beginning on or after January 1, 2019.

(c) IFRS 17 "Insurance Contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a company of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following.

- (1) estimates of future cash flows;
- (2) Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- (3) a risk adjustment for non-financial risk.

The carrying amount of a company of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts. IFRS 17 is effective for annual periods beginning on or after January 1, 2021.

(d) IAS 28 “Investment in Associates and Joint Ventures” — Amendments to IAS 28

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture before it applies IAS 28, and in applying IFRS 9, does not take account of any adjustments that arise from applying IAS 28. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(e) Prepayment Features with Negative Compensation (Amendments to IFRS 9)

The amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract, to be measured at amortized cost or at fair value through other comprehensive income. The amendment is effective for annual reporting periods beginning on or after January 1, 2019.

(f) Improvements to International Financial Reporting Standards (2015-2017 cycle):

IFRS 3 “Business Combinations”

The amendments clarify that an entity that has joint control of a joint operation shall remeasure its previously held interest in a joint operation when it obtains control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IFRS 11 “Joint Arrangements”

The amendments clarify that an entity that participates in, but does not have joint control of, a joint operation does not remeasure its previously held interest in a joint operation when it obtains joint control of the business. The amendments are effective for annual periods beginning on or after January 1, 2019.

IAS 12 “Income Taxes”

The amendments clarify that an entity shall recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. The amendments are effective for annual periods beginning on or after January 1, 2019.

#### IAS 23 “Borrowing Costs”

The amendments clarify that an entity should treat as part of general borrowings any borrowing made specifically to obtain an asset when the asset is ready for its intended use or sale. The amendments are effective for annual periods beginning on or after January 1, 2019.

#### (g) Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)

The amendments clarify that when a change in a defined benefit plan is made (such as amendment, curtailment or settlement, etc.), the entity should use the updated assumptions to remeasure its net defined benefit liability or asset. The amendments are effective for annual periods beginning on or after January 1, 2019.

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company’s financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed under (a), it is not practicable to estimate their impact on the Company at this point in time. All other standards and interpretations have no material impact on the Company.

#### 4. Summary of significant accounting policies

##### (1) Statement of Compliance

The Company’s parent-company-only financial statements as of and for the years ended December 31, 2017 and 2016 were prepared in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers (Regulations).

##### (2) Basis of Preparation

The Company prepared parent-company-only financial statements in accordance with Article 21 of the Regulations, which provided that the profit or loss and other comprehensive income for the period presented in the parent-company-only financial statements shall be the same as the profit or loss and other comprehensive income attributable to stockholders of the parent presented in the consolidated financial statements for the period, and the total equity presented in the parent-company-only financial statements shall be the same as the equity attributable to the parent company presented in the consolidated financial statements. Therefore, the Company accounted for its investments in subsidiaries using equity method and, accordingly, made

necessary adjustments.

The parent-company-only financial statements have been prepared on a historical cost basis, except for financial instruments that have been measured at fair value. The consolidated financial statements are expressed in thousands of New Taiwan Dollars ( “NT\$” ) unless otherwise stated.

### (3) Foreign Currency Transactions

The Company’s parent-company-only financial statements are presented in its functional currency, New Taiwan Dollars (NTD). Items included in the parent-company-only financial statements are measured using that functional currency.

Transactions in foreign currencies are initially recorded by the Company at functional currency rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate of exchange ruling at the reporting date. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

All exchange differences arising on the settlement of monetary items or on translating monetary items are taken to profit or loss in the period in which they arise except for the following:

- (a) Exchange differences arising from foreign currency borrowings for an acquisition of a qualifying asset to the extent that they are regarded as an adjustment to interest costs are included in the borrowing costs that are eligible for capitalization.
- (b) Foreign currency items within the scope of IAS 39 Financial Instruments: Recognition and Measurement are accounted for based on the accounting policy for financial instruments.
- (c) Exchange differences arising on a monetary item that forms part of a reporting entity’s net investment in a foreign operation is recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

When a gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is recognized in other comprehensive income. When a gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is recognized in profit or loss.

(4) Translation of Financial Statements in Foreign Currency

The assets and liabilities of foreign operations are translated into NTD at the closing rate of exchange prevailing at the reporting date and the income and expenses are translated at an average exchange rate for the period. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity, is reclassified from equity to profit or loss when the gain or loss on disposal is recognized. The following are accounted for as disposals even if an interest in the foreign operation is retained by the Company: the loss of control over a foreign operation, the loss of significant influence over a foreign operation, or the loss of joint control over a foreign operation.

On partial disposal of a subsidiary that includes a foreign operation that does not result in a loss of control, the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. In partial disposal of an associate or jointly controlled entity that includes a foreign operation that does not result in a loss of significant influence or joint control, only the proportionate share of the cumulative amount of the exchange differences recognized in other comprehensive income is reclassified to profit or loss.

(5) Current and non-current distinction for assets and liabilities

An asset is classified as current when:

- (a) The Company expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (b) The Company holds the asset primarily for the purpose of trading;
- (c) The Company expects to realize the asset within twelve months after the reporting period
- (d) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- (a) The Company expects to settle the liability in normal operating cycle
- (b) The Company holds the liability primarily for the purpose of trading

- (c) The liability is due to be settled within twelve months after the reporting period
- (d) The Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

(6) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value (include fixed-term deposits that have matures of 3 months from the date of acquisition).

(7) Financial instruments

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

Financial assets and financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are recognized initially at fair value plus or minus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

(a) Financial assets

The Company accounts for regular way purchase or sales of financial assets on the trade date.

Financial assets of the Company are classified as financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. The Company determines the classification of its financial assets at initial recognition based on their natures and purposes.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial asset at fair value through profit or loss; or a financial asset may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a set of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company upon initial recognition designates as available for sale, classified as at fair value through profit or loss, or those for which the holder may not recover substantially all of its initial investment.

Loans and receivables are separately presented on the balance sheet as receivables or bond investments for which no active market exists. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or transaction costs. The effective interest method amortization is recognized in profit or loss.

#### Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset other than the financial assets at fair value through profit or loss is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more loss events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset. The carrying amount of the financial asset impaired, other than receivables impaired which are reduced through the use of an allowance account, is reduced directly and the amount of the loss is recognized in profit or loss.

A significant or prolonged decline in the fair value of an available-for-sale equity instrument below its cost is considered a loss event.

Other loss events include:

- i significant financial difficulty of the issuer or obligor; or
- ii. a breach of contract, such as a default or delinquency in interest or principal payments;  
or
- iii. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- iv. the disappearance of an active market for that financial asset because of financial difficulties.

For held-to-maturity financial assets and loans and receivables measured at amortized cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial asset that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Company of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If there is objective

evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Interest income is accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

In the case of equity investments classified as available-for-sale, where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recognized in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

### Derecognition of financial assets

A financial asset is derecognized when:

- i. The rights to receive cash flows from the asset have expired
- ii. The Company has transferred the asset and substantially all the risks and rewards of the asset have been transferred
- iii. The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

### (b) Financial liabilities and equity

#### Classification between liabilities or equity

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

#### Financial liabilities

Financial liabilities within the scope of IAS 39 Financial Instruments: Recognition and Measurement are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- i. it is acquired or incurred principally for the purpose of selling it in short term;
- ii. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- iii. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated upon initial recognition as at fair value through profit or loss when doing so results in more relevant information, because either:

- i. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- ii. a Company of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Company is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include payables and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Relevant gains or losses and amortization amounts are recognized in profit or loss when the

liabilities are derecognized and amortized through the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

#### Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified (whether or not attributable to the financial difficulty of the debtor), such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

#### (c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (8) Derivative financial instrument

The Company uses derivative financial instruments to hedge its foreign currency risks and interest rate risks. A derivative is classified in the balance sheet as financial assets or liabilities at fair value through profit or loss (held for trading) except for derivatives that are designated effective hedging instruments which are classified as derivative financial assets or liabilities for hedging.

Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognized in equity.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss.

(9) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- (a) In the principal market for the asset or liability, or
- (b) In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

(10) Inventories

Inventories are valued at lower of cost and net realizable value item by item.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Raw materials – By actual purchase cost with weighted average method.

Finished goods and work in progress - Cost of direct materials and labor and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(11) Investments accounted for using the equity method

The Company accounted for its investments in subsidiaries using equity method and made necessary adjustments in accordance with Article 21 of the Regulations. Such adjustments were made after the Company considered the different accounting treatments to account for its investments in subsidiaries in the consolidated financial statements under IAS 10 “Consolidated and Separate Financial Statements” and the different IFRSs adopted from different reporting entity’s perspectives, and the Company recorded such adjustments by crediting or debiting to investments accounted for under the equity method, share of profit or loss of subsidiaries, associates and joint ventures and share of other comprehensive income of subsidiaries, associates and joint ventures.

The Company’s investment in its associate is accounted for using the equity method other than those that meet the criteria to be classified as held for sale. An associate is an entity over which the Company has significant influence.

Under the equity method, the investment in the associate is carried in the balance sheet at cost and adjusted thereafter for the post-acquisition change in the Company’s share of net assets of the associate. After the interest in the associate is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the Company’s related interest in the associate.

When changes in the net assets of an associate occur and not those that are recognized in profit or loss or other comprehensive income and do not affect the Company’s percentage of ownership interests in the associate, the Company recognizes such changes in equity based on its percentage of ownership interests. The resulting capital surplus recognized will be reclassified to profit or loss at the time of disposing the associate on a prorate basis.

