

CATCHER TECHNOLOGY CO., LTD  
2017 Annual Report

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Taiwan Stock Exchange Market Observation Post System:

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

Catcher Technology's Annual Report is available at: <http://www.catcher-group.com>

Printed on March 31st, 2018

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Luxembourg Stock Exchange

Disclosed information can be found at BLOOMBERG Website

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<http://www.catcher-group.com>

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## One · Letter to Shareholders

Dear Shareholders,

The global economy was slowly recovered in 2017. However, there are still challenges in politics and economics. Overall, regional politics are unstable and protectionism is rising, which leads to concerns among a mild growth in global economics. Despite the volatility, seasonality, and uncertainty in the industry, Catcher Technology still managed to record a strong growth in 2017. 2017 Revenue recorded another historical record high at NT\$93.3bn, up 17.9% yoy from NT\$79.1bn in 2016, which was also above industry average.

In 2017, Catcher integrated more components, which not only strengthened our position in the supply chain, but also reinforced the relationship with customers. Catcher also expanded the scope of component integration, and brought in new growth drivers. As for production capability, Catcher continues to strengthen its leading position in the material, forming, machining, and surface treatment. In terms of capacity, Catcher continues to spend large amount of CAPEX to meet client's demand, and lengthen the distance with late comers. With better automation and execution capabilities, Catcher continues to perform above-industry financial results.

Catcher, as the leading global brand in the structure component, has the most complete process matrix capability, client bases, and production line. In the long term, Catcher still sees the growth trend in the industry, and will continue to utilize its diversified material, process, innovation, production techniques, vertical integration, leading automation, the best cost structure, and high sales scale, to raise the entry barriers of the structure component industry, and reinforce the leading position in the market.

Looking forward to 2018, Catcher will commence another growth driver based on the current solid operation. We see three main growth drivers ahead: the increasing revenue contribution from existing projects, the introduction of new products from existing customers, and the introduction of new customers and products. Catcher also works on new applications and new customers. We are optimistic for the outlook and expect to see meaningful growth in 2018.

### Industry Development and Outlook

In this competitive smart device industry, innovation, quality, and value are still the focuses of brand customers. In smartphone, notebook, and tablet PC, companies with mid-high end products still enjoy higher earnings than peers. Hence, brand customers are adding mid-high end products' portion, at the same time increasing shipment. With this trend, we see rising adoption rate of high-end metal and composite material. Clients continue to enhance level of complexity, and develop new surface treatment technologies with casing suppliers, which contribute to the high customization, high complexity, high degree of difficulties of casing production. Catcher continues to fully utilize various materials, different process, the best execution, and mass production capabilities, to deliver the best result for clients.

Although there are numerous number of material and process on the market, only metal can provide this best-in-class quality, structure, intensity, and complete protection for the casing. In the high-end structure component, metal structure components possess the most complete supply chain, and best cost structure for mass production. Metal plus unibody process can provide high quality, lightness, thinness, and firmness, which cannot be replaced by other material or process. Besides, metal is a green material, which can be fully recycled for the best benefit of the globe. The large capacity requirement, along with the features mentioned above, we see a more predictable trend for material, process, and design in casing sector. For the mid-high end products, metal is still the best solution. Either aluminum, or stainless steel; the whole casing or frame design, belongs to the definition of "unibody", and is the main product and competitive advantage of Catcher.

In 2017, many global smartphone brands released smartphones with the design of frame plus glass cover. This design didn't diminish the importance of metal, but actually enhance it, due to the higher complexity, thinner design, and higher strength. This corresponded to Catcher's view- more

predictable in material and process. At the same time, Catcher further enhanced the value-add in the supply chain and delivered an around 20% growth in 2017's revenue.

## Financial performance

The consolidated revenue of the Catcher Group in 2017 was NT\$93.3billion. The consolidated gross profit margin of the group was 45%. The consolidated net profit after tax was NT\$21.8 billion, and the basic earnings per share was NT\$28.35.

### Operation Results (Group)

Unit: in thousand NTD

Item	2017		2016	
	Amount	%	Amount	%
Sales revenues	93,295,960	100%	79,113,653	100%
Gross Profit	41,969,517	45%	34,397,630	44%
Operating income	33,433,242	36%	27,490,819	35%
Income before tax	32,745,218	35%	32,625,048	41%
Net income	21,843,250	23%	22,019,794	28%

### Profitability (Group)

Item		2017	2016
Return on assets		11%	12%
Return on equity		17%	19%
Percentage of capital	Operating income	434%	357%
	Income before tax	425%	423%
Net income to sales		23%	28%
EPS (NTD)		\$28.35	\$28.58

## Research and Development

In order to maintain the company's leading position, we keep applying various composite materials, and developing more advanced technologies. By calling on its rich experience in basic material science and physical/chemical surface treatments, Catcher adopts different materials and different processes in combination with a variety of secondary processing and surface treatments in a multilayer, multi-directional approach to make products and an in-house technology with high precision, high value-added, and high mass production capacity.

The current directions in research and development include special magnesium alloys, aluminum alloys, stainless steel, carbon (glass) fiber, plastic casing, glass and other metal applied on products' casing and structural design. Catcher offers customers with one-stop shopping solutions based on the complete and strong technology matrix. In addition, the company also adopts laser engraving of components, along with seamless welding, metal /plastic injection mold techniques, etching and multi-color surface treatment techniques, and high precision extrusion techniques for large metal casing in smartphones, notebooks and tablets to achieve the high quality. Besides, the company also invests a lot of effort in extending into other niche products. The latest research and development of Catcher are multi-color combo electric chemical method on aluminum and stainless steel; thermal plastic composites; color enhanced phonology on metal casing etc.

## Business strategies

Catcher will also continue its investment in production automation, which has already contributed significantly to the production management. Therefore, it is the key to enhance the production stability, productivity, and expand the capacity further. We will aim to actively achieve human resource optimization and accumulate resources for progress. To boost the company's growth, we will continue our development of core products and technologies, expansion of new customers, and diversification of applications.

Catcher continues to expand its factories in Taiwan, Suqian, and Taizhou in 2018. The diversification and allocation of our facilities is also on going. We expect to achieve optimal allocation among three sites. Therefore, the risk of sole factory site and the impact from volatile market and operating environmental can be reduced.

Besides achieving business goals, Catcher also put efforts in Corporate Social Responsibility. Catcher formed a team focusing on corporate social responsibility, published corporate social responsibility report, invest in green energy, promote the investigation on greenhouse-gas, set goal of energy saving and carbon reduction, attended charitable activities, earned Sports Enterprise Certification, and enhanced the communication with stakeholders

### **Important sales policies**

In terms of the outlook of the metal casing business: smartphones will grow significantly to replace the feature phones and will further penetrate into more markets and customers. We also see higher adoption rate of mid-high end smartphones, and expect smartphones to continue to be the largest growth driver in the next few years. We also see notebook brands lean toward the slim design and the adoption of tablets also indicates the trend of thin and light. Wearable devices also adopt metal casing design, and could be one of the growth drivers in the future. Overall, looking at the design trend of each consumer electronic device mentioned above, metal will be the best solution.

The commitment of the main customers in choosing the materials is getting higher. Catcher will also fully utilize its competitive advantages to continuously increase capacity at a steady pace to meet customers' demands and to gradually implement fastest manufacturing/sales support for the customers. In order to achieve instant customer services, sales, manufacturing, and R&D will be closer to the customers with the aim to progress at the same pace as the customers.

### **Effects of external competition, legislative environment, and macro environment**

In terms of external competition, the gross profit in the IT electronics industry will be increasingly compressed as technology progresses in leaps and bounds and new products are being constantly launched. The general positive outlook of metal component parts is drawing a wave of new competitors, creating a significant amount of pressure on the existing businesses. However, competition is inevitable and serves to maintain positive catalyst among this industry. In order to ensure our leading position, the company pays close attention to the markets and technological development and changes by collecting and analyzing the information on different materials and manufacturing process. The objective is to reduce the impact of changes in technology while continuing to enhance advanced technologies. In addition to investing in basic material science, the company also reinforces development in different material molding as well as processing and surface treatments, enhances core R&D techniques, and diversifies its products and lift them onto higher levels to secure and stabilize profits. Excellent production techniques and huge capacity will be utilized to provide premium customer services in order to strengthen long term relationships.

With respect to the legislative environment in Taiwan and overseas, countries around the world have been launching environmental protection laws regarding electronic products. In addition, the tier-1 brand customers set the high requirement on its suppliers' code and demand all of the vendors to comply strictly. The company has always been committed to environmentally friendly production processes and will undoubtedly meet the legislative requirements and keep up with the global trend. The company will continue to monitor, update, and comply with any new legislative

implementation in order to protect the rights of the shareholders.

As the macro environment becomes more complex, the company will take into account the industry conditions and macroeconomics, and carefully evaluate and select the best strategies.

### **Business outlook and targets**

Looking forward, the focus of development for Catcher will be on three segments: smartphones, tablets, and notebooks. Wearable devices have already grown to a new market, which will be a new area that metal casing vendors could tap into in the future.

For smartphone market in 2017, IDC indicated the shipment of smartphones was around 1.462 billion, down 0.8% y-y from 1.473 billion last year. IDC also estimates the smartphone will increase to 1.572 billion units in 2018, up 7.5% y-y, and up 3% to 1.627 billion units in 2019. We expect the competition between different brands and different operating systems to be fiercer in the future for smartphones, thus mid-to-high end models will be the main source of profitability for brand customers. High value-added and product differentiation will be the fundamental for tier 1 brands to expand market share. Moreover, due to the trend of being larger screen size, thinner, lighter and fashions for smartphones, metal casing has become one of the must-have specifications no matter what kind of design. The trend of metal casing design also leads to the “bigger gets bigger” in the industry. As a result, smartphones remain one of the main growth drivers for the Company.

Gartner indicated the shipment of Tablet PC in 2017 was around 157.5 million units, compared with 168.8 million in 2016, down by 6.7%. Gartner forecasts that tablet will grow/decrease 2.1%/0.7% to 160.9/159.7 million units in 2018/2019, indicating a stabilizing tablet PC market. Compared to notebook, tablet is more convenient and thus it requires higher strength and better outlook. Therefore, tablet will continue to be one of the important products for metal casing vendors.

Notebook shipments of 2017 were 160.4 million, compared to 162.1 million units in 2016, declining by 1.0% y-y. Gartner estimates that the NB will grow 3.1% yoy to 165.5 million units in 2018 and increases again by 3.3% to 171 million in 2019. Overall notebook market will stabilize and it is still one of important part for our sales revenue. Although it's mature, the slim and stylish design of products can increase the penetration rate of metal casing. We expect the NB business could be quite stable, due to the stable demand for commercial models and some consumer models will switch to high end metal casings.