When the associate issues new stock, and the Company’s interest in an associate is reduced or

increased as the Company fails to acquire shares newly issued in the associate proportionately to its original ownership interest, the increase or decrease in the interest in the associate is recognized in Additional Paid in Capital and Investment in associate. When the interest in the associate is reduced, the cumulative amounts previously recognized in other comprehensive income are reclassified to profit or loss or other appropriate items. The aforementioned capital surplus recognized is reclassified to profit or loss on a pro rata basis when the Company disposes the associate.

The financial statements of the associate are prepared for the same reporting period as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

The Company determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired in accordance with IAS 39 Financial Instruments: Recognition and Measurement. If this is the case the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in the ‘share of profit or loss of an associate’ in the statement of comprehensive income in accordance with IAS 36 Impairment of Assets. In determining the value in use of the investment, the Company estimates:

- (a) Its share of the present value of the estimated future cash flows expected to be generated by the associate, including the cash flows from the operations of the associate and the proceeds on the ultimate disposal of the investment; or
- (b) The present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.

Because goodwill that forms part of the carrying amount of an investment in an associate is not separately recognized, it is not tested for impairment separately by applying the requirements for impairment testing goodwill in IAS 36 Impairment of Assets.

Upon loss of significant influence over the associate, the Company measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in profit or loss.

The Company recognizes its interest in the jointly controlled entities using the equity method other than those that meet the criteria to be classified as held for sale. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity.

(12)Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item and restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognized such parts as individual assets with specific useful lives and depreciation, respectively. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 Property, plant and equipment. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings	10~40 years
Machinery and equipment	1~9 years
Transportation equipment	4~6 years
Office equipment	3~6 years
Other equipment	1~9 years

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

(13)Leases

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

#### (14) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

A summary of the policies applied to the Company's intangible assets is as follows:

	Computer software	Technology expertise
Useful lives	3~5 years	5~6 years
Amortization method used	Amortized on a straight-line basis over the estimated useful life	Amortized on a straight-line basis over the estimated useful life
Internally generated or acquired	Acquired	Acquired

(15) Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 Impairment of Assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

A cash-generating unit, or Companies of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (Company of units), then to the other assets of the unit (Company of units) pro rata on the basis of the carrying amount of each asset in the unit (Company of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

(16) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The liability to pay a levy is recognized progressively if the obligating event occurs over a period of time.

(17) Treasury Stock

The Company's own equity instruments repurchased (treasury shares) are recognized at repurchase cost and deducted from equity. Any difference between the carrying amount and the consideration is recognized in equity.

(18) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

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

- (a) the significant risks and rewards of ownership of the goods have passed to the buyer;
- (b) neither continuing managerial involvement nor effective control over the goods sold have

been retained;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(e) the costs incurred in respect of the transaction can be measured reliably.

#### Interest income

For all financial assets measured at amortized cost (including loans and receivables and held-to-maturity financial assets) and available-for-sale financial assets, interest income is recorded using the effective interest rate method and recognized in profit or loss.

#### Dividends

Revenue is recognized when the Company's right to receive the payment is established.

#### (19) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### (20) Post-employment benefits

All regular employees of the Company and its domestic subsidiaries are entitled to a pension plan that is managed by an independently administered pension fund committee. Fund assets are deposited under the committee's name in the specific bank account and hence, not associated with the Company and its domestic subsidiaries. Therefore fund assets are not included in the Company's consolidated financial statements. Pension benefits for employees of the overseas subsidiaries and the branches are provided in accordance with the respective local regulations.

For the defined contribution plan, the Company and its domestic subsidiaries will make a monthly contribution of no less than 6% of the monthly wages of the employees subject to the plan. The Company recognizes expenses for the defined contribution plan in the period in which the contribution becomes due. Overseas subsidiaries and branches make contribution to the plan based on the requirements of local regulations.

Post-employment benefit plan that is classified as a defined benefit plan uses the Projected Unit Credit Method to measure its obligations and costs based on actuarial assumptions. Re-measurements, comprising of the effect of the actuarial gains and losses, the effect of the asset ceiling (excluding net interest) and the return on plan assets, excluding net interest, are recognized as other comprehensive income with a corresponding debit or credit to retained earnings in the period in which they occur. Past service costs are recognized in profit or loss on the earlier of:

- (a) the date of the plan amendment or curtailment, and
- (b) the date that the Group recognizes restructuring-related costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payment.

#### (21) Share-based payment transactions

The cost of equity-settled transactions between the Company and its subsidiaries is recognized based on the fair value of the equity instruments granted. The fair value of the equity instruments is determined by using an appropriate pricing model.

The cost of equity-settled transactions is recognized, together with a corresponding increase in other capital reserves in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the

employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

The cost of restricted stocks issued is recognized as salary expense based on the fair value of the equity instruments on the grant date, together with a corresponding increase in other capital reserves in equity, over the vesting period. The Group recognized unearned employee salary which is a transitional contra equity account; the balance in the account will be recognized as salary expense over the passage of vesting period.

## (22) Income taxes

Income tax expense (income) is the aggregate amount included in the determination of profit or loss for the period in respect of current tax and deferred tax.

### Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or equity and not in profit or loss.

The 10% surtax on undistributed retained earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved by the Shareholders' meeting.

### Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (a) Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- (a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- (b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets are reassessed at each

reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

## 5. Significant accounting judgments, estimates and assumptions

The preparation of the Company's parent company only financial statements requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumption and estimate could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) The Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using valuation techniques including income approach (for example, the discounted cash flows model) or the market approach. Changes in assumptions about these factors could affect the reported fair value of the financial instruments. Please refer to Note 12 for more details.

#### (b) Inventory

Inventories are valued at the lower of cost and net realizable value item by item. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The change of market may also significantly influence the evaluation of inventory. For inventory details, please refer to Note 6 to the financial statements.

#### (c) Pension benefits

The cost of post-employment benefit and the present value of pension obligation under defined benefit pension plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions. These include the determination of the discount rate and future salary increases. Please refer to Note 6 for more details.

(d) Revenue Recognition-Sales retruns and allowances

The Company estimates sales returns and allowance based on historical experience and other known factors at the time of sale, which reduces the operating revenue. Please refer to Note 6 for more details.

(e) Income tax

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets are recognized for all carry forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies. Please refer to Note 6 for disclosure on unrecognized deferred tax asset of the Company as of December 31, 2017.

6. Contents of significant accounts

(1) Cash and cash equivalents

	<u>2017.12.31</u>	<u>2016.12.31</u>
Cash on hand	\$200	\$200

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Checking and savings	140,820	162,699
Total	<u>\$141,020</u>	<u>\$162,899</u>

(2) Notes receivable, net

	2017.12.31	2016.12.31
Notes receivables arising from operating activities	\$8,716	\$10,806
Less: allowance for doubtful debts	-	-
Total	<u>\$8,716</u>	<u>\$10,806</u>

Notes receivables were not pledged.

(3) Accounts receivable and Accounts receivable from related parties

(a) Accounts receivable, net consist of the follow:

	2017.12.31	2016.12.31
Accounts receivable from operating activities	\$1,227,072	\$1,725,532
Less: allowance for doubtful debts	(13,683)	(13,683)
Less: sales returns and allowance	(40,918)	(49,821)
Accounts receivable, net	<u>1,172,471</u>	<u>1,662,028</u>
Accounts receivable from related parties	202	6,601
Less: allowance for doubtful debts	-	-
Accounts receivable from related parties, net	<u>202</u>	<u>6,601</u>
Total	<u>\$1,172,673</u>	<u>\$1,668,629</u>

(b) A provision has been recognized for sales returns and allowances based on past experience and other known factors. The provision is recognized and the corresponding entry is made against operating revenue at the time of sales.

(c) Sale terms are generally on 60~120 days. The movements of the provision for impairment of accounts receivable are as follows (please refer to Note 12 for credit risk disclosure):

	Individually impaired	Collectively impaired	Total
2017.01.01	\$-	\$13,683	\$13,683
Charge (reversal) for the current period	-	-	-
Write off	-	-	-

## DYNAMIC ELECTRONICS CO., LTD.

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2017.12.31	\$-	\$13,683	\$13,683
2016.01.01	\$-	\$11,495	\$11,495
Charge (reversal) for the current period	-	2,188	2,188
Write off	-	-	-
2016.12.31	\$-	\$13,683	\$13,683

- (d) Aging analysis of accounts receivable and accounts receivable from related parties that are past due as at the end of the reporting period but not impaired is as follows:

	Past due but not impaired						Total
	Neither past	Less than	31~60	61~90	91~120	More than	
	due nor impaired	30 days	days	days	days	121 days	
2017.12.31	\$1,091,940	\$70,190	\$10,543	\$-	\$-	\$-	\$1,172,673
2016.12.31	1,576,658	91,971	-	-	-	-	1,668,629

- (e) Accounts receivable were not pledged.

## (4) Inventories

- (a) Details of inventories are as below:

	2017.12.31	2016.12.31
Raw materials	\$35,688	\$28,894
Supplies & parts	1,723	1,776
Work in progress	104,609	101,694
Finished goods	111,190	134,523
Total	\$253,210	\$266,887

- (b) The cost of inventories recognized in expenses amounts to NT\$4,446,484 thousand for the year ended December 31, 2017 while NT\$5,299,579 thousand for the year ended December 31, 2016. The following losses were included in cost of sales:

	2017	2016
Inventory valuation losses	\$19,715	\$25,714
Physical inventory losses	6,801	454
Total	\$26,516	\$26,168

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Inventories were not pledged.

(5) Investments accounted for under the equity method

Investee companies	2017.12.31		2016.12.31	
	Amount	Percentage of Ownership	Amount	Percentage of Ownership
Investments in subsidiaries:				
WINTEK (MAURITIUS) CO., LTD.	\$4,207,309	100.00%	\$4,131,609	100.00%
Dynamic PCB Electronics Co., Ltd.	1,942	100.00%	2,113	100.00%
Dynamic Electronics Co., Ltd. (Seychelles)	287,092	100.00%	126,060	100.00%
Dynamic Electronics Trading Pte. Ltd.	1,889	100.00%	1,783	100.00%
Minus: Unrealized Profit	(12,728)		(14,734)	
Total	<u>\$4,485,504</u>		<u>\$4,246,831</u>	
Dynamic Electronics Europe GmbH	\$-	-%	\$(67,041)	100.00%
Plus: Long-term accounts receivable from related parties	-		65,376	
Total	<u>\$-</u>		<u>\$(1,665)</u>	

(a) The Company accounted for its investments in subsidiaries using equity method and, accordingly, made necessary valuations and adjustments.

(b) No investment accounted for under the equity method was pledged as collaterals.

(6) Property, plant and equipment

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Other equipment	Construction in progress and	Total
							equipment to be examined	
Cost:								
2017.01.01	\$137,171	\$172,707	\$1,420,503	\$4,604	\$10,041	\$164,679	\$39,843	\$1,949,548
Additions	-	-	-	-	-	-	128,682	128,682
Disposals	-	-	(41,807)	-	-	(26,252)	-	(68,059)
Transfer	-	3,240	20,878	-	275	16,265	(40,658)	-

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2017.12.31	\$137,171	\$175,947	\$1,399,574	\$4,604	\$10,316	\$154,692	\$127,867	\$2,010,171
2016.01.01	\$137,171	\$172,707	\$1,353,285	\$4,604	\$13,513	\$160,599	\$159,480	\$2,001,359
Additions	-	-	-	-	-	-	23,841	23,841
Disposals	-	-	(53,462)	-	(3,472)	(18,718)	-	(75,652)
Transfer	-	-	120,680	-	-	22,798	(143,478)	-
2016.12.31	\$137,171	\$172,707	\$1,420,503	\$4,604	\$10,041	\$164,679	\$39,843	\$1,949,548
Depreciation and impairment:								
2017.01.01	\$-	\$77,793	\$1,075,428	\$3,069	\$9,017	\$133,979	\$-	\$1,299,286
Depreciation	-	6,531	129,342	757	924	23,145	-	160,699
Disposals	-	-	(41,807)	-	-	(26,252)	-	(68,059)
Transfer	-	-	-	-	-	-	-	-
2017.12.31	\$-	\$84,324	\$1,162,963	\$3,826	\$9,941	\$130,872	\$-	\$1,391,926
2016.01.01	\$-	\$71,508	\$995,805	\$2,244	\$11,008	\$127,696	\$-	\$1,208,261
Depreciation	-	6,285	133,075	825	1,454	25,001	-	166,640
Disposals	-	-	(53,452)	-	(3,445)	(18,718)	-	(75,615)
Transfer	-	-	-	-	-	-	-	-
2016.12.31	\$-	\$77,793	\$1,075,428	\$3,069	\$9,017	\$133,979	\$-	\$1,299,286
Net carrying amount as at:								
2017.12.31	\$137,171	\$91,623	\$236,611	\$778	\$375	\$23,820	\$127,867	\$618,245
2016.12.31	\$137,171	\$94,914	\$345,075	\$1,535	\$1,024	\$30,700	\$39,843	\$650,262

Significant components of building include main building structure and additional expansion construction, which are depreciated over useful lives of 40 years and 20 years, respectively.

Please refer to Note 8 for more details on property, plant and equipment under pledge.

(7) Intangible assets

	Computer software	Technology expertise	Total
Cost:			
2017.01.01	\$17,811	\$750	\$18,561
Increase	6,120	-	6,120
Decrease	(300)	-	(300)

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2017.12.31	<u>\$23,631</u>	<u>\$750</u>	<u>\$24,381</u>
2016.01.01	<u>\$11,195</u>	<u>\$750</u>	<u>\$11,945</u>
Increase	11,811	-	11,811
Decrease	<u>(5,195)</u>	<u>-</u>	<u>(5,195)</u>
2016.12.31	<u>\$17,811</u>	<u>\$750</u>	<u>\$18,561</u>

Amortization:

2017.01.01	\$4,997	\$552	\$5,549
Amortization	7,715	119	7,834
Decrease	<u>(300)</u>	<u>-</u>	<u>(300)</u>
2017.12.31	<u>\$12,412</u>	<u>\$671</u>	<u>\$13,083</u>

2016.01.01	\$5,199	\$434	\$5,633
Amortization	4,993	118	5,111
Decrease	<u>(5,195)</u>	<u>-</u>	<u>(5,195)</u>
2016.12.31	<u>\$4,997</u>	<u>\$552</u>	<u>\$5,549</u>

Net carrying amount as at:

2017.12.31	<u>\$11,219</u>	<u>\$79</u>	<u>\$11,298</u>
2016.12.31	<u>\$12,814</u>	<u>\$198</u>	<u>\$13,012</u>

Amortization of intangible assets is as follows:

	<u>2017</u>	<u>2016</u>
Operating costs	\$2,444	\$657
Operating expenses	<u>5,390</u>	<u>4,454</u>
Total	<u>\$7,834</u>	<u>\$5,111</u>

(8) Other non-current assets

	<u>2017.12.31</u>	<u>2016.12.31</u>
Refundable deposits	<u>\$2,147</u>	<u>\$1,904</u>

(9) Short-term loans

(a) Short-term loans consist of the following:

<u>Interest Rates (%)</u>	<u>2017.12.31</u>	<u>2016.12.31</u>
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Unsecured bank loans	1.100%~2.598%	<u>\$643,440</u>	<u>\$813,310</u>
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(b) The Company's unused short-term lines of credits amounts to NT\$922,905 thousand and NT\$780,425 thousand as of December 31, 2017 and 2016, respectively.

(10) Other payables

Other payables consist of the following:	2017.12.31	2016.12.31
Accrued expenses	\$181,725	\$236,911
Accrued interest payable	939	663
Payables to equipment suppliers	14,205	20,564
Total	<u>\$196,869</u>	<u>\$258,138</u>

(11) Long-term loans

(a) Details of long-term loans as of December 31, 2017 and 2016 are as follows:

Lenders	2017.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
JihSun Bank – Taoyuan Branch – Secured bank loans (Note1)	\$273,300	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$3,462 thousand and last repayment NT\$6,741, within 7 years with a grace period of 6 months.
JihSun Bank – Taoyuan Branch – Secured bank loans (Note1)	326,700	The interest shall not be lower than JihSun Bank's mortgage index interest rate plus 0.67%	The loan is repaid in 78 monthly installments, each at NT\$4,138 thousand and last repayment NT\$8,059, within 7 years with a grace period of 6 months.
Total	600,000		
Less: Current portion of long-term loans	(53,200)		
Non-current portion of long-term loans	<u>\$546,800</u>		

Lenders	2016.12.31	Interest Rate (%) (Note 2)	Maturity and terms of repayment
Mega International Commercial Bank – Taoyuan Branch – Secured bank loans (Note1)	\$104,808	Time deposit interest rate plus 0.75% for first two years and the rate plus 0.875% from third year	The loan is at the term from December 3, 2010 to December 3, 2020 and repayable in 37 quarterly installments starting from December 2011.
Mega International Commercial Bank – Taoyuan Branch – Secured bank loans (Note1)	120,000	One-year time deposit interest rate plus 0.875%	The loan is at the term from November 21, 2013 to November 21, 2018, and repayable in 20 quarterly installments starting from December 2013.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch – Secured bank loans (Note1)	53,000	Two-year time deposit interest rate plus 0.875%	The loan is at the term from December 12, 2014 to October 15, 2017, and repayable in 13 quarterly installments starting from January 2015.
Shanghai Commercial & Saving Bank, Ltd. – Chung Li Branch – Secured bank loans (Note1)	16,000	Two-year time deposit interest rate plus 1%	The loan is at the term from October 25, 2012 to October 15, 2017, and repayable in 20 quarterly installments starting from January 2013.
Total	293,808		
Less: Current portion of long-term loans	(155,204)		
Non-current portion of long-term loans	\$138,604		

Note1: Please refer to Note 8 for more details regarding certain property, plant and equipment pledged for secured bank loans.

Note2: Interest rates of long-term loans are as follows:

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	<u>2017.12.31</u>	<u>2016.12.31</u>
Interest Rates (%)	1.75%	1.80%~2.00%

(b)The Company entered into an agreement of syndicated loans in credit line of USD50,000 thousand with E.Sun Bank, Mega International Commercial Bank and 7 other banks on March 17, 2017. According to the agreement, the Company's liquidity ratio, debt ratio and interest expenditure coverage derived from annual consolidated financial statements should meet certain criteria.

In the event that the Company's financial statements do not meet with any of the criteria or restrictions specified, the Company shall improve it in 9 months after the end of the fiscal year. The improvement documentation proposed by the Company shall also be reviewed by certified public accountants. During the period of improvement, (1) the unused credit line of underlying loan agreement shall be suspended from further usage until the Company's financial ratio meet the required criteria. ; (2) the interest shall be increased by 0.15% from the immediate interest payment date as notified by the managing bank to the interest payment date immediately after the issue has been improved. The borrower's right to utilize the credit line shall be suspended and punished in accordance with related covenants in the agreement immediately when the managing banks discover any breach of loan contract.