Looking ahead into 2018, mobile devices, especially smartphones, will continue to grow, metal adoption will increase, and metal casing will penetrate into the new areas. All of which will drive the metal casing sector to grow. In addition, Catcher will see significant growth from continuing rising demand from the existing customers, more allocation and new products/new customers' add. Catcher will continue to develop special production processes, techniques, and materials in combination with the existing production techniques to keep strengthening the comprehensive manufacturing matrix, which will enable the company to remain a leading manufacturer in metal casing and inner components worldwide as a major supplier that can meet customers' requirements of execution, capacity, quality, yield rate, mass production capability, cost structure, customized and innovative designs. In terms of sales forecast, although differences in product specifications, sizes, diversification of materials and processing techniques render the company's forecast of metal component sales meaningless, the goal for Catcher is still committed to outperforming the average industry growth in the future.

Catcher will continue to uphold its philosophy of Innovative Technology, Customer Services, Honesty and Integrity, and Sustainable Development, and work toward the goal of becoming a world leader in light metals technology. The company will also remain committed to product innovation, business model optimization, production technology enhancement, and cost structure improvement in order to maintain the leading position. Hence, it does not matter how the business environment changes in the future, we have the ambition, confidence, and determination to achieve our goals and create maximum value for our customers, shareholders, and employees.

Chairman Shui-Shu Hung



## Two 、Corporate Profile

### 1. Date of Incorporation: November 23, 1984

### 2. Milestones

- 1984: Located in No. 60, lane 77, Hai-zhong street, Tainan city with initial capital of NTD2 million, Catcher began to develop aluminum alloy casting parts for hard drives.
- 1986: Increased NTD3 million capital in cash and paid-in capital totaled NTD5 million. Commenced mass production for hard drives to supply Micro Science Technology, the largest hard drive manufacturer in Taiwan, and began to develop magnesium alloy die casting technologies.
- 1987: Magnesium alloy die casting technology developed smoothly, and Catcher received the first order from Prime Company for 5 1/4" floppy drive reading/writing arm.
- 1988: The Company's products quality was highly accepted by customers, and in order to enlarge business size, the Company decided to buy a new land in Yung Kang Industrial Park of 4,958.55 square meters, for building new plants and equipments.
- 1989: Moved in No. 79, Huan-Gong road, Yong-Kang city, Tainan County, and procured our first hot chamber die casting machine from a German manufacturer to produce magnesium alloy reading/writing arms for hard drives. This mentioned above high-tech machine has even attracted Japanese casting companies' attentions and visited the Company purposely. In the same year, the Company purchased Toshiba's aluminum alloy die casting machine, 800 tons, and vacuum casting equipments to produce the aluminum alloy casting parts and components. The Company then exported to Japan the aluminum alloy casting parts, which could stand high temperatures up to 400℃.
- 1990: Increased NTD10 million capital in cash, and paid-in capital totaled NTD15 million. Aggressively developed foreign markets by attending trade exhibitions, included in the USA, Canada, Japan, Germany, Belgium, and Netherlands, to seek for potential customers. The Company's foreign orders of magnesium alloy casting parts were used in mobile phone, and the extremely matured technology became our major competitive advantage internationally.
- 1991: Improve the quality of die casting parts, the Company applied Switzerland vacuum casting technology to its products and achieved very satisfied results. The Company started to export hard drive chassis and casings to Singapore this year, and due to product's high quality, sales orders were piling up.
- 1992: Cash offering of NT\$10 million, and paid-in capital totaled NT\$25 million. The Company gradually established its reputation in the foreign market, and the Company's superior technology and product quality had placed it on international hard drives manufacturers' approved vendor lists, too. The Company's matured mass production technology in producing précised die casting parts attracted a great many foreign price quotation requirements.
- 1994: Cash offering of NT\$15 million, and paid-in capital totaled NT\$40 million. The Company was accredited with ISO 9002 from DNV and started to cooperate with Acer Inc., one of the largest PC brand names manufactures in Taiwan, to develop notebook PC components made by magnesium alloys casting parts.
- 1995: Cooperated with Acer Inc., to develop notebook PC components made by magnesium alloys casting parts.

- 1996: Paid-in capital totaled NTD80 million, after re-capitalization from retained earnings and surplus of NTD20 million in June, respectively. The Company introduced Taiwan first Magnesium alloy chassis for NB at that time, and offered outstanding thermal and EMI solution to notebook PC manufacturers.
- 1997: Increased the paid-in capital to NTD192 million, through cash offering of NTD80 million, and NTD32 million of retained earnings, in April and June, respectively. The Company was accredited with ISO 9001 from BVQI; meanwhile, and its board of directors submitted an IPO proposal on account of company's expanding business scale and funds needs, also officially registered the Company's name as "Catcher Technology Co., Ltd.". The Company received approval from SFC later, and went public this year.
- 1998: Procured magnesium alloy casting machines, 500 tons and 200 tons, in May and November, respectively, procured 22 CNC processing machines from May to November, and added 7 more roast-and-plate production lines at the end of the year. Together with the procurements of mentioned above equipments, and to fulfill the growing needs of expanding capacity, the Company again bought in two buildings from court-auction market, which located at No. 5, Huan Gong Road and No. 12, Jung Zhong Road, Yung Kong City. Increased the paid-in capital to NTD 327,030 thousand, through capitalization of NTD 134,400 thousand of retained earnings and NTD630 thousand of employee bonus shares in December. Meanwhile, two new directors and one supervisor were elected; the newly elected supervisor was a delegate from China Development Industrial Bank, a new institutional investor by holding 7.81% outstanding shares of the Company, totaling 1.5M shares in October.
- The Company mapped out the Company's Enterprise Resource Planning to streamline operation in the late of this year, and was accredited with COMPAQ and DELL in relative business fields. Obviously, all of the mentioned above actions benefited the Company in terms of increase productivity and strengthen globalization.
- 1999: To meet the expanding production capacity, the Company added 10 more magnesium alloy die casting machines at the end of October, including 500 tons, 315 tons, and 200 tons, respectively, purchased 20 CNC processing machines in June, and acquired in 1 new plant in July.
- Capitalized NTD133,512 thousand from retained earnings (included employee bonus of NTD 2,700 thousand) in April, and cash offering of NTD100,000 thousand (2 million shares at a premium NTD50 per share) in May; the paid-in capital totaled NTD 480,542 thousand .The Company's shares traded on the ROC over-the-counter market on November 1, 1999.
- 2000: After cash offering of NTD80,000 thousand (8,000 thousand shares), paid-in capital totaled to NTD560,542 thousand; net proceeds of NTD1,320,000 thousand from the mentioned above cash offering plan, at a premium of NTD165 per share.
- Again, increased the paid-in capital to NTD844,413 thousand from retained earnings NTD 283,871 thousand (included NTD3,600 thousand of employee bonus shares), in June. Signed proprietary contract of "reciprocating extrusion process" with National Chin Haw University for licensing this special patent in our 3C, aerospace, and optic products, to improve and innovate the magnesium alloy, and basic magnesium alloy materials. As for the capacity expansion, the Company procured 6 debarring remover machines (from August to December), 35 sets of die casting and polishing robots, 1 high speedy process machines, and 4 computer softwares for mold flow dynamic series analysis. In order to widen our operation space and business scale, we again decided to rent 72,725.4 square meter of land from Taiwan Sugar Co. to build up Ren-Ai main manufacturing base and locate equipments and machines. The Company made every effort to achieve world leading technique as well as the unique global vertical integrated process.
- 2001: In April, the Company procured cold magnesium die casting machine, 750 tons, 10 units of magnesium alloy casting machine, 125 tons, and 5 packs of coating robots, and die

casting robots, for enhancing company's current capacity.

In February, the Industrial Bureau of the Ministry of Economic Affairs approved our project of "Leading products development plan", given another evidence of our superior R&D ability in high-tech products. In July, the Company moved into our Ren-Ai plant with 72,725.4 square meters; the relocation of 5 consolidated facilities ensured the Company to lower the inter-facility's production failures, and shorten process cycle, as well as to increase the efficient usage of human resources in material and process, and reduced the costs of communication and transportation in between. After capitalization of NTD176,083 thousand (included NTD7,200 thousand of employee bonus shares), paid-in capital totaled NTD1,020,496 thousand. Furthermore, the Company became the listed stock company in TSE on Sep. 17, 2001. The Company was accredited with product certification from APPLE, MOTOROLA, LG, and SAMSUNG, received orders from international brand names, and produced massive volume in PDA and mobile phones' casings.

- 2002: In March, the Company issued its first secured corporate bond of NTD 700 million with a 2.795% annual coupon rate, defined the bonds as A, B, and C by issuance dates, and paid interests annually. The redemption will be available after the 3rd, 4th, and 5th anniversaries of the issue dates at a rate of 30%, 30%, and 40% of the bond principal.

Driven by increasing demand for developing products and expanding capacity, the Company procured hundreds of CNC process machines and 100 thousand grades clean room mobile phone plating equipment. At the same time, the Company extended business into producing desk-top computer chassis and casings, and received orders from international brand names with satisfied shipment situation. Moreover, our Suzhou base in China began to mass production.

In October, capitalization from retained earnings of NTD265,862 thousand (included NTD10,738 thousand of employee bonus shares) and surplus of NTD51,025 thousand, and paid-in capital totaled NTD1,337,383 thousand.

- 2003: In September, capitalization from retained earnings of NTD213,607 thousand (included NTD13,000 thousand of employee bonus shares), paid-in capital increases to NTD1,550,990 thousand. Issuance of ECB, accounting for USD 50 million.

- 2004: To be honored with "first-place award in the Integrated Operating Performance" of the Top 1,000 Taiwanese Corporations in China published by China Credit Information Service in conjunction with the Commercial Times.

In September, capitalization from retained earnings of NT\$325,598 thousand (included NT\$15,400 thousand of employee bonus shares), paid-in capital increases to NT\$1,876,588 thousand dollars.

In November, the convertible bond transferring to common shares amounted to US\$ 1,500 thousand, with the convertible price NT\$105. In total, the paid in capital achieved NT\$1,881,469 thousand including additional 488,100 common shares issuance.

The subsidiary in China ramped up the capacity, which significant contributes to group business. Catcher invested in TOPO Technology (Suzhou) Co., Ltd. for the need of expansion in capacity.

- 2005: To be honored with the "most profitable Taiwanese corporation in China" and "third-place award" in the Integrated Operating Performance of the Top 1,000 Taiwanese Corporations in China published by China Credit Information Service in conjunction with the Commercial Times.

Capitalization from retained earning of NT\$782,327 thousand ( including NT\$29,740 thousand of employee bonus shares ) in October and paid in capital increased to 2,821,616 thousand dollars. In addition, the Company issued Euro-convertible bond amounted USD 80,000 thousand. For the need of expansion in capacity and organization structure, Catcher invested in Aquila International (Suzhou) Co., Ltd. and off shore company GEMINI International Co., Ltd.

The subsidiary, Topo Technology (Suzhou) Co., Ltd. has started mass production and shipment.