(12) Post-employment benefits

Defined contribution plan

The Company and its domestic subsidiaries adopt a defined contribution plan in accordance with the Labor Pension Act of the R.O.C. Under the Labor Pension Act, the Company and its domestic subsidiaries will make monthly contributions of no less than 6% of the employees' monthly wages to the employees' individual pension accounts. The Company and its domestic subsidiaries have made monthly contributions of 6% of each individual employee's salaries or wages to employees' pension accounts.

Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

Expenses under the defined contribution plan for the years ended December 31, 2017 and 2016 amounted to NT\$17,383 thousand and NT\$17,268 thousand, respectively.

Additional pension expenses recognized for the executives commissioned by the Company

amounted to NT\$216 thousand both for the years ended December 31, 2017 and 2016.

#### Defined benefits plan

The Company adopt a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15<sup>th</sup> year. The total units shall not exceed 45 units. Under the Labor Standards Act, the Company and its domestic subsidiaries contribute an amount equivalent to 2% of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assess the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute NT\$1,136 thousand to its defined benefit plan during the 12 months beginning after December 31, 2017.

As of December 31, 2017 and 2016, the maturities of the Company's defined benefit plan were expected in 2027 and 2026.

Pension costs recognized in profit or loss for the years ended December 31, 2017 and 2016:

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2017	2016
Current period service costs	\$869	\$836
Interest income or expense	(541)	(677)
Past service cost	1,127	-
Payments from the plan	-	-
Total	<u>\$1,455</u>	<u>\$159</u>

Changes in the defined benefit obligation and fair value of plan assets are as follows:

	2017.12.31	2016.12.31	2016.01.01
Defined benefit obligation	\$38,477	\$49,663	\$51,513
Plan assets at fair value	(78,826)	(85,750)	(82,343)
Other non-current liabilities - Accrued pension liabilities recognized on the balance sheets	<u>\$(40,349)</u>	<u>\$(36,087)</u>	<u>\$(30,830)</u>

Reconciliation of liability (asset) of the defined benefit liability is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2016.01.01	\$51,513	\$82,343	\$(30,830)
Current period service costs	836	-	836
Net interest expense (income)	1,039	1,716	(677)
Past service cost and gains and losses arising from settlements	-	-	-
Subtotal	<u>1,875</u>	<u>1,716</u>	<u>159</u>
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	1,425	-	1,425
Actuarial gains and losses arising from changes in financial assumptions	-	-	-
Experience adjustments	(1,942)	-	(1,942)
Return on plan assett assets	-	(959)	959
Subtotal	<u>(517)</u>	<u>(959)</u>	<u>442</u>
Payments from the plan	(3,208)	(3,208)	-
Contributions by employer	-	5,858	(5,858)

Effect of changes in foreign exchange rate	-	-	-
2016.12.31	49,663	85,750	(36,087)
Current period service costs	869	-	869
Net interest expense (income)	745	1,286	(541)
Past service cost and gains and losses arising from settlements	1,127	-	1,127
Subtotal	2,741	1,286	1,455
Remeasurements of the net defined benefit liability (asset):			
Actuarial gains and losses arising from changes in demographic assumptions	776	-	776
Actuarial gains and losses arising from changes in financial assumptions	305	-	305
Experience adjustments	(6,065)	-	(6,065)
Return on plan assets	-	(404)	404
Subtotal	(4,984)	(404)	(4,580)
Payments from the plan	(8,943)	(8,943)	-
Contributions by employer	-	1,137	(1,137)
Effect of changes in foreign exchange rate	-	-	-
2017.12.31	\$38,477	\$78,826	\$(40,349)

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	As of December 31,	
	2017	2016
Discount rate	1.39%	1.50%
Expected rate of salary increases	1.00%	1.00%

A sensitivity analysis for significant assumption is shown as below:

	Effect on the defined benefit obligation			
	2017		2016	
	Increase in defined benefit obligation	Decrease in defined benefit obligation	Increase in defined benefit obligation	Decrease in defined benefit obligation
Discount rate increased by 0.5%	\$-	\$(1,918)	\$-	\$(2,330)

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Discount rate decreased by 0.5%	2,182	-	2,656	-
Expected salary level increased by 0.5%	2,179	-	2,656	-
Expected salary level decreased by 0.5%	-	(1,934)	-	(2,351)

The sensitivity analyses above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

(13) Equities

(a) Common stock

As of December 31, 2017 and 2016, the Company's authorized capital and issued capital were NT\$4,000,000 thousand and NT\$2,810,594 thousand, respectively, each share at par value of NT\$10, divided into 281,059,335 shares.

(b) Capital surplus

	<u>2017.12.31</u>	<u>2016.12.31</u>
Additional paid-in capital	\$989,014	\$989,014
Treasury share transactions	32,214	32,214
Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control	15,531	15,531
Gain on sale of assets	155	155
Employee stock option	5,249	5,249
Share options	19,710	19,710
Total	<u>\$1,061,873</u>	<u>\$1,061,873</u>

According to the Company Act, the capital reserve shall not be used except for making good the deficit of the Company. When a company incurs no loss, it may distribute the capital reserves related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made either in cash or in the form of share dividend to its shareholders in proportion to

the number of shares being held by each of them.

(c) Retained earnings and dividend policies

(1) Earning distribution

The Company's shareholders' meeting held on May 27, 2016 passed the resolution of amending the Articles of Incorporation, according to the revised Articles of Incorporations, current year's earnings, if any, shall be distributed in the following order:

- a. Payment of all taxes and dues;
- b. Offset prior years' operation losses;
- c. Set aside 10% of the remaining amount after deducting items (a) and (b) as legal reserve;
- d. Set aside or reverse special reserve in accordance with law and regulations; and
- e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the shareholders' meeting.

(2) Dividend policy

The policy of dividend distribution should reflect factors such as the current and future investment environment, fund requirements, financial structures and earnings etc. The Board of Directors shall make the distribution proposal annually and present it at the shareholders' meeting. The Company's Articles of Incorporation further provide that no more than 90% of the dividends to shareholders, if any, could be paid in the form of share dividends. Accordingly, at least 10% of the dividends must be paid in the form of cash.

- (3) According to the Company Act, the Company shall set aside legal reserve from earnings unless where the amount of legal reserve reaches the total authorized capital. The legal reserve can be used to make good the deficit of the Company. When the Company incurs no loss, it may distribute the portion of legal reserve which exceeds 25% of the paid-in capital by issuing new shares or by cash in proportion to the number of shares being held by shareholders.

- (4) Following the adoption of T-IFRS, the FSC on April 6, 2012 issued Order No. Financial-Supervisory-Securities-Corporate-1010012865, which sets out the following provisions for compliance:

On a public company's first-time adoption of the T-IFRS, for any unrealized revaluation gains and cumulative translation adjustments (gains) recorded to shareholders' equity that the company elects to transfer to retained earnings by application of the exemption under IFRS 1, the company shall set aside an equal amount of special reserve. Following a company's adoption of the T-IFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve, from the profit/loss of the current period and the undistributed earnings from the previous period, an amount equal to "other net deductions from shareholders' equity for the current fiscal year, provided that if the company has already set aside special reserve according to the requirements in the preceding point, it shall set aside supplemental special reserve based on the difference between the amount already set aside and other net deductions from shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

As of January 1, 2013, special reserve set aside for the first-time adoption of T-IFRS amounted to NT\$349,310 thousand. Furthermore, the Company has reversed special reserve in the amount of NT\$49,644 thousand to retained earnings during the year ended December 31, 2013 due to the use, disposal or reclassification of related assets.

As of December 31, 2017 and 2016, special reserve set aside for the first-time adoption of T-IFRS reduced to NT\$299,666 thousand accordingly.

- (5) There was no earnings distribution for the years ended December 31, 2017 and 2016.

For 2017 and 2016 employee and directors' compensation under the new Article to be amended, please refer to Note 6(16) for more details.

(14) Operating revenue

	2017	2016
Sale of goods	\$4,727,720	\$5,714,175
Less: Sales returns, discounts and allowances	(107,329)	(138,876)

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Total	<u>\$4,620,391</u>	<u>\$5,575,299</u>
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(15) Operating leases

The Company as a lessee

The Company has entered into commercial leases on certain motor vehicles and items of land and buildings. These leases have an average life of three years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as of December 31, 2017 and 2016 are as follows:

	<u>2017.12.31</u>	<u>2016.12.31</u>
Within one year	\$354	\$708
Above one year to five years	-	354
Total	<u>\$354</u>	<u>\$1,062</u>

Operating lease expenses recognized are as follows:

	<u>2017</u>	<u>2016</u>
Minimum lease payments	<u>\$11,098</u>	<u>\$10,693</u>

(16) Summary of employee benefits, depreciation and amortization expenses by function during the years ended December 31, 2017 and 2016 is as follows:

	2017			2016		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense						
Salaries	\$251,062	\$104,728	\$355,790	\$218,154	\$100,987	\$319,141
Labor and health insurance	35,124	5,443	40,567	30,713	5,481	36,194

## NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Pension	12,516	6,538	19,054	11,984	5,659	17,643
Other employee benefits expense	98,606	1,136	99,742	119,560	47,496	167,056
Depreciation	155,493	5,206	160,699	156,823	9,817	166,640
Amortization	2,444	5,390	7,834	657	4,454	5,111

Note: The headcounts of the Company amounted to 703 and 719, respectively, as of December 31, 2017 and 2016.

A resolution was passed at the shareholders' meeting of the Company held on May 27, 2016 to amend the Articles of Incorporation of the Company. According to the resolution, 10%~18% of profit of the current year is distributable as employees' compensation and no higher than 3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the company's accumulated losses shall have been covered. The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; and in addition thereto a report of such distribution is submitted to the shareholders' meeting. Information on the Board of Directors' resolution regarding the employees' compensation and remuneration to directors and supervisors can be obtained from the "Market Observation Post System" on the website of the TWSE.

For the years ended December 31, 2017 and 2016, the Company incurred accumulated losses and therefore did not intend to accrue the employees' compensation and remuneration to directors.

## (17) Non-operating income and expenses

## (a) Other income

	2017	2016
Interest income	\$292	\$312
Other income—others	32,926	52,156
Total	<u>\$33,218</u>	<u>\$52,468</u>

## (b) Other gains and losses

	2017	2016
Gain (loss) on disposal of property, plant and equipment	\$2,046	\$1,953

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Foreign exchange gains (losses), net	(15,290)	(9,229)
Gain on disposal of investments	8,202	4,221
Others losses-others	(13,985)	(7,635)
Total	<u>\$ (19,027)</u>	<u>\$ (10,690)</u>

(c) Finance costs

	2017	2016
Interest on borrowings from bank	<u>\$20,261</u>	<u>\$18,638</u>

(18) Components of other comprehensive income (loss)

For the year ended December 31, 2017

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$4,580	\$-	\$4,580	\$-	\$4,580
May be reclassified to profit or loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(96,985)	-	(96,985)	16,487	(80,498)
Total	<u>\$ (92,405)</u>	<u>\$-</u>	<u>\$ (92,405)</u>	<u>\$16,487</u>	<u>\$ (75,918)</u>

For the year ended December 31, 2016

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
Not to be reclassified to profit or loss in subsequent periods:					
Remeasurements of defined benefit plans	\$(442)	\$-	\$(442)	\$-	\$(442)
May be reclassified to profit or loss in subsequent periods:					

	Arising during the period	Reclassification during the period	Subtotal	Income tax benefit (expense)	OCI, Net of tax
loss in subsequent periods:					
Exchange differences arising on translation of foreign operations	(349,340)	-	(349,340)	59,388	(289,952)
Total	<u>\$(349,782)</u>	<u>\$-</u>	<u>\$(349,782)</u>	<u>\$59,388</u>	<u>\$(290,394)</u>

(19) Income tax

(a) The major components of income tax expense (income) are as follows:

Income tax expense (income) recognized in profit or loss

	2017	2016
Current income tax expense (income):		
Current income tax charge	\$-	\$-
Deferred tax expense (income):		
Deferred tax expense (income) relating to origination and reversal of temporary differences	-	-
Total income tax expense (income)	<u>\$-</u>	<u>\$-</u>

Income tax relating to components of other comprehensive income

	2017	2016
Deferred tax expense (income):		
Exchange differences arising on translation of foreign operations	<u>\$(16,487)</u>	<u>\$(59,388)</u>

(b) A reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	2017	2016
Accounting profit before tax from continuing operations	<u>\$9,094</u>	<u>\$10,700</u>
Tax payable at the enacted tax rates	\$1,546	\$1,819
Tax effect of income tax-exempted	-	(1,096)

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Tax effect of expenses not deductible for tax purposes	4	54
Tax effect of deferred tax assets/liabilities	(1,550)	(777)
Prior years tax adjustment	-	-
Total income tax expense (income) recognized in profit or loss	<u>\$-</u>	<u>\$-</u>

(c)Deferred tax assets (liabilities) relate to the following:

For the year ended December 31, 2017

	Beginning balance as of January 1, 2017	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2017
Temporary differences				
Unrealized loss on inventory valuation	\$2,651	\$248	\$-	\$2,899
Loss on inventory written-off and obsolescence	2,609	(2,272)	-	337
Investments accounted for using the equity method	(226,881)	(42,392)	16,487	(252,786)
Over 2 years payables	73	-	-	73
Gain on disposal of property, plant and equipment	2,505	(341)	-	2,164
Unrealized exchange loss (gain)	(40)	395	-	355
Sales returns and allowances	8,469	(1,513)	-	6,956
Commission expense	17,248	(8,734)	-	8,514
Dad debt expense	-	294	-	294
Unused tax losses	120,215	54,315	-	174,530
Employee benefits	1,584	-	-	1,584
Deferred tax income/ (expense)		<u>\$-</u>	<u>\$16,487</u>	
Net deferred tax assets/(liabilities)	<u>\$(71,567)</u>			<u>\$(55,080)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$155,354</u>			<u>\$197,706</u>
Deferred tax liabilities	<u>\$(226,921)</u>			<u>\$(252,786)</u>

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
**DYNAMIC ELECTRONICS CO., LTD.**  
**NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)**  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended December 31, 2016

	Beginning balance as of January 1, 2016	Deferred tax income (expense) recognized in profit or loss	Deferred tax income (expense) recognized in other comprehensive income	Ending balance as of December 31, 2016
Temporary differences				
Unrealized loss on inventory valuation	\$4,002	\$(1,351)	\$-	\$2,651
Loss on inventory written-off and obsolescence	-	2,609	-	2,609
Investments accounted for using the equity method	(259,186)	(27,083)	59,388	(226,881)
Over 2 years payables	73	-	-	73
Gain on disposal of property, plant and equipment	1,394	1,111	-	2,505
Unrealized exchange loss (gain)	(642)	602	-	(40)
Sales returns and allowances	13,895	(5,426)	-	8,469
Commission expense	18,857	(1,609)	-	17,248
Unused tax losses	89,068	31,147	-	120,215
Employee benefits	1,584	-	-	1,584
Deferred tax income/ (expense)		\$-	\$59,388	
Net deferred tax assets/(liabilities)	<u>\$(130,955)</u>			<u>\$(71,567)</u>
Reflected in balance sheet as follows:				
Deferred tax assets	<u>\$128,873</u>			<u>\$155,354</u>
Deferred tax liabilities	<u>\$(259,828)</u>			<u>\$(226,921)</u>

(d) Unrecognized deferred tax assets

As of December 31, 2017 and 2016, deferred tax assets that have not been recognized

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD.  
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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amounts to NT\$21,806 thousand and NT\$37,554 thousand, respectively.

(e) Imputation credit information

	2017.12.31	2016.12.31
Balances of imputation credit amounts	\$247,606	\$247,606

The expected creditable ratio for 2017 and actual creditable ratio for 2016 were both 0%. Effective January 1, 2016, the creditable ratio for the individual shareholders residing in the Republic of China will be reduced to half of the original creditable ratio according to the revised Article 66-6 of the Income Tax Law. The expected creditable ratio for 2017 mentioned above is only for reference as it will become invalid based on the abolishment of Partially Imputation System on Integrated Income Tax due to an amendment to Taiwan Income Tax Act resolved in the third-reading by Legislative Yuan on January 18, 2018.

Earnings generated prior to December 31, 1997 have been fully appropriated.

(f) The following table contains information of the net operating loss of the Company:

Year incurred	Net operating loss	Expiration year
2013	\$357,540	2023
2014	224,933	2024
2015	160,778	2025
2016	169,590	2026
2017(estimated)	235,931	2027
Total	\$1,148,772	

(g) The assessment of income tax returns

As of December 31, 2017, the tax assessments on the Company's tax filings have been approved up to the year of 2014.

(20) Earnings per share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent entity by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary equity holders of the parent entity (after adjusting any influences) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	2017	2016
(a) Basic earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$9,094	\$10,700
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	284,465	284,465
Basic earnings per share (in NT\$)	\$0.03	\$0.04
(b) Diluted earnings per share		
Profit attributable to ordinary equity holders of the Company (in thousand NT\$)	\$9,094	\$10,700
Profit attributable to ordinary equity holders of the Company after dilution (in thousand NT\$)	\$9,094	\$10,700
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousand shares)	284,465	284,465
Weighted average number of ordinary shares outstanding after dilution (in thousand shares)	284,465	284,465
Diluted earnings per share (in NT\$)	\$0.03	\$0.04

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date the financial statements were authorized for issue.

## 7. Related party transactions

(1) Information of the related parties that had transactions with the Company during the financial reporting period is as follows:

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
Dynamic PCB Electronics Co., Ltd.	Subsidiary
Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary
Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary
Dynamic Electronics (Huangshi) Co., Ltd.	Subsidiary
Dynamic Electronics Holding Pte. Ltd.	Subsidiary
HONG LAN ELECTRONICS CO., LTD.	Other related party
ABONMAX CO., LTD.	Other related party

(2) Significant transactions with related parties

(a) Purchases

	2017	2016
Dynamic PCB Electronics Co.,Ltd.	\$2,632,587	\$3,459,169
Subsidiaries	233	-
Total	<u>\$2,632,820</u>	<u>\$3,459,169</u>

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

(b) The Company recognized operating revenue of processing performed for subsidiaries amounted to NT\$17,775 thousand and NT\$34,134 thousand for the years ended December 31, 2017 and 2016, respectively.

(c) For the year ended December 31, 2017, the Company recognized operating revenue, other income and operating expenses due to procurement on behalf of subsidiaries in amount of NT\$6,010 thousand, NT\$100 thousand and NT\$(324) thousand, respectively.

(d) The Company recognized operating expenses for services provided by other related parties of NT\$1,899 thousand and NT\$523 thousand for the years ended December 31, 2017 and 2016, respectively.

(e) Transaction of assets

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Type of Assets	Related Parties	Book Value	Selling price	Gain (Note)	Price reference
<u>2017</u>					
None.					
<u>2016</u>					
Machinery	Subsidiary	\$-	\$8,472	\$8,472 (Note)	Negotiated

Note: The gains were recorded as unrealized profits.