- 2006: To be honored with “Forbes Asia’s 200 Best under a billion”.  
 To be honored with “Number 19 on Asian BusinessWeek 50 Scoreboard”.  
 To be honored with “Standard & Poor’s Blue-Chip Stock”.  
 Catcher invested in Meeca Technology (Suzhou) Co., Ltd. and in the meantime procured hundreds of CNC process machines and other production equipment as well as operating labors in the fourth quarter. In October, capitalization from retained earnings of NTD1,194,729 thousand (included NTD\$25,000 thousand of employee bonus shares) and in addition the Euro-Convertible bond has been transferred to common shares amounted 10,951 thousand shares and paid-in capital increased to NT\$4,141,365 thousand dollars.
- 2007: To be honored with “First-place award in the Top 10 Benchmark Corporation investing in China” and Second-place award in the “Most Qualified Overseas IPO of Top 10 Subsidiary Company in China” of the “Business Groups in Taiwan” published by China Credit Information Service.  
 Capitalization from retained earning of NT\$1,274,442 thousand (including NT\$32,000 thousand of employee bonus shares) in October and paid in capital increased to NT\$5,415,917 thousand dollars. To integrate and reorganise the offshore investment structure and to ease the management, Cepheus International Co., Limited, Cygnus International Co., Limited, Lyra International Co., Limited, Uranus International Co., Limited were incorporated in Hong Kong and Castmate International Pte. Ltd., Norma International Pte. Ltd., Saturn International Pte. Ltd. were incorporated in Singapore.
- 2008: Capitalization from retained earning of NT\$581,242 thousand (including NT\$39,650 thousand of employee bonus shares) in November and paid in capital increased to NT\$5,997,159 thousand dollars.  
 The Company bought in a building located at No. 500, section 2, Bentian Rd.  
 To comply with the expansion plan of corporate operation and China’s preferential policy for foreign investment, Catcher set up Catcher Technology (Suqian) Co., Ltd. in China.
- 2009: The Company was accredited with ISO 14001 in September.  
 Capitalization from retained earning in November. The paid in capital increased to NT\$6,649,085 thousand after the capitalization.  
 Convertible bonds issued for NT\$ 5 billion in December.  
 The Company invested in 100% owned subsidiaries in China for USD 93 million.
- 2010 Consolidated sales revenue was 21.8 billion. It achieved the highest record in the history. Focus on the Unibody Design of Smartphone business, expanded the CNC capacity, and became one of the leading casing company with meaningful CNC capacity.  
 Catcher Technology (Suqian) started the mass production.
- 2011 Consolidated sales revenue was 35.9 billion, net profit was 10.67 billion. Both of sales revenue and net profit in 2011 were the record high.  
 1st Global Depository Receipts (Issue Amount USD 220,028 thousand with 6,700,000 units) issued in 2011.  
 2nd domestic unsecured convertible bonds (Total Amount NTD 4.5 billion) issued in 2011.  
 2011 Job creation Contribution Award by Executive Yuan.  
 2011 Taiwan’s Top 100 Innovative Corporate Award by Industrial Development Bureau of the Ministry of Economic Affairs  
 2012 Taiwan’s Top 100 High Tech Corporate Award by Business Next Media Group.  
 Capitalization for Catcher’s subsidiaries, such as Catcher Technology (Suqian), Catcher Technology (Suzhou), TOPO Technology, and Meeca Technology.  
 Donations to Japan-Miyagi Prefecture for 311 Great East Japan Earthquake disaster area.

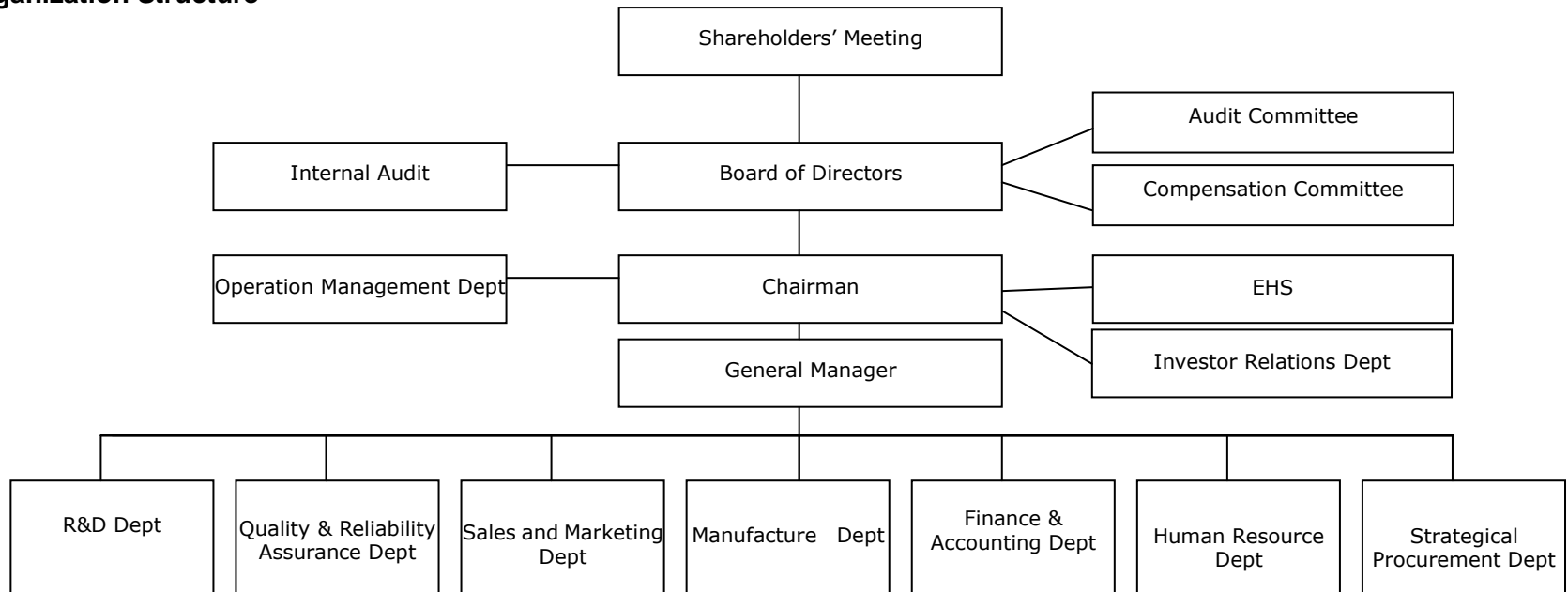


- 2012 Consolidated sales revenue was 37.0billion, and net profit was 10.89 billion. Both of the sales revenue and net profit in 2012 were the record high.  
Catcher was ranked one of the 1,000 fastest growing companies in the world.  
Catcher was ranked as No.5 of 2012 Taiwan Corporate Award & No. 3 of Top 10 the Best Profitable Company; No.10 of Top 10 Growth Corporate.
- According to the Group's development strategy, Catcher set up VITO Technology (Suqian) Co., Ltd . and Topo Technology (Taizhou) Co. Ltd. which were approved by the Investment Commission.
- 2013 Consolidated sales revenue was 43.2billion, and net profit was 13.8billion. Both of the sales revenue and net profit in 2013 hit the historical high.  
Awarded the best international trades vendors in 2012 by the Bureau of Foreign Trade, MOEA
- 2014 Consolidated sales revenue was 55.2billion, and net profit was 17.8billion. Both of the sales revenue and net profit in 2014 hit another historical high.  
According to the Group's development strategy, Catcher set up Arcadia Technology (Suqian) Co., Ltd ., which was approved by the Investment Commission.
- 2015 Consolidated sales revenue was 82.4billion, and net profit was 25.1billion. Both of the sales revenue and net profit in 2015 hit historical high.  
Forbes magazine voted Catcher technology as one of best top 50 corporations in Asia, the only one from Taiwan.
- 2016 2016 Consolidated sales revenue was 79.1 billion, and net profit was 22 billion. Both of the sales revenue and net profit in 2016 hit historical 2nd high.  
Catcher's awarded by Ministry of Education for "2016 Sport corporation"  
Harvard Business Review votes chairman of Catcher Technology as 3rd place of top 50 CEO in Taiwan, and 1st place in the computer peripheral sector.  
Nikkei (Japan) voted Catcher technology as one of Top 300 Asian companies.  
Catcher Is Awarded by (MIT) Management Institute in Taipei as Exelent Taiwanese Corporation in China
- 2017 2017 Consolidated sales revenue was 93.3 billion, which recorded another historical record-high.  
For the Group's development strategy, Catcher set up Envio Technology (Suqian) Co., Ltd.  
Catcher was awarded Forbes Global 2000 and ranked 178<sup>th</sup> in the growth company segment, and 51<sup>st</sup> in the global leading company segment  
Catcher was ranked the 14<sup>th</sup> in the Nikkei Asia 300  
To eco the "Green Power Program" hosted by the Ministry of Economic Affiars, Catcher voluntarily purchased and consumed 1,000,000 degrees of 2017 green power, which could reduce 528mt of CO2 emission.

## Three 、 Corporate Governance Report

### 1. Corporate Organization

#### (1) Corporate Organization Structure



#### (2) Organization Functions:

- **Internal Audit:** Internal controls and operational processes auditing and monitoring
- **Operation Management:** Overall business management, strategy and standards establishment and evaluation.
- **R&D:** Technologies, techniques, and manufacture processes research and development.
- **Quality & Reliability Assurance:** Product inspection and quality assurance.
- **Sales and Marketing:** Product branding, marketing, sales and customer service.
- **Investor Relations:** Communicate with shareholders and investors and maintain the relationship.
- **Manufacture:** Manufacture and processes in diversity module products.
- **Finance & Accounting:** Finance and accounting, investment, investors' relationship, and stock affair management.
- **Human Resources:** Human resource management and organization development.
- **Strategical Procurement:** Procurement strategy and vendor resources management.
- **EHS:** Company's Environment, Safety, and Health issues

## 2. Information Regarding Directors and Management Team

### (1) Directors' Information

2017/03/31; Unit: share

Title	Nationality/ Country of Origin	Name	Gender	Date Elected	Term (Yr)	Shareholding when Elected		Present Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education & Experience	Also Serves Concurrently as	Other Directors & Supervisors being spouse or immediate relation with Directors & Supervisors		
						Common Share	%	Common Share	%	Common Share	%	Common Share	%			Title	Name	Relation- ship
Director	Taiwan	Shui-Shu Hung	Male	2016.05.19	3	10,704,834	1.39%	10,704,834	1.39 %	18,409,961	2.39 %	-	-	Medical School / National Taiwan University Chairman of Catcher Technology	Chairman of Catcher Technology Chairman & Director representative of Catcher Technology's subsidiaries Chairman of Kai-Yi Investment Co., Ltd	Director	Tien-Szu Hung Shui-Sung Hung	Brothers
Director	Taiwan	Tien-Szu Hung	Male	2016.05.19	3	10,661,889	1.38%	10,661,889	1.38 %	15,364,013	1.99 %	-	-	Chairman of Chia-Wei Investment Co., Ltd.	General Manager of Catcher Technology Director Representative of Catcher Technology's subsidiaries Chairman of Chia-Wei Investment Co., Ltd.	Director	Shui-Shu Hung, Shui-Sung Hung	Brothers
Director	Taiwan	Shui-Sung Hung	Male	2016.05.19	3	10,278,970	1.33%	10,278,970	1.33 %	6,901	0%	-	-	Chairman of De-Neng Investment Co., Ltd.	Chairman of De-Neng Investment Co., Ltd.	Director	Shui-Shu Hung, Tien-Szu Hung	Brothers
Director	Taiwan	Ming-Long Wang	Male	2016.05.19	3	-	0%	-	0%	-	0%	-	-	Finance P.H.D. University of New York City	Director of Catcher Technology Professor of department of Accounting and Finance in National Cheng Kung University Independent Director and Compensation Committee Member of Chinesegamer International Corp. Independent Director and Compensation Committee Member of Bothhand Enterprise Inc. Compensation Committee Member of Hanpin Electron Co., Ltd Independent Director and Compensation Committee Member of Ton Yi Industrial Corp. Compensation Committee Member of Chia Her Industrial Co., Ltd Independent Director and Compensation Committee Member of Kuei Meng International Inc.	-	-	-
Independent Director	Taiwan	Wen-Jie Huang	Male	2016.05.19	3	8,669	0%	8,669	0%	-	0%	-	-	Dept. of Architecture, Tamkang University Chairman, Huang Wen-Jie Architects Firm.	Chairman, Huang Wen-Jie Architects Firm. Independent Director/ Audit Committee Member/Compensation Committee Member of Catcher Technology	-	-	-
Independent Director	Taiwan	Lih-Chyun Shu	Male	2016.05.19	3	-	0%	-	0%	-	0%	-	-	Associate Professor of National Cheng Kung University Associate Professor of Chang Jung Christian University Dean of College of Information and Engineering in Chang Jung Christian University	Independent Director/ Audit Committee Member/Compensation Committee Member of Catcher Technology Professor of department of Accounting in National Cheng Kung University Director of Chang Jung Christian University	-	-	-
Independent Director	Taiwan	Mon-Huan Lei	Male	2016.05.19	3	-	0%	-	0%	-	0%	-	-	Medical School / National Taiwan University Adjunct Instructor of National Taiwan University College of Medicine	Independent Director/ Audit Committee Member/Compensation Committee Member of Catcher Technology Assistant administrator of Lotung Poh-Ai Hospital	-	-	-

## Directors' and Supervisors' Professional Knowledge and Independence Information

Name \ Criteria	Five or more years of experience or professional qualification			Independence status ( Note )										Number of companies also serves as independent director for
	Lecturer or above in business, law, finance, accounting or corporate business related fields	Qualification of justice, procurator, attorney, CPA, specialist or technician of national examination in corporate business related fields	Experience in business, law, finance, accounting or corporate business related fields	1	2	3	4	5	6	7	8	9	10	
Director Shui-Shu Hung	---	---	Yes	--	--	--	--	--	V	V	--	V	V	---
Director Tien-Szu Hung	---	---	Yes	--	--	--	--	--	V	V	--	V	V	---
Director Shui-Sung Hung	---	---	Yes	V	V	--	--	V	V	V	--	V	V	---
Director Ming-Long Wang	Yes	---	Yes	V	V	V	V	V	V	V	V	V	V	4
Independent Director Lih-Chyun Shu	Yes	---	Yes	V	V	V	V	V	V	V	V	V	V	---
Independent Director Mon-Huan Lei	---	---	Yes	V	V	V	V	V	V	V	V	V	V	---
Independent Director Wen-Jie Hunag	---	---	Yes	V	V	V	V	V	V	V	V	V	V	---

Note: For those directors and supervisors who match the conditions listed below and two years before assuming period, "V" is marked in the appropriate space.

1. Is not an employee of the Company or its affiliates;
2. Is not a director or supervisor of the Company or its affiliates. Does not include the independent directors or supervisors in the parent companies and subsidiaries;
3. Does not directly or indirectly own more than 1% of the Company's outstanding shares, nor is one of the top ten non-institutional shareholders of the Company;
4. Is not a spouse or of immediate relation (child, parent, grandchild, grandparent, or sibling) to any person specified in the preceding three columns;
5. Is not a director, supervisor, or employee of a legal entity which directly owns more than 5% of the Company's issued shares, nor a director, supervisor or employee of the top five legal entities which are owners of the Company's issued shares;
6. Is not a director, supervisor, or manager of a company which has a business relationship with the Company, nor a shareholder who owns more than 5% of such a company;
7. Is not an owner, partner, director, supervisor, manager or spouse of any sole proprietor business, partnership, company or institution which has provided the Company and its affiliates with financial, business consulting, or legal services;
8. Is not a spouse or of immediate relation (child, parent, grandchild, grandparent, or sibling) to any of the directors;
9. Is not under any condition pursuant to Article 30 of the R.O.C. Company Law;
10. Is not a legal entity owner or its representative pursuant to Article 27 of the R.O.C. Company Law

## (2) Managers' Information

2017/03/31; unit: shares

Title	Name	Date Elected	Present Shareholding		Spouse & Minor Shareholding		Specific Person Shareholding		Education & Experience	Also Serves Concurrently as	Other Directors & Supervisors being spouse or immediate relation with Directors & Supervisors		
			Shares	%	Shares	%	Shares	%			Title	Name	Relationship
General Manager	Tien-Szu Hung	2016.01.01	10,661,889	1.38%	15,364,013	1.99%	-	-	Chairman of Chia-Wei Investment Co., Ltd.	General Manager of Catcher Director Representative of Catcher's subsidiaries Chairman of Chia-Wei Investment Co., Ltd.	—	—	—
Vice President	Kenny Chien	2010.01.01	110	0.00%	0	0.00%	-	-	Graduate of Advanced Management Program(AMP)/Sloan School of Management, Massachusetts Institute of Technology EMBA/Fudan University Assistant Vice President / Dell Inc., Taiwan Vice President of Sales & Marketing Department of Catcher Technology	Supervisor representative of YueKang Heath management Co., Ltd	—	—	—
Vice President	James Wu	2010.03.01	0	0.00%	0	0.00%	-	-	MBA / Michigan State University Vice President of Finance and Accounting Division / Chunghwa Picture Tubes, Ltd Chief Investment Officer and Spokesman of Catcher Technology	Director representative of SIN-HER Technology Co., Ltd Director representative of YueKang Heath management Co., Ltd	—	—	—
Senior Assistant Vice President	Lewis Huang	2014.04.01	0	0.00%	0	0.00%	-	-	Mechanism / National Chin-Yi University of Technology Factory Chief/ Catcher Technology Co., Ltd.	None	—	—	—
Assistant Vice President	Frank Lee	2007.11.01	0	0.00%	0	0.00%	-	-	Scientific PHD / Ching Hua University R&D manager / Catcher Technology Co., Ltd.	None	—	—	—
Assistant Vice President	Brian Lee	2005.02.01	0	0.00%	8,985	0.00%	-	-	Mechanism / National Taipei University of Technology R&D manager / Catcher Technology Co., Ltd.	None	AVP	Irene Lin	Spouse
Assistant Vice President	Irene Lin	2005.02.01	8,985	0.00%	0	0.00%	-	-	St. Cloud State MBA Sale & Marketing Manager/Catcher Technology	None	AVP	Brian Lee	Spouse
Assistant Vice President	Mei-Hsing Chen	2012.01.01	68,234	0.00%	0	0.00%	-	-	EMBA / Nan-Tai University Finance & Accounting Manager/Catcher Technology	Director representative of Epileds Tech., Inc. Director of Catcher Technology's Hong Kong subsidiaries	—	—	—

**(3) The Compensation of Directors, Supervisors, and Managers**  
**A. Director's Compensation**

2017/12/31; Unit: thousand NTD

Title	Name	Remuneration to directors								Total A,B,C, D as % of EAIT	Employment-related Remuneration												Total A,B,C,D,E,F,G as % of EAIT		Remuneration received by investing business other than company subsidiaries	
		Remuneration (A)		Retirement pension (B)		Remuneration from distributed earning(C) (Note 1)		Business implementation expenses (D)			Salary, bonuses and special expenses (E)		Retirement pension (F)		Employee compensation from distributed earnings (g)				Amount of Employee Share Options Received (h)		Granted Employee Restricted Stock (i)					
		Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities		Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher		All consolidated entities		Catcher	All consolidated entities	Catcher	All consolidated entities		Catcher
Chairman	Shui-Shu Hung	0	0	0	0	16,892	16,892	938	938	0.08%	0.08%	9,117	9,117	234	234	244,939	-	244,939	-	0	0	0	0	1.25%	1.25%	None
General Manager	Tien-Szu Hung																									
Director	Shui-Sun g Hung																									
Director	Ming-Lon g Wang																									
Independent Director	Lih-Chyun Shu																									
Independent Director	Mon-Hua n Lei																									
Independent Director	Wen-Jie Huang																									

Note1: The above mentioned Directors only include the incumbent Directors as of printing date.