(f) Accounts receivable-related parties

	2017.12.31	2016.12.31
Subsidiaries	\$202	\$6,601
Less: allowance for doubtful debt	-	-
Total	\$202	\$6,601

(g) Other receivables from related parties

	2017.12.31	2016.12.31
Subsidiaries	\$860	\$272

(h) Long-term accounts receivable from related parties

	2017.12.31	2016.12.31
Subsidiaries	\$-	\$65,376
Less: credit balance of equity investments	-	(65,376)
Less: allowance for doubtful debt	-	-
Total	\$-	\$-

(i) Accounts payable to related parties

	2017.12.31	2016.12.31
Dynamic PCB Electronics Co.,Ltd.	\$737,236	\$978,935

(j) Other receivables from related parties

	<u>2017.12.31</u>	<u>2016.12.31</u>
Other related parties	\$47	\$421
Subsidiaries	4,010	1,869
Total	<u>\$4,057</u>	<u>\$2,290</u>

(k) Loan to related parties

<u>Other receivables</u>	<u>The highest balance (Dr)</u>	<u>Balance at year end (Dr)</u>	<u>Interest rate</u>	<u>Total interest for the year</u>
<u>2017</u>				
None.				

<u>2016</u>				
Subsidiaries	\$20,000	<u>\$-</u>	1.63%	<u>\$42</u>

<u>Other payables</u>	<u>The highest balance (Dr)</u>	<u>Balance at year end (Dr)</u>	<u>Interest rate</u>	<u>Total interest for the year</u>
<u>2017</u>				
Subsidiaries	\$60,740	<u>\$-</u>	3.38%-3.6%	<u>\$759</u>

2016  
None.

- (l) As of December 31, 2017 and 2016, the Company provided endorsement/guarantee to its subsidiaries in total of NT\$742,570 thousand and NT\$740,600 thousand, respectively.

(m) Disposal of assets transaction

No such matter for the year ended December 31, 2017.

<u>Shares of transaction</u>	<u>Object of transaction</u>	<u>2016</u>	
		<u>Price</u>	<u>Gain</u>

Other related parties	8,589,873	Abon Touchsystems Inc.	\$50,383	\$4,221
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(n) Key management personnel compensation

	2017	2016
Short-term employee benefits	\$29,797	\$29,733
Post-employment benefits	794	834
Total	\$30,591	\$30,567

8. Assets pledged as collateral

	Book value		Purpose of
Assets	2017.12.31	2016.12.31	pledge
Property, plant and equipment – land	\$137,171	\$137,171	Secured loans
Property, plant and equipment – buildings	91,623	94,914	Secured loans
Property, plant and equipment – machinery and equipment	-	196,596	Secured loans
Total	\$228,794	\$428,681	

9. Significant contingencies and unrecognized contract commitments

(a) As of December 31, 2017, the Company's outstanding contracts relating to purchase of property, plant and equipment were as follows:

Type of Asset	Total Amount	Amount paid	Amount unpaid
Machinery	\$117,234	\$83,193	\$34,041

Amount paid was recorded under construction in progress and equipment to be examined.

10. Losses due to major disasters

None.

11. Significant subsequent events

Income tax rate applicable to the Company would be changed to 20% from 17% starting the year of 2018 in accordance with an amendment to Taiwan Income Tax Act resolved in the

third-reading by Legislative Yuan on January 18, 2018. The Company's deferred tax asset and deferred tax liability would increase by NT\$34,889 thousand and NT\$44,609 thousand, respectively, subsequently in 2018 as a result of the tax rate change.

12. Others

(1) Categories of financial instruments

Financial assets

	<u>2017.12.31</u>	<u>2016.12.31</u>
Loans and receivables:		
Cash and cash equivalents (excluding cash on hand)	\$140,820	\$162,699
Notes receivable, net	8,716	10,806
Accounts receivable, net (including related parties)	1,172,673	1,668,629
Other receivables (including related parties)	<u>15,364</u>	<u>16,510</u>
Total	<u>\$1,337,573</u>	<u>\$1,858,644</u>

Financial liabilities

	<u>2017.12.31</u>	<u>2016.12.31</u>
Financial liabilities at amortized cost:		
Short-term loans	\$643,440	\$813,310
Payables	1,256,191	1,616,433
Long-term loans (including current portion)	<u>600,000</u>	<u>293,808</u>
Total	<u>\$2,499,631</u>	<u>\$2,723,551</u>

(2) Financial risk management objectives and policies

The Company's principal financial risk management objective is to manage the market risk, credit risk and liquidity risk related to its operating activities. The Company identifies measures and manages the aforementioned risks based on the Company's policy and risk appetite.

The Company has established appropriate policies, procedures and internal controls for financial risk management. Before the Company enters into significant transactions, the Board of Directors and Audit Committee must carry out due approval process based on related protocols and internal control procedures. The Company complies with its financial risk management policies at all times.

### (3)Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of the changes in market prices. Market prices comprise currency risk, interest rate risk and other price risk (such as equity risk).

In practice, it is rarely the case that a single risk variable will change independently from other risk variables. There are usually interdependencies between risk variables. However the sensitivity analysis disclosed below does not take into account the interdependencies between risk variables.

#### Foreign currency risk

The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense are denominated in a different currency from the Company's functional currency) and the Company's net investments in foreign subsidiaries.

The Company has certain foreign currency receivables to be denominated in the same foreign currency with certain foreign currency payables, therefore natural hedge is received. The Company also uses forward contracts to hedge the foreign currency risk on certain items denominated in foreign currencies. Hedge accounting is not applied as they did not qualify for hedge accounting criteria. Furthermore, as net investments in foreign subsidiaries are for strategic purposes, they are not hedged by the Company.

The foreign currency sensitivity analysis of the possible change in foreign exchange rates on the Company's profit is performed on significant monetary items denominated in foreign currencies as at the end of the reporting period. The Company's foreign currency risk is mainly related to the volatility in the exchange rates for foreign currency. The information of the sensitivity analysis is as follows:

When NTD strengthens/weakens against USD by 1%, the profit for the years ended December 31, 2017 and 2016 is decreased/increased by NT\$2,385 thousand and NT\$3,659 thousand, respectively.

#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and receivables at variable interest rates, bank borrowings with fixed interest rates and variable interest rates.

The interest rate sensitivity analysis is performed on items exposed to interest rate risk as at the end of the reporting period, including investments and borrowings with variable interest rates and interest rate swaps. At the reporting date, a change of 0.1% of interest rate in a reporting period could cause the profit for the years ended December 31, 2017 and 2016 to decrease/increase by NT\$1,105 thousand and NT\$949 thousand, respectively.

#### Equity price risk

As of December 31, 2017 and 2016, the Company does not hold equity securities at fair value; therefore the Company is not subject to equity price risk.

#### (4) Credit risk management

Credit risk is the risk that counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities (primarily for accounts receivables and notes receivables) and from its financing activities, including bank deposits and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria etc. Certain customer's credit risk will also be managed by taking credit enhancing procedures, such as requesting for prepayment or insurance.

As of December 31, 2017 and 2016, accounts receivable from top ten customers represent

64.30% and 59.51% of the total accounts receivables of the Company, respectively. The credit concentration risk of other accounts receivables is insignificant.

Credit risk from balances with banks, fixed income securities and other financial instruments is managed by the Company's treasury in accordance with the Company's policy. The Company only transacts with counterparties approved by the internal control procedures, which are banks and financial institutions, companies and government entities with good credit rating and with no significant default risk. Consequently, there is no significant credit risk for these counter parties.

(5) Liquidity risk management

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and cash equivalents and bank borrowings. The table below summarizes the maturity profile of the Company's financial liabilities based on the contractual undiscounted payments and contractual maturity. The payment amount includes the contractual interest. The undiscounted payment relating to borrowings with variable interest rates is extrapolated based on the estimated interest rate yield curve as of the end of the reporting period.

Non-derivative financial instruments

	<u>&lt; 1 year</u>	<u>2 to 3 years</u>	<u>4 to 5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
2017.12.31					
Loans	\$708,650	\$199,942	\$193,558	\$186,774	\$1,288,924
Payables	1,256,191	-	-	-	1,256,191
2016.12.31					
Loans	\$973,876	\$115,866	\$26,628	\$-	\$1,116,370
Payables	1,616,433	-	-	-	1,616,433

The table above contains the undiscounted net cash flows of derivative financial instruments.

(6) Fair values of financial instruments

- (a) The methods and assumptions applied in determining the fair value of financial instruments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The

following methods and assumptions were used by the Company to measure or disclose the fair values of financial assets and financial liabilities:

- i. The carrying amount of cash and cash equivalents, accounts receivables, accounts payable and other current liabilities approximate their fair value due to their short maturities.
  - ii. For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.
  - iii. Fair value of equity instruments without market quotations (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and Price-Book ratio of similar entities).
  - iv. Fair value of debt instruments without market quotations, bank loans, bonds payable and other non-current liabilities are determined based on the counterparty prices or valuation method. The valuation method uses DCF method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by the Taipei Exchange, average prices for Fixed Rate Commercial Paper published by Reuters and credit risk, etc.)
  - v. The fair value of derivatives which are not options and without market quotations, is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivative financial instruments is obtained using on the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).
- (b) Fair value of financial instruments measured at amortized cost

The carrying amount of the Company's financial assets and liabilities measured at amortized cost approximate their fair value.

(c) Fair value measurement hierarchy for financial instruments

Please refer to Note 12(7) for fair value measurement hierarchy for financial instruments of the Company.

(7) Fair value measurement hierarchy

(a) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3 – Unobservable inputs for the asset or liability

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(b) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. And the Company does not have assets or liabilities that are measured at fair value on a recurring basis.