Note2: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

### Levels of Amounts of Compensation

Remuneration range for directors	Name of the directors			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	Catcher	All consolidated entities	Catcher	All consolidated entities
Less than NTD 2,000,000	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang	Ming-Long Wang / Lih-Chyun Shu / Mon-Huan Lei /Wen-Jie Huang
NTD 2,000,000(included)~5,000,000 (excluded)				
NTD 5,000,000(included)~10,000,000 (excluded)	Shui-Shu Hung/ Tien-Szu Hung/ Shui-Sung Hung /	Shui-Shu Hung/ Tien-Szu Hung/ Shui-Sung Hung /	Shui-Sung Hung	Shui-Sung Hung
NTD 10,000,000(included)~15,000,000 (excluded)				
NTD 15,000,000(included)~30,000,000 (excluded)				
NTD 30,000,000(included)~50,000,000 (excluded)				
NTD 50,000,000~100,000,000 (excluded)				
NTD 100,000,000 or More			Shui-Shu Hung / Tien-Szu Hung	Shui-Shu Hung / Tien-Szu Hung
Total				

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

### **B. Managers' Compensation**

2017/12/31; Unit: thousand NTD

Title	Name	Salary (A)		Retirement (B)		Bonus and special expense (C)		Employee compensation from distributed earnings (D) (Note 1)				Total A,B,C,D as % of EAIT		Amount of employee stock options received		Granted Employee Restricted Stock (i)		Remuneration received by investing business other than company subsidiaries
		Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher		All consolidated entities		Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends							
Chairman	Shui-Shu Hung	13,347	25,970	566	566	2,239	4,167	218,634	-	661,909	-	1.07%	3.17%	-	-	-	-	None
General Manager	Tien-Szu Hung																	
Vice President	Kenny Chien																	
Vice President	James Wu																	
Vice President	Jay Tseng																	
Vice President	Lawrence Kuo																	
Vice President	Jodan Yang																	
Vice President	Magic Liu																	

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

### Levels of Amounts of Compensation

Remuneration Range for General Manager and Vice Presidents	Name of GMs and Vice Presidents	
	Catcher	All consolidated entities
< NTD 2,000,000		
NTD 2,000,000(included)~5,000,000(excluded)		
NTD 5,000,000(included)~10,000,000(excluded)	James Wu	James Wu
NTD 10,000,000(included)~15,000,000(excluded)	Kenny Chien	Kenny Chien
NTD 15,000,000(included)~30,000,000(excluded)		Lawremce Kuo
NTD 30,000,000(included)~50,000,000(excluded)		Jay Tseng/Jodan Yang/Magic Liu
NTD 50,000,000(included)~100,000,000(excluded)		
NTD 100,000,000 or more	Shui-Shu Hung/Tien-Szu Hung	Shui-Shu Hung/Tien-Szu Hung
Total		

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose



### C. Managers' Compensation

2017/12/31; Unit: thousand NTD

	Title	Name	Stock dividends bonus Market value (Note 1)	Cash Compensation	Total	% of income after tax
Managers	Chairman	Shui-Shu Hung	0	235,086	235,086	1.08%
	General Manager	Tien-Szu Hung				
	Vice President	Kenny Chien				
	Vice President	James Wu				
	Senior Assistant Vice President	Lewis Huang				
	Assitant Vice President	Frank Lee				
	Assitant Vice President	Brian Lee				
	Assitant Vice President	Mei-Hsing Chen				
	Assitant Vice President	Irene Lin				

Note1: The disclosed remuneration concepts here are different from taxation perspectives. Thus, the disclosed information is not for taxation purpose.

#### (4) Comparison of Compensation of Directors and Managers in the Past Two Years

A. Analysis of remuneration as a percentage of income after tax for directors and managers.

Item  Title	% of income after tax				% of increase (decrease)	
	2017		2016			
	Catcher	All consolidated entities	Catcher	All consolidated entities	Catcher	All consolidated entities
Director	1.16%	3.25%	1.13%	2.02%	0.03%	1.23%
General Manager						
Vice Presidents						

B. The Company's remuneration policy is according to the Company's development strategy and its personnel policy. The policy is set based on the industry standard. For the most recent two years, the remuneration to general manager and vice presidents includes salary, bonus, and employee compensation of distributed earnings. The salary and bonus are based on the Company's personnel policy. The employee compensation of distributed earnings is decided by the Board based on the annual earnings and profit distribution percentage which was approved by shareholders' meeting. As of the date of publish, the employee compensation of distributed earnings are yet to be approved by the AGM.

### 3. Corporate Governance Status

#### (1) Information of Board Meeting Operation

Number of meetings 6 (A) in the recent year, attendance of each director is listed as follows :

Title	Name	Attendance (B)	Proxy Attendance	Attendance rate (%) (B)/(A)	Remarks
Chairman	Shui-Shu Hung	6	0	100	Elected on 2016/5/19
Director	Shui-Sung Hung	6	0	100	Elected on 2016/5/19
Director	Tien-Szu Hung	6	0	100	Elected on 2016/5/19
Director	Ming-Long Wang	6	0	100	Elected on 2016/5/19
Independent Director	Lih-Chyun Shu	6	0	100	Elected on 2016/5/19
Independent Director	Mon-Huan Lei	4	1	66.67	Elected on 2016/5/19
Independent Director	Wen-Jie Huang	6	0	100	Elected on 2016/5/19

Annotations:

1. There were no written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion in 2017.

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

Date of the meeting	Name of the Director	Item	Causes for avoidance and voting
2017.3.16	Shui-Shu Hung	Catcher's Board of Directors resolved to donate to Catcher Education Foundation	The resolution was approved by the Board.
2017.8.7	Shui-Shu Hung Tien-Szu Hung	Catcher distributed 2016 annual manager's compensation	The resolution was approved by the Board.
2018.3.5	Shui-Shu Hung	Catcher's Board of Directors resolved to donate to Catcher Education Foundation	The resolution was approved by the Board.

3. Measures taken to strengthen the functionality of the Board: We believe that the basis for successful corporate governance is a sound and effective Board of Directors. In line with this principle, Catcher's Board of Directors has established an Audit Committee on 2013/06/13 and a Compensation Committee on 2011/12/23 to assist the Board in carrying out its various duties.

#### (2) Information Regarding Audit Committee's Operation

##### A. The state of Audit Committee's participation to the board meetings

Number of meetings 8 (A) during the period starting from Jan. 17 to Mar. 18, attendance of Audit Committee is listed as follows

Title	Name	No. of times attended in person (B)	No. of times attended by proxy	Attendance rate (%) (B)/(A)	Remark
Independent Director	Lih-Chyun Shu	8	0	100.00	Elected on 2016/05/19
Independent Director	Mon-Huan Lei	5	2	62.50	Elected on 2016/05/19

Independent Director	Wen-Jie Huang	8	0	100.00	Elected on 2016/05/19
<p>Other mentionable items:</p> <p>1. If there are the circumstances referred to in Article 14-5 of the Securities and Exchange Act and resolutions which were not approved by the Audit Committee but were approved by two thirds or more of all directors, the dates of meetings, sessions, contents of motion, resolutions of the Audit Committee and the Company's response to the Audit Committee's opinion should be specified: None</p> <p>2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None</p> <p>3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)</p> <p>(1)The internal auditors have communicated the result of the audit reports to the members of the Audit Committee periodically, and have presented the findings of all audit reports in the quarterly meetings of the Audit Committee. Should the urgency of the matter require it, the Company's chief internal auditor will inform the members of the Audit Committee outside of the regular reporting. The communication channel between the Audit Committee and the internal auditor has been functioning well.</p> <p>(2)The Company's CPAs have presented the findings or the comments for the quarterly corporate financial reports, as well as those matters communication of which is required by law, in the regular quarterly meetings of the Audit Committee. Under applicable laws and regulations, the CPAs are required to communicate to the Audit Committee any material matters that they have discovered. The communication channel between the Audit Committee and the CPAs has been functioning well.</p>					

### (3) Corporate Governance Practices

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"?		✓	The Company has not yet established the Corporate Governance Best-Practice Principles.	The Company has not yet established the Corporate Governance Best-Practice Principles but the related processes are inline with the principle.
2. Shareholding structure & shareholders' rights (1) Does the company establish an internal operating procedure to deal with shareholders' suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	✓ ✓		(1) The Company has designated the spokesman / deputy spokesman/ IR and specific persons to handle shareholders' recommendations or issues (2) The Company keeps close relationship with key shareholders, who have management control of the Company, or those who have ultimate control of this company. IRO or shareholders' Stock affair specialists were appointed to follow up the change of shareholding status.	None
(3) Does the company establish and execute the risk			(3) Catcher has set up an "Affiliated Management Policy"	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
management and firewall system within its conglomerate structure?  (4) Does the company establish internal rules against insiders trading with undisclosed information?	✓  ✓		which rules risk control mechanisms and firewalls between the Company and its affiliated.  (4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members?  (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the Audit Committee?  (3) Does the company establish a standard to measure the performance of the Board, and implement it annually?  (4) Does the company regularly evaluate the independence of CPAs?	✓  ✓  ✓	   ✓	(1) The Board consist of 7 Directors, 3 out of whom are independent directors, with practical experience or teaching experience as professors in the universities. The independent directors also include accountants, professors of Accounting Department/business college. Member diversification is considered by the Board members.  (2) In order for the sound supervision and reinforcement of management, the Company has established the Compensation Committee and the Audit Committee and will also establish other committees according to regulations or operational needs in the future.  (3) The company has not yet established formulated rules and procedures for evaluating the Board’s performance  (4) The Company evaluates the independence of CPAs periodically, ensuring that that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company. Besides, there are also internal rotations to ensure the independence of the CPAs.	None
4. Does the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle matters relating to board meetings and shareholders’ meetings according to laws, handle corporate registration and amendment registration, produce (or record?) minutes of board meetings and hareholders	✓		The company has assigned financial department to deal with corporate governace tasks. The company also arrange the personnel in charge of AGM, BOD meeting, committees and corporate governance matters.	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
meetings, etc.				
5. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	✓		The Company has assigned spokesperson, deputy spokesperson and investor relations specialist for immediate communication with stakeholders. The Company has also built a designated section on the website for stakeholders for all the issues they care about and a channel to get appropriate response. In addition, the Company publishes Corporate Social Responsibility Report every year, and provides an annual stakeholders' survey, where the participants include employees, customers, suppliers, shareholders/investors, residents, governments, NPO/NGO, and media to better understand how much these stakeholders pay attention to the social responsibility issues. The Company could then take the feedback from the survey as reference and to achieve the goal of the expectation of the stakeholders.	None
6. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?	✓		The Company designates CTBC Bank to deal with shareholder affairs. The address is 5F, No. 83, Sec. 1, Chung Ching South Rd., Taipei City, Taiwan; phone number: 02-66365566. Website: <a href="http://www.ctbcbank.com.tw/">http://www.ctbcbank.com.tw/</a>	None
7. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance?  (2) Does the company have other information disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?	✓  ✓		(1) The Company has set up a Chinese/English website ( <a href="http://www.catcher-group.com">www.catcher-group.com</a> ) to disclose information regarding the Company's financials, business and corporate governance status. The Company also discloses other information according to the regulations requirement on MOPS website and thus investors may also refer to MOPS website for the Company's financials, operational information and corporate governance.  (2) The Company has assigned an appropriate person (investor relations specialist) to handle information collection and disclosure, including English, Traditional Chinese, and Simplified Chinese) and established a spokesman system. Investor conference information is disclosed on the corporate website. The Company also holds or attend the analyst meeting/conference calls and the related information will be posted on MOPS or the Company's website.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
8. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	✓		<p>(1) Status of employee rights and employee wellness: Catcher commits itself to uphold the welfare of its employees complying with relevant regulations. Please refer to the “Employees” section on pages 66-67 of this annual report.</p> <p>(2) Catcher has appointed spokesman / deputy spokesman/ IRO to maintain fair relationship with our investors, provides contact information, releases operational reports periodically, and attends analysts meetings/conference calls to establish an immediate communication channel with our investors. Phone number: 02-27988000 #2812; website: <a href="http://www.catcher-group.com">www.catcher-group.com</a>; email: IR@catcher-group.com</p> <p>(3) We value our suppliers and stakeholders as our assets and therefore sign contracts with our suppliers and customers to protect mutual rights and obligations and maintain a well relationship.</p> <p>(4) Stakeholders' protection: All stakeholders can have a smooth communication channel with the Company to secure their rights by email, phone, email and company website.</p> <p>(5) The status of Directors' training records: The Directors of the Company all have industry professions and practical experiences. In addition, the Company provides irregular training courses on different area, including financial, business operation or laws knowledge by their desire.</p> <p>(6) Status of risk management policies and risk evaluation: The Company holds Board Meetings at least once a quarter to supervise the operational status and risk management. Please refer to the “Risk Management” section on pages 86-87 of this annual report.</p> <p>(7) The Company has purchased D&amp;O insurance for its directors and managers.</p> <p>(8) The Company has adopted electronic voting to enhance the information transparency to ensure the shareholders' right.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
9. The improvement status for the result of Corporate Governance Evaluation announced by Taiwan Stock Exchange Catcher was ranked in 36%~50% in Corporate Governance Evaluation in 2016. The implementation status regarding below non-scoring items:				
A. Does annual report disclose implementation of the resolution of shareholder’s meeting? The important resolution of the shareholders’ meeting of 2016 annual report on page 40 disclosed " Except that the proposal of releasing the prohibition on directors from participation in competitive business for the new directors and their representatives did not pass, the remaining approval and discussion matters were passed by AGM. There were no other motions or temporary motions. All of the resolution, except the issuance of the capital increase or the convertible corporate debt to raise the working capital, have been executed.				
B. Whether the company's annual report and the website to disclose the list of major shareholders, including the proportion of more than five percent of the shareholders or equity ratio of the top ten shareholders, holding the amount and proportion? Catcher has disclosed the information in 2016 annual report on page 44 to expose top ten shareholders and expect to disclose this information on company web site in the near future.				
C. Does company disclose company profiles including the company's history, products or the services, organizational structure and the management team on its website? Catcher has disclosed the information of company profile including the company's history, products or the services, organizational structure on company website and expect to disclose the information of management team on website.				
D. Does the company refer to the International Report on the preparation of corporate social responsibility reports and other non-financial information? The CSR Report expected to be released in 2017 will follow the international guidance.				
E. Does the company expose annual emissions of carbon dioxide or other greenhouse gases over the past two years? Catcher has disclosed greenhouse gas emissions for 2015 and 2016 on Catcher's website and the CSR Report.				
F. Does the company develop energy saving, carbon reduction, greenhouse gas reduction, water use or other waste management policies? Catcher has a clear specification and the development of guidelines for energy-saving, carbon reduction, greenhouse gas reduction, water conservation and waste management which disclosed in 2016 CSR report page 41-45.				