Transfers between Level 1 and Level 2 during the period

During the years ended December 31, 2017 and 2016, there were no transfers between Level 1

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD.  
NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

and Level 2 fair value measurements.

(8) Significant assets and liabilities denominated in foreign currencies (in thousand dollars)

Information regarding the significant assets and liabilities denominated in foreign currencies is listed below:

	2017.12.31			2016.12.31		
	Foreign currencies	Foreign exchange rate	NTD	Foreign currencies	Foreign exchange rate	NTD
<u>Financial assets</u>						
Monetary items:						
USD	<u>\$43,796</u>	29.76	<u>\$1,303,372</u>	<u>\$57,079</u>	32.2	<u>\$1,837,931</u>
<u>Financial liabilities</u>						
Monetary items:						
USD	<u>\$35,780</u>	29.76	<u>\$1,064,878</u>	<u>\$45,573</u>	32.3	<u>\$1,472,049</u>

The above information is disclosed based on the carrying amount of foreign currency (after being converted to functional currency).

Since there were varieties of foreign currency transactions of the Company, the Company was unable to disclose foreign exchange gain (loss) towards each foreign currency with significant impact. The Company recognized exchange gain (loss) amounted to NT\$(15,290) thousand and NT\$(9,229) thousand for the years ended December 31, 2017 and 2016, respectively.

(9) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize

shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares.

13. Other disclosures

(1) The following are additional disclosures for the Company as required by the R.O.C. Securities and Futures Bureau:

- a. Financing provided to others for the year ended December 31, 2017: Please refer to Attachment 1.
- b. Endorsement/Guarantee provided to others for the year ended December 31, 2017: Please refer to Attachment 2.
- c. Securities held as of December 31, 2017 (excluding subsidiaries, associates and joint ventures): None.
- d. Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- e. Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- f. Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- g. Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2017: Please refer to Attachment 3.
- h. Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2017: None.

i. Financial instruments and derivative transactions: None.

(2) Information on investees :

- A. If an investor controls operating, investing and financial decisions of an investee or an investor has the ability to exercise the ability to exercise significant influence over operating and financial policies of an investee, the related information for the investee is disclosed (not including investment in Mainland China): Please refer to Attachment 4.
- B. An investor controls operating, investing and financial decisions of an investee. The related information for the investee shall be disclosed Note13(1) as below:
- (a) Financing provided to others for the year ended December 31, 2017: Please refer to Attachment 1.
- (b) Endorsement/Guarantee provided to others for the year ended December 31, 2017: None.
- (c) Securities held as of December 31, 2017 (excluding subsidiaries, associates and joint ventures): None.
- (d) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- (e) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: Please refer to Attachment 5.
- (f) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of capital stock for the year ended December 31, 2017: None.
- (g) Related party transactions for purchases and sales amounts exceeding the lower of NT\$100 million or 20% of capital stock for the year ended December 31, 2017: Please refer to Attachment 6.
- (h) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of capital stock as of December 31, 2017: Please refer to Attachment 7.

(i) Financial instruments and derivative transactions: None.

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
**DYNAMIC ELECTRONICS CO., LTD.**  
**NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)**  
**(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(3) Information on investments in Mainland China:

- a. Investee company name, main businesses and products, total amount of capital, method of investment, accumulated inflow and outflow of investments from Taiwan, net income (loss) of investee company, percentage of ownership, investment income (loss), carrying value of investments, cumulated inward remittance of earnings and limits on investment in Mainland China:

Investee company	Main Businesses and Products	Total Amount of Paid-in Capital	Method of Investment	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Net income (loss) of investee company	Percentage of Ownership	Investment income (loss) recognized	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017	Accumulated Outflow of Investment from Taiwan as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
					Outflow	Inflow									
Dynamic Electronics (Kunshan) Co., Ltd.	Manufacturing and selling of PCB	\$2,380,800 (Note 2, 3, 6)	(Note 1)	\$2,260,265	\$-	\$-	\$2,260,265	\$123,222 (Note 2)	100%	\$123,222 (Note 2, 4, 5)	\$3,440,796 (Note 2, 4, 5)	\$1,205,280 (Note 2)	\$2,260,265	\$2,260,265	No upper limit (Note 11)
Dynamic Electronics (Huangshi) Co., Ltd.	Manufacturing and selling of PCB	\$ 892,800 (Note 2, 7, 8)	(Note 9)	\$292,330	\$152,200	\$-	\$444,530	\$(137,066)	100%	\$(137,066) (Note 2, 4, 10)	\$760,196 (Note 2, 4, 10)	\$-	\$444,530	\$444,530	

English Translation of Parent-Company-Only Financial Statements and Footnotes Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)  
(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

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Note 1: Investment in Mainland China through companies in the third area established Dynamic Electronics (Kunshan) Co. Ltd.

Note 2: Foreign currencies were converted into New Taiwan dollars based on exchanged rate of balance sheet date.

Note 3: Total amount of paid-in capital is USD80,000 thousand.

Note 4: The investment income (loss) recognized under equity method and by calculation was based on audited financial statements.

Note 5: Recognized investment income and carrying value by WINTEK (MAURITIUS) CO., LTD.

Note 6: The difference between investmants remitted from Taiwan in amount of USD69,500 thousand and the received paid-in capital of USD80,000 thousand was a result of a capital injection of USD10,500 thousand made by WINTEK (MAURITIUS) CO., LTD.

Note 7: The difference between the original investment of USD14,000 thousand remitted from Taiwan and the paid-in capital of USD30,000 thousand is a capital injection of USD16,000 thousand by using cash dividends received from Dynamic Electronics (Kunshan) Co. Ltd.

Note 8: Total amount of paid-in capital is USD30,000 thousand.

Note 9: The Company indirectly invested in its China subsidiary, Dynamic Electronics (Huangshi) Co. Ltd., through WINTEK (MAURITIUS) CO., LTD. and Dynamic Holding Pte. Ltd.

Note 10: WINTEK (MAURITIUS) CO., LTD. indirectly, through the holding on Dynamic Holding Pte. Ltd., recognized the investment loss of Dynamic Electronics (Huangshi) Co. Ltd.

Note 11: The Company meets the conditions of corporate operation headquarter in the Principle of Evaluation for Investment and Technical Cooperation in Mainland China. Thus, there is no upper limit on investment amount.

DYNAMIC ELECTRONICS CO., LTD.

NOTES TO PARENT-COMPANY-ONLY FINANCIAL STATEMENTS – (CONTINUED)

(Amounts Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

b. Purchase and accounts payable with the related parties:

	Purchase		Accounts payable	
	Amount	%	Amount	%
Dynamic PCB Electronics Co., Ltd.	\$2,632,587	76.49%	\$737,236	69.86%

As the specifications of merchandise purchased from the subsidiaries are different from those from other third-party companies, the purchasing prices to subsidiaries were not comparable. Payment terms for subsidiaries were 90~100 days after monthly closing while 60~120 days after monthly closing for general suppliers.

c. Sales and accounts receivable with the related parties: None.

d. The profit and loss produced by transaction of the property: None.

e. The purpose and balance of a note guarantee and a guarantee endorsement or providing for secure: Please refer to Attachment 2.

f. The amount of maximum financing, the balance interest rates, and lump sum interest expense: Please refer to Attachment 1.

g. The other events impact over current profit or loss or have the significant influence over the financial conditions, such as provided service or received service:

The Company recognized operating revenue of processing performed for Dynamic Electronics (Kunshan) Co., Ltd. amounting to NT\$17,775 thousand for the year of 2017. As of December 31, 2017, accounts receivable amounted to NT\$202 thousand.

For the year ended December 31, 2017, the Company recognized operating revenue, other income and operating expenses due to procurement on behalf of Dynamic Electronics (Kunshan) Co., Ltd. and Dynamic Electronics (Huangshi) Co., Ltd. in amount of NT\$6,010 thousand, NT\$100 thousand and NT\$(324) thousand, respectively. As of December 31, 2017, other receivables amounted to NT\$282 thousand.

14. Segment information

The Company has provided the operating segments disclosure in the consolidated financial statements.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese  
DYNAMIC ELECTRONICS CO., LTD.  
Financing provided to others  
For the year ended December 31, 2017

Attachment 1

(In Thousands of New Taiwan Dollars)

NO. (Note1)	Lender	Counter-party	Financial accounting account	Related Party	Maximum balance for the period	Ending balance	Actual amount provided	Interest rate	Nature of financing (Note 2)	Amount of sales to(purchases from) counter-party	Reason for financing	Allowance for doubtful accounts	Collateral		Limit of financing amount for individual counter- party	Limit of total financing amount
													Item	Value		
0	Dynamic Electronics Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Other receivables -related parties	Yes	\$148,550	\$148,550	\$-	-%	2	\$-	Business turnover	\$-	-	\$-	\$841,554 (Note 3)	\$1,683,108 (Note 3)
1	Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic Electronics (Huangshi) Co., Ltd.	Other receivables -related parties	Yes	\$45,920	\$-	\$-	-%	2	\$-	Business turnover	\$-	-	\$-	\$344,080 (Note 4)	\$688,160 (Note 4)
2	WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics (Huangshi) Co. Ltd.	Other receivables -related parties	Yes	\$1,530,000	\$1,485,500	\$1,188,400	3.38%~3.6%	2	\$-	Business turnover	\$-	-	\$-	\$2,523,247 (Note 5)	\$2,523,247 (Note 5)
3	Dynamic Electronics CO., LTD. (Seychelles)	Dynamic Electronics Co., Ltd.	Other receivables -related parties	Yes	\$60,740	\$-	\$-	-%	2	\$-	Business turnover	\$-	-	\$-	\$287,092 (Note 6)	\$287,092 (Note 6)

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: Nature of financing is coded as follows:

1. Need for operating is coded "1".
2. Need for short term financing is coded "2".

Note 3: Limit of total financing amount shall not exceed 40% of the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed 20% of the lender's net assets value as of December 31, 2017.