#### **(4) Composition, Responsibilities and Operations of Compensation Committee**

**A.** The Company has set up Compensation Committee on 2011/12/23 according to Article 14-6 of Securities and Exchange Act and Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter and established Compensation Committee Charter, which is disclosed on MOPS.

## B. Professional Qualifications and Independence Analysis of Remuneration Committee Members

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

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

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of affiliated companies. Not applicable in cases where the person is an independent director of the parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company, or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three sub-paragraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company, or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual, who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not a person of any conditions defined in Article 30 of the Company Law.

## C. The state of Compensation Committee's participation to the board meetings

Number of meetings 3 (A) during the period starting from 2017/01 to 2018/03, attendance of Compensation Committee is listed as follows



Title	Name	No. of times attended in person (B)	No. of times attended by proxy	Attendance rate (%) (B)/(A)	Remark
Convenor	Lih-Chyun Shu	3	0	100.0	
Member	Mon-Huan Lei	3	0	100.0	
Member	Wen-Jie Huang	3	0	100.0	

Other mentionable items:

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

#### (5) The Company's Policy and Efforts to be Socially Responsible

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from "the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation	✓		(1) The Company has approved and announced the "Procedures for social responsibility management" in 2014 for the Company to implete corporation social responsibility. The procedure is established based on domestic and international regulations and the strategic directions of the Company. The procedure will be audited by internal auditors and be assessed the effects regularly.	None
(2) Does the company provide educational training on corporate social responsibility on a regular basis?	✓		(2) The Company delivers the message regarding the importance and requirement of CSR to its employees through new employees' training sessions, employees' symposium, internal website, and the quarterly Board meetings and set the related fules in the "Procedures for social responsibility management."	
(3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social responsibility policies and reporting to the board?	✓		(3) The Company has established the CSR team, which includes the employees from strategic management, auditors, labor safety, human resources, stragteic procurement, sales and marketing, investor relations department, in charge of the publish of CSR report and implementing the related CSR matters and report directly to the Chairman.	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?	✓		(4) In addition to reasonable compensation system, the Company also established a new reward and disciplinary system based on the employee performance appraisal system which includes our corporate social responsibility policy as one of the most important criteria for evaluation.	
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	✓		(1) The Company has promoted various projects such as energy saving, electronic forms, recycling of the dangerous waste product to enhance the efficiency of resources utilization. Besides, the Company also adopts QC 080000 system to decrease the dangers it may produce from the production process.	None
(2) Does the company establish proper environmental management systems based on the characteristics of their industries?	✓		(2) The Company has received ISO 14001 certifications for environmental management systems since 2009. Through promotion of ISO 14001, the Company has established effective monitoring management system to achieve the policy goal. In addition, in line with ISO 14001 concept of continuous improvement, the Company diligently carries out its responsibilities of pollution prevention, energy and resource conservation, waste reduction, accident prevention, and the establishment of a safe and comfortable work place.	
(3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?	✓		(3) The Company has monitored the impact to the operation brought by the climate change and has completed many energy-saving projects in 2015, where we see significant effects. Moreover, through the promotion of ISO 14064-1 carbon footprint project, the Company has calculated the greenhouse gas emissions from the main operational scope and planned for the follow-up plans to decrease the greenhouse gas emissions.	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	✓		(1) The Company has established internal policies as guidelines to ensure the labor rights and benefits. Through periodic internal audits and improvement, the Company aims to provide a friendly working environment for the employees and to protect the employees from every department under different hierarchies.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
(2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions?	✓		(2) Catcher offers an Employee Relations Hotline that provides a channel for employees to express their opinions regarding their work and the overall work environment. The employee relations team ensures all cases are handled with care and the employees could get a reply on the follow-up actions within 7 days.	
(3) Does the company provide a healthy and safe working environment and organize training on health and safety for its employees on a regular basis?	✓		(3) The Company has completed the certification of OHSAS 18001 in 2015 and therefore led the labor safety system even more complete. Based on the regulations of OHSAS 18001, we have established a management system on labor health and safety, which continuously evaluates and controls the risks in the working environment and follow up on improvement measures. Besides, in comply with the regulations, the Company provides the employees with regular health checkup and also holds regular training sessions to build a better working environment.	
(4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	✓		(4) To ensure that employees’ opinions and voices are heard, and their issues are addressed effectively, impartial submission mechanisms, including quarterly labor-management communication meetings, are in place to provide timely support. At the same time, efforts are made to ensure that employees are informed of current policies.	
(5) Does the company provide its employees with career development and training sessions?	✓		(5) Catcher not only assesses and provides feedback on employees’ skills and interests, but also offers training and development activities that match their career development objectives and job needs.	
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service?	✓		(6) The Company has always maintained its business concept to establish internal management process, in comply with government regulations and international standards to deal with clients’ complaints and demands there’s no cheating, misleading, fraud or any other behaviors that may harm clients’ rights or trust and take the measures to prevent the same issues to occur again.	
(7) Does the company advertise and label its goods and services according to relevant regulations and international standards?	✓		(7) When labeling and advertising its products worldwide, Catcher consistently honors regional and national regulations (ex: UL, RoHS labeling) without misleading its customers by exaggerating the information provided.	
(8) Does the company evaluate the records of suppliers’ impact on the environment and society			(8) The Company has required all of its suppliers to follow their commitments on CSR, which includes voluntary labors, underaged labors, compensation or benefits, working time, anti-discrimination, health and safety, environmental protection, and moral behaviors. The	

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation <sup>2</sup>	
before taking on business partnerships?	✓		Company has chosen 8 suppliers to audit its implementation on CSR based on customer portfolio and transaction scale during 2017. In the future, Catcher will continue to work on the suppliers’ audit.	
(9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?	✓		(9) Catcher requires all the suppliers with transactions with us to sign the CSR commitment. When suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society, Catcher may terminate any agreements. The Company also established a stakeholders’ section on its website and provides contact windows for different issues. The Company also set up a section for “Employee Code of Conduct” for internal/external parties to report illegal actions regarding morality and integrity.	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	✓		(1) There’s a CSR section on our website. <a href="http://www.catcher-group.com/tw/csr.aspx">http://www.catcher-group.com/tw/csr.aspx</a> . The Company will disclose the information regarding the message, projects and activities on corporate social responsibility, the information on Catcher’ Education Foundation, and provides historical CSR reports for readers to download.	None
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: The Company has established the “Procedures of social responsibility management” in 2014, which is inline with “the Corporate Social Responsibility Best-Practice Principles for TWSE/ TPEX Listed Companies” and international standards (ex: SA 8000, EICC). Therefore, the Company is able to meet the regulations and the requirement of the stakeholders in terms of labor rights, health and safety, environment, code of ethics, and management systems.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices : The Company has established a CSR Team comprising of employees from various deparments to be in charge of the publishing of CSR report. The Company has already issued 2014-2016’s CSR report on the website for stakeholders and the CSR Team is working on publishing the 2017’s CSR report. Looking forward, the Company expects every department to execute strategies based on the KPI which is conjunction with the social responsibility and to help realize the long-term vision of the Company.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Company has received the certification of ISO 9001, ISO 14001, OHSAS 18001, IECQ QC 080000 and product carbon footprint of PAS 20150:2011 (for carbon fiber and glass fiber). 2014-2016’s CSR report hasn’t received the certification of third-party institutions; however, the financial data in the CSR report was from the audited annual report and we regard receiving the certification of our CSR report as a mid-term target.				

**(6) The status of the Company's exercise of good faith in management and adoption of related measures:**

Catcher already set up the related governance principle and have an internal audit department, and also formulated internal rules to ensure the exercise of

good faith in management and the observance of laws and regulations.

Evaluation Item	Implementation Status <sup>†</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>1. Establishment of ethical corporate management policies and programs</p> <p>(1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies?</p> <p>(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?</p> <p>(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?</p>	<p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has set up “Management Procedure for Corporate Social Responsibility”, according to EICC &amp; SA 8000, as the guideline for all the other ethical corporate management policies. The Board of Directors and the management place the greatest importance in adopting the highest standards of integrity and ethics in corporate management and employee work conduct. Related Ethical Corporate Management policies will be included in the Company’s CSR report and website.</p> <p>(2) The company has established management procedures to punish for any violation, and also set up “hotline” to strengthen the implementation. The internal Committee holds the review meeting semi-annually and reports to top management accordingly. The company also establishes effective accounting and internal control systems for the implementation of policies, and to prevent any violation. Suppliers also need to sign this Ethical Agreement to commit not to engage with any bribery, corruption, deception, and all other forms of improper conduct.</p> <p>(3) The Company adopts management procedures and to establish preventive measures against the following:</p> <p>(a) offering and accepting bribes;</p> <p>(b) illegal political donations;</p> <p>(c) improper charitable donations or sponsorship;</p> <p>(d) offering or accepting unreasonable gifts or hospitality, or other inappropriate benefits.</p> <p>The aforementioned principles and related regulations were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline. At the same time, the Company has internal audit teams and has made a hotline available for suppliers/ employees to prevent any improper business behaviors.</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>2. Fulfill operations integrity policy</p> <p>(1) Does the company evaluate business partners’ ethical records and include ethics-related clauses in business contracts?</p> <p>(2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?</p> <p>(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it?</p> <p>(4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis?</p> <p>(5) Does the company regularly hold internal and external educational trainings on operational integrity?</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company conducts due diligence before trading with upstream and downstream companies to minimize the risks. The Company requires all our suppliers, vendors and partners to declare in writing that they will not engage in any fraud or provide unethical conduct when dealing with the Company or our officers and employees. Internal and external online hotlines have been established for any relevant persons to use in reporting any ethical irregularities for personal investigation by a designated internal audit. Catcher has the right to suspend or discharge the agreement, or even punish suppliers, if suppliers violate the abovementioned rules.</p> <p>(2) The Company established the Internal Audit team, under the Board’s supervision, to implement the corporate ethics and audit matters, and to submit periodical reports to the top management and then to the Board of Directors.</p> <p>(3) To avoid interest of conflicts, the Company requires all employees not to engage with any unethical activities by setting rules and procedures. At the same time, the Company has made a hotline available for any stakeholders to make sure the ethical corporate management policies are fully implemented.</p> <p>(4) The Company has established accounting and internal control systems to ensure integrity in our operations. The internal auditors have analyzed and reviewed the annual audit program, on behalf of board and management, according to the risk evaluation results, to further strengthen the implementation of ethical corporate management policies.</p> <p>(5) The Company carries out irregular training for employees. For new employees, training on social responsibilities, ethical rules, business morals, and all other related subjects are carried out prior to work. All employees will receive necessary internal training when needed. Employee will also receive external training if necessary.</p>	None
<p>3. Operation of the integrity channel</p> <p>(1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up?</p>	<p>✓</p>		<p>(1) The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation with 7 days, anyone who violates the regulations on operational integrity will be</p>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
<p>(2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases?</p> <p>(3) Does the company provide proper whistleblower protection?</p>	<p>✓</p> <p>✓</p>		<p>punished according to the Company's regulations on reward and punishment.</p> <p>(2) The Company has in place SOPs, relating to the reporting, investigation, filing etc., which could be applied on any confidential investigations on such cases. Those parties in those cases will be fully confidential.</p> <p>(3) The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has a dedicated different ways or hotline for whistleblower protection. Any whistleblower who received unfair or unlawful treatment will be well protected and also compensated for the loss.</p>	
<p>4. Strengthening information disclosure</p> <p>(1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?</p>	<p>✓</p>		<p>The Company's related ethical corporate management principles and the results of our implementation will be posted on the Company's annual report and eventually on the MOPS. We will also disclose those related information on website, including ethical corporate management, obeying business morale, the commitment of fair competition and CSR report.</p>	None
<p>5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation.</p> <p>There have been no differences.</p>				
<p>6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies).</p> <p>(a) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions.</p> <p>(b) The Company has set up the “Rules of Board Meeting” to prevent any interest of conflicts from board members. The board member is only allow to present opinion but not allowed to discuss or vote in those agenda which that board member has interest of conflicts</p> <p>(c) The Company has set up "Management Procedures for Internal Material Information", which specifies that directors, supervisors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.</p>				

**(7) How the Information of Company's Corporate Governance Policy can be Obtained in Public.**

None.

**(8) Other Information Provides a Better Understanding of the Company's Corporate Governance Status.**

The Company holds board meeting at least once per quarter, and set up the Compensation Committee, which works effectively. The Company also elected Independent Directors since 2013's AGM and established Audit Committee. If necessary, the Company will set up any committee to improve corporate governance.



## **(9) Status of Internal Control:**

### **A. Statement of Internal Control:**

#### **Catcher Technology Co., Ltd. Statement of Internal Control**

2018/03/05

The internal control self-assessment of Catcher Technology Co., Ltd. was conducted for the year ended December 31, 2017 based on the Company's internal control system. The results are described as following:

1. Catcher Technology Co., Ltd. acknowledges that the board of directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. Catcher has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. Catcher evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) Control Environment, (2) Risk assessment (3) Control activities, (4) Information and Communication, and (5) Monitoring. Each component consists of certain items, which could be referred to the Standards.
4. Catcher Technology Co., Ltd. has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. Catcher Technology Co., Ltd. believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of Catcher Technology Co., Ltd. annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The statement has been passed by the Board of Directors in the meeting held on March 5<sup>th</sup>, 2018, with none of the seven attending directors expressing dissenting opinions on the content of the Statement.

**Catcher Technology Co., Ltd.**  
Chairman and CEO : Shui-Shu Hung



## B. CPA Audit Report for Internal Control System of the Company

The Company was not required to engage with a CPA to attest to the internal control system under R.O.C regulations; therefore, there is no CPA audit report on internal control to be disclosed

## (10) Description of Violations/Infringement of Regulations and the Company's Response

For the most recent fiscal year and during the current fiscal year up to the date of printing of this annual report, there were no sanctions imposed upon the Company or its internal personnel.

## (11) Important Resolutions of Shareholders' and Board Meetings

### A. Shareholders' Meeting

Date	Title	Agenda	Resolution/Execution
2017.06.19	2017 Annual shareholders' meeting	<ul style="list-style-type: none"><li>● To accept 2016 Business Report and Financial Statements (Proposed by the Board of Directors)</li><li>● To approve the proposal for distribution of 2016 profits (Proposed by the Board of Directors)</li><li>● To approve the issuance of new common shares for cash and/or issuance of Global Depository Receipt (GDR) (Proposed by the Board of Directors)</li><li>● To amend "The Prosedure of Acquisition or Disposal of Assets" (Proposed by the Board of Directors)</li></ul>	All discussion items were unanimously agreed upon the resolutions by all attending shareholders. All items were executed except for the issuance of new common shares for cash and/or issuance of Global Depository Receipt (GDR)

### B. Board Meetings

Date	Agenda	Resolution
2017.01.18	<ul style="list-style-type: none"><li>● To Change the Transfer Agency Department</li><li>● To increase the capital investment of US\$100mn in Chinese subsidiary Envio Technology (Suqian) Co., Ltd for capacity expansion</li></ul>	All attending directors unanimously agreed, no other special proposals were proposed. All items were executed.
2017.03.16	<ul style="list-style-type: none"><li>● To approve the Company's 2016 Financial Statements</li><li>● To approve 2016 Business Report</li><li>● To found a subsidiary in Taiwan</li><li>● To approve 2016 employee and board member's compensation</li><li>● To discuss the donation to Catcher Education Foundation</li><li>● To regularly review the accountant's independency</li><li>● To amend Catcher's partial clauses on "Procedues for Asset Acquisitions and Disposals"</li><li>● To host 2017 shareholder's meeting and receive shareholder's proposals</li></ul>	All attending directors unanimously agreed, no other special proposals were proposed. Except for the donations excluding the Director who may have interest of conflict, the other attending directors unanimously agreed. All items were executed.
2017.05.05	<ul style="list-style-type: none"><li>● To approve 2016 earnings distribution</li><li>● To increase the capital investment of US\$100mn in Chinese subsidiary Meecca Technology (Taizhou) Co., Ltd for capacity expansion</li><li>● To approve the issuance of new common shares for cash and/or issuance of Global Depository Receipt (GDR)</li><li>● To host 2017 shareholder's meeting and receive shareholder's proposals</li></ul>	All attending directors unanimously agreed, no other special proposals were proposed. All items were executed except for capital increase.
2017.08.07	<ul style="list-style-type: none"><li>● To approve the Company's 2017 2Q Financial Statements</li><li>● To decide cash dividend distribution date</li><li>● To distribute 2016 manager's compensation</li><li>● To distribute 2016 board member's compensation</li></ul>	All attending directors unanimously agreed, no other special proposals were proposed. All items were executed
2017.11.06	<ul style="list-style-type: none"><li>● To approve 2018 Business Plan</li><li>● To approve 2018 "Annual Audit Plan" of parent company and subsidiary</li><li>● To amend partial clauses of "Rules of Board Meeting"</li><li>● To amed partial clauses of "Audit Committee organization Rules"</li></ul>	All attending directors unanimously agreed, no other special proposals were proposed. All items were executed
2018.03.05	<ul style="list-style-type: none"><li>● To approve the Company's 2017 Financial Statements</li><li>● To approve 2017 Business Report</li><li>● To report 2017 eanings distribution</li><li>● To approve the issuance of new common shares for cash and/or</li></ul>	All attending directors unanimously agreed, no other special proposals were proposed. Except for the donations

	issuance of Global Depository Receipt (GDR) ● To report the distribution of compensation for employees and directors in 2017 ● To discuss the donation to Catcher Education Foundation ● To regularly review the accountant's independency ● To host 2018 shareholder's meeting and receive shareholder's proposals	and compensation excluding the Director who may have interest of conflict, the other attending directors unanimously agreed. The approved items are being submitted to AGM, executed or under execution.
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**(12) Directors' or Supervisors' Objections on the Important Resolution of Board Meetings**

None.

**(13) Information of Resignation or Dismissal of Persons Related to Financial Reports**

None.

**4. Information on Audit Fees**

- (1) If the amount of non-auditing relevant fees charged by the appointed independent auditors and the related parties reaches to 25% of the Company's annual auditing expenses shall be disclosed**

Name of the accounting Firm	Name of the accountant	Audit period	Note
Deloitte & Touche	Hung Ju Liao, Chun Chi Kung	2017.01.01~2017.03.31	Internal Arrangement by Deloitte & Touche
	Chi Chen Lee, Chun Chi Kung	2017.04.01~2017.12.31	

Units: thousand NTD

Item Fee ranges		Audit Fees	Non Audit Fees	Total Fees
1	Less Than 2,000		v	
2	2,000~4,000			
3	4,000~6,000	v		
4	6,000~8,000			
5	8,000~10,000			
6	10,000 or More			

- (2) If there is any change in the appointed independent auditors and the Company's annual auditing expenses decreased simultaneously, information regarding the amount, percentage and reasons for the decrease in auditing expenses shall be disclosed**

Not Applicable.

- (3) Auditing expenses decreased by 15% in comparison to the previous year, information regarding the amount percentage and reasons for the decrease in auditing expenses shall be disclosed:**

Not Applicable.