Note 4: Limit of total financing amount shall not exceed 20% of the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed 10% of the lender's net assets value as of December 31, 2017.

Note 5: Limit of total financing amount shall not exceed 60% of the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed 60% of the lender's net assets value as of December 31, 2017.

Note 6: Limit of total financing amount shall not exceed the lender's net assets of value as of December 31, 2017.

Limit of financing amount for individual counter-party shall not exceed the lender's net assets value as of December 31, 2017.

## DYNAMIC ELECTRONICS CO., LTD.

Endorsement/Guarantee Provided to Others

For the Year Ended December 31, 2017

Attachment 2

(In Thousands of New Taiwan Dollars)

Endorsement/ Guarantee Provider		Guaranteed Party		Limits on Endorsement/ Guarantee Amount Provided to Each Guaranteed Party (Note 3)	Maximum Balance for the Period	Ending Balance	Amount Actually Drawn	Amount of Endorsement/ Guarantee secured by Properties	Ratio of Accumulated Endorsement/ Guarantee to Net Worth per Latest Financial Statements	Maximum Endorsement/ Guarantee Amount Allowed (Note 3)	Endorsement provided by parent company to subsidiaries	Endorsement provided by subsidiaries to parent company	Endorsement provided to entities in China
No. (Note 1)	Name	Name	Relationship (Note 2)										
0	Dynamic Electronics Co., Ltd.	Abon Touchsystems Inc. (Note 4)	1	\$4,207,769	\$182,000	\$-	\$-	\$-	-%	\$4,207,769	N	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics Co., Ltd. (Seychelles)	2	\$4,207,769	\$161,000	\$148,550	\$-	\$-	3.53%	\$4,207,769	Y	N	N
0	Dynamic Electronics Co., Ltd.	Dynamic Eelectronics (Kunshan) Co., Ltd.	3	\$4,207,769	\$612,000	\$594,200	\$326,810	\$-	14.12%	\$4,207,769	Y	N	Y

Note 1: Dynamic Electronics Co., Ltd. and subsidiaries are coded as follows:

1. Dynamic Electronics Co., Ltd. is coded "0".
2. The subsidiaries are coded consecutively beginning from "1" in the order presented in the table above.

Note 2: The six categories of between the Company and endorsees as follows:

1. An investee company that has a business relationship with the Company.
2. A subsidiary in which the Company holds directly over 50% of equity interest.
3. An investee in which the Company invests and its subsidiaries hold over 50% of equity interest.
4. An investee in which the Company holds direct or indirect over 50% of equity method.
5. An investee that has provided guarantees to the Company, and vice versa, due to contractual requirements.
6. An investee in which the Company conjunctionally invests with other shareholders, and for which the Company has provided endorsement/guarantee in proportion to its shareholding percentage.

Note 3: According to the procedures of Endorsement and Guarantee, the limitation of endorsement or guarantee for other subsidiaries shall not exceed the current net value of the Company. Also, the limitation of endorsement or guarantee for one of the subsidiaries shall not exceed the current net value of Company.

Note 4: The Company's board of directors resolved to sell its 51.13% share interest on Abon Touch Systems Inc. in a meeting held on February 25, 2016. As a result, the Company has set aside and submitted to its Audit Committee a rectification plan regarding endorsement/guarantee provided to others and will implement the plan as scheduled and report to the board of directors.

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2017

Attachment 3

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/ Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchase	\$2,632,587	76.49%	90~100 days after monthly closing	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 60~120 days after monthly closing	Accounts payable \$737,236	69.86%	

Investor	Investee	Address	Main Business and Product	Original Investment Amount		Balance as of December 31, 2016			Net Income (Loss) of the Investee	Share of Income (Loss) of the Investee	Note
				As of December 31, 2017	As of December 31, 2016	Shares	%	Carrying Value			
Dynamic Electronics Co., Ltd.	WINTEK (MAURITIUS) CO., LTD.	Suite 802, St James Court, St Denis Street, Port Louis, Mauritius	The business of PCB	\$2,716,696	\$2,564,496	8,350,000	100.00%	\$4,207,310	\$(12,437)	\$184 (Note 1)	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Europe GmbH	Moraenenhoehe 45 47533 Kleve Germany	PCB and business which relates to import and export	\$-	\$873	-	-%	\$-	\$-	\$- (Note 2)	
Dynamic Electronics Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$1,555	\$1,555	50,000	100.00%	\$1,942	\$(11)	\$(11)	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	1st Floor, #5 DEKK House, De Zippora Street, P.O. Box 456, Providence Industrial Estate, Mahe, Republic of Seychelles	PCB and business which relates to import and export	\$224,005	\$224,005	7,200,000	100.00%	\$287,091	\$174,496	\$174,496	
Dynamic Electronics Co., Ltd.	Dynamic Electronics Trading Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Management operations services	\$1,541	\$1,541	50,000	100.00%	\$1,889	\$246	\$246	
WINTEK (MAURITIUS) CO., LTD.	Dynamic Electronics Holding Pte. Ltd.	151 CHIN SWEE ROAD #01-48 MANHATTAN HOUSE SINGAPORE(169876)	Investing activities	\$945,490	\$793,290	30,000,002	100.00%	USD 25,595	USD (4,619)	USD (4,543) (Note 3)	

Note1: Including investment gain recognized under equity method amounted to NT\$12,437 thousand, realized profit on transaction between subsidiaries amounted to NT\$10,724 thousand and unrealized loss on transaction between subsidiaries amounted to NT\$1,897 thousand.

Note2: Dynamic Electronics Europe GmbH was liquidated in January 2017.

Note3: Including investment loss recognized under equity method amounted to USD(4,619) thousand and unrealized loss on transaction between subsidiaries amounted to USD76 thousand .

English Translation of Consolidated Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Acquisition of Individual Real Estate with Amount exceeding the lower of NT\$300 Million or 20% of Capital Stock

For the Year ended December 31, 2017

Attachment 5

(In Thousands of Foreign Currency)

Acquiring Company	Name of Property	Transaction Date	Transaction Amount	Payment Status	Counter-party	Relationship	Prior Transaction of Related Counter-party				Price Reference	Purpose and Use of Acquisition	Other Terms
							Owner	Relationship with the Company	Transfer Date	Amount			
Dynamic Electronics (Huangshi) Co. Ltd.	<u>Buildings</u> Construction of Huangshi Plant	2016.06.20	RMB 167,568	RMB 121,006 thousand was paid as of December 31, 2017.	Fujian Huidong Construction Engineering Co., Ltd.	None	None	None	None	None	Bidding	Production expansion and operation planning	None

DYNAMIC ELECTRONICS CO., LTD.

Related Party Transactions for Purchases and Sales Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

For the Year Ended December 31, 2017

Attachment 6

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale	Amount	% to Total	Payment/ Collection Term	Unit Price	Payment/ Collection Term	Ending Balance	% to Total	
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Sales	RMB 1,621,393	82.74%	90 days after monthly closing.	Specs of goods sold are different from others. Cannot be reasonably compared.	Non relative parties are 60~150 days after monthly closing.	Accounts receivable RMB 402,561	71.21%	
Dynamic Electronics (Kunshan) Co., Ltd.	Palwonn Electronics (Huangshi) Co., Ltd.	Subsidiary	Purchases	RMB 25,576	2.32%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90~120 days after monthly closing.	Accounts payable RMB 21,231	5.66%	
Palwonn Electronics (Huangshi) Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.	Subsidiary	Sales	RMB 25,576	100.00%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable RMB 21,231	100.00%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	Sales	USD 151,697	63.52%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 36,832	59.79%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	Sales	USD 87,118	36.48%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts receivable USD 24,773	40.21%	
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics (Kunshan) Co., Ltd.		Purchases	USD 238,815	100.00%	90 days after monthly closing.	Not comparable.	No non-related parties to be compared with.	Accounts payable USD 61,605	100.00%	
Dynamic Electronics Co., Ltd. (Seychelles)	Dynamic PCB Electronics Co., Ltd.	Subsidiary	Purchases	USD 151,697	94.43%	90 days after monthly closing.	Specs of goods purchased are different from others. Cannot be reasonably compared.	Non relative parties are 90 days after monthly closing.	Accounts payable USD 36,832	91.63%	

English Translation of Parent-Company-Only Financial Statements Originally Issued in Chinese

DYNAMIC ELECTRONICS CO., LTD.

Receivables from Related Parties with Amounts exceeding the lower of NT\$100 Million or 20% of Capital Stock

As of December 31, 2017

Attachment 7

(In Thousands of Foreign Currency)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Ratio	Overdue		Amount Received in Subsequent Periods	Allowance for Doubtful Debts
					Amount	Action Taken		
Dynamic Electronics (Kunshan) Co., Ltd.	Dynamic PCB Electronics Co., Ltd.	Subsidiary	<u>RMB 402,561</u> (Note 1)	<u>4.08</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd.	Subsidiary	<u>USD 24,773</u> (Note 1)	<u>3.61</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>
Dynamic PCB Electronics Co., Ltd.	Dynamic Electronics Co., Ltd. (Seychelles)	Subsidiary	<u>USD 36,832</u> (Note 1)	<u>4.81</u>	<u>\$-</u>	-	<u>\$-</u>	<u>\$-</u>

Note1 : Accounts receivable.

**Dynamic Electronics Co., Ltd.**

**Chairman : Ken Huang**