**5. Replacement of CPA**

Due to the internal arrangement of Deloitte & Touche, Catcher's CPA was changed from Hung Ju Liao, Chun Chi Kung to Chi Chen Lee, Chun Chi Kung since 2017 Q2

**6. Information of the Company's Chairperson, Presidents, or Accounting Officers Have Worked in the Accounting Firm of the Appointed Independent Auditors or the Related**

**Parties within the past year.**

None.

## 7. Change in shareholding of Directors, Managers, and Major Shareholders

### (1) Change in Equity Interest

Unit: share

Title	Name	2017		As of 2018/03/31	
		Change in Equity Interest	Pledge in Equity Interest	Change in Equity Interest	Pledge in Equity Interest
Chairman	Shui-Shu Hung	0	0	0	0
General Manager	Tien-Szu Hung	0	0	0	0
Director	Shui-Sung Hung	0	0	0	0
Director	Ming-Long Wang	0	0	0	0
Independent Director	Mon-Huan Lei	0	0	0	0
Independent Director	Lih-Chyun Shu	0	0	0	0
Independent Director	Wen-Jie Huang	0	0	0	0
Vice President	Kenny Chien	0	0	0	0
Vice President	James Wu	0	0	0	0
Senior Assistant Vice President	Lewis Huang	0	0	0	0
Assistant Vice President	Brian Lee	0	0	0	0
Assistant Vice President	Irene Lin	0	0	0	0
Assistant Vice President	Frank Lee	0	0	0	0
Assistant Vice President	Mei-Hsing Chen	0	0	0	0

### (2) Information on Transfer of Equity Interest

None.

### (3) Information on Pledge of Equity Interest

None.

## 8.Information Disclosing the Relationship Between any of the Company's Top Ten Shareholders.

2017/09/21

Name	Personal Shareholding		Shareholdings of spouse/minor children		Total shareholdings held under other names		Related parties defined under the statement of financial accounting standards No. 6 of top 10 largest shareholders'		Remark
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Kai-Yi Investment Co., Ltd.	33,648,869	4.37%							
Delegate: Shui-Shu Hung	10,704,834	1.39%	18,409,961	2.39%			Chen-Mei Lin/Tien-Szu Hung/Sui-Mei Kuo	Spouse/Second-degree relatives/Second-degree relatives	
Jia-Wei Investment Co., Ltd.	28,246,885	3.67%							
Delegate: Tien-Szu Hung	10,661,889	1.38%	15,364,013	1.99%			Sui-Mei Kuo/Shui-Shu Hung/Chen-Mei Lin	Spouse/Second-degree relatives/Second-degree relatives	
The Overlook Partners Fund L.P.	18,916,000	2.46%							
Chen-Mei Lin	18,409,961	2.39%	10,704,834	1.39%	-	-	Shui-Shu Hung/Tien-Szu Hung/Sui-Mei Kuo	Spouse/Second-degree relatives/Second-degree relatives	
Sui-Mei Kuo	15,364,013	1.99%	10,661,889	1.38%			Tien-Szu Hung/Shui-Shu Hung/Chen-Mei Lin	Spouse/Second-degree relatives/Second-degree relatives	
JPMorgan Chase Bank custody Investment account for Central Bank of Saudi Arabia	15,267,500	1.98%							
HSBC in custody for Morgan Stanley & Co. International plc.	13,971,837	1.81%							
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price Emerging Markets Stock Fund	13,453,000	1.75%							
Citi as directed trustee Government of Singapore Investment Corporation	12,843,818	1.67%							
Standard Chartered in custody for WGI Emerging Market Fund	12,809,000	1.66%							

Note: The data shown above was gathered until the latest ex-registered date.

## 9. Total Percentage of Ownership of Investees

All the Company's investments are directly invested. There is no such issue that the Company's directors, managers, and other direct or indirect controlled entities by the Company comprehensively held the investment companies' shares.

## Four 、 Capital and Shares

### 1. Capital and Shares

#### (1) Source of Capital

##### A. Type of Shares

Unit: in thousand shares  
2018/03/31

Type of shares	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Registered Common Shares	770,391	229,609	1,000,000	Listed stocks

##### B. Historical Information of Capitalization

Unit: in thousand NTD/shares

Date	Issue Price (NTD)	Authorized Shares		Paid-in Capital		Notes		
		Shares	Total Amount	Shares	Total Amounts	Source of Capital	Assets Other than Cash Used for Capital	Other
1984.11	1,000	2	2,000	2	2,000	Initial capital NT\$2,000K	None	None
1986.06	1,000	5	5,000	5	5,000	Capitalization from Cash offering NT\$3,000K	None	None
1990.06	1,000	15	15,000	15	15,000	Cash offering NT\$10,000K	None	None
1992.10	1,000	25	25,000	25	25,000	Cash offering NT\$10,000K	None	None
1994.06	1,000	40	40,000	40	40,000	Cash offering NT\$15,000K	None	None
1996.06	—	80	80,000	80	80,000	Increase capital from retained earnings NT\$20,000K, Capital surplus NT\$20,000K	None	Note1
1997.04	36	30,000	300,000	16,000	160,000	Capitalization in Cash by NT\$80,000K	None	Note2
1997.06	—	30,000	300,000	19,200	192,000	Increase capital from retained earnings NT\$32,000K	None	Note 3
1998.12	—	32,703	327,030	32,703	327,030	Increase capital from retained earnings NT\$135,030K(Including employee bonus shares NT\$630K)	None	Note 4
1999.05	50	70,000	700,000	48,054.2	480,542	Cash offering NT\$20,000K, Increase capital from retained earnings NT\$133,512K(Including employee bonus shares NT\$2,700K)	None	Note 5
2000.02	165	70,000	700,000	56,054.2	560,542	Capitalization in Cash by NT\$80,000K	None	Note 6
2000.06	—	110,000	1,100,000	84,441.3	844,413	Increase capital from retained earnings NT\$283,871K(Including employee bonus NT\$3,600K)	None	Note 7
2001.09	—	118,000	1,180,000	102,049.6	1,020,496	Increase capital from retained earnings NT\$176,083K(Including employee bonus NT\$7,200K)	None	Note 8
2002.10	—	210,000	2,100,000	133,738.3	1,337,383	Increase capital on retained earnings and capital reserve NT\$316,887K(Including employee bonus NT\$ 10,738K)	None	Note 9
2003.09	—	210,000	2,100,000	155,099.0	1,550,990	Increase capital on retained earnings and capital reserve NT\$213,607K (Including employee bonus NT\$ 13,000K)	None	Note 10

2004.09	—	270,000	2,700,000	187,658.8	1,876,588	Increase capital from retained earnings NT\$325,598K(Including employee bonus NT\$15,400K)	None	Note 11
2005.03	—	270,000	2,700,000	188,146.9	1,881,469	Capital from ECB conversion NT\$4,881K	None	Note 12
2005.07	—	270,000	2,700,000	199,763.6	1,997,636	Capitalization in ECB conversion NT\$116,167K	None	Note 13
2005.09	—	570,000	5,700,000	282,161.6	2,821,616	Increase capital from retained earnings NT\$782,328 K (Including employee bonus NT\$ 29,740 K) Capitalization in ECB conversion NT\$41,652K	None	Note 14
2006.02	—	570,000	5,700,000	283,723.7	2,837,237	Capitalization in ECB conversion NT\$ 15,621K	None	Note 15
2006.04	—	570,000	5,700,000	293,644.4	2,936,444	Capitalization in ECB conversion NT\$ 99,208K	None	Note 16
2006.07	—	570,000	5,700,000	294,603.6	2,946,036	Capitalization in ECB conversion NT\$ 9,591K	None	Note 17
2006.09	—	570,000	5,700,000	414,076.5	4,140,765	Increase capital from retained earnings NT\$1,194,729 K (Including employee bonus NT\$ 25,000 K)	None	Note 18
2006.11	—	570,000	5,700,000	414,136.4	4,141,364	Capitalization in ECB conversion NT\$ 599K	None	Note 19
2007.03	—	570,000	5,700,000	414,147.5	4,141,475	Capitalization in ECB conversion NT\$ 110K	None	Note 20
2007.10	—	1,000,000	10,000,000	541,591.6	5,415,917	Increase capital from retained earnings NT\$1,274,442 K (Including employee bonus NT\$ 32,000 K)	None	Note 21
2008.11	—	1,000,000	10,000,000	599,715.9	5,997,159	Increase capital from retained earnings NT\$581,242 K (Including employee bonus NT\$ 39,650 K)	None	Note 22
2009.9	—	1,000,000	10,000,000	664,908.5	6,649,085	Increase capital from retained earnings NT\$651,926K (Including employee bonus NT\$ 52,210K)	None	Note 23
2011.5	—	1,000,000	10,000,000	675,175.1	6,751,751	Capitalization from Domestic 1 <sup>st</sup> CB conversion NT\$ 102,666K	None	Note 24
2011.6	—	1,000,000	10,000,000	723,795.8	7,237,958	Capitalization from Domestic 1 <sup>st</sup> CB conversion NT\$ 151,206K & GDR NT\$ 335,000K	None	Note 25
2011.10	—	1,000,000	10,000,000	750,443.7	7,504,337	Capitalization from Domestic CB conversion NT\$ 225,152K and capitalization from Domestic CB conversion NT\$ 41,227K	None	Note 26
2012.2	—	1,000,000	10,000,000	750,639.4	7,506,394	Capitalization from Domestic CB conversion NT\$ 2,057K	None	Note 27
2012.4	—	1,000,000	10,000,000	750,691.4	7,506,914	Capitalization in Domestic CB conversion NT\$ 519K	None	Note 28
2012.5	—	1,000,000	10,000,000	750,699.2	7,506,992	Capitalization in Domestic CB conversion NT\$ 78K	None	Note 29
2012.8	—	1,000,000	10,000,000	750,703.1	7,507,031	Capitalization in Domestic CB conversion NT\$ 39K	None	Note 30
2014.4	—	1,000,000	10,000,000	751,662.8	7,516,628	Capitalization in Domestic CB conversion NT\$9,597K	None	Note 31



2014.8	—	1,000,000	10,000,000	760,494.0	7,604,940	Capitalization in Domestic conversion NT\$88,312K	CB	None	Note 32
2014.11	—	1,000,000	10,000,000	767,423.7	7,674,237	Capitalization in Domestic conversion NT\$69,297K	CB	None	Note 33
2015.3	—	1,000,000	10,000,000	770,391.0	7,703,911	Capitalization in Domestic conversion NT\$29,674K	CB	None	Note 34

Note 1 : Approved no. (85)Jian San Ji Zi 215114, 8/16/1996  
 Note 2 : Approved no. Jing (86) Shang Zi 107326, 5/27/1997  
 Note 3 : Approved no. Jing (86) Shang Zi 116009, 8/28/1997  
 Note 4 : Approved no. (87) Tai Cai Zheng Zi (1) 98840, 11/26/1998  
 Note 5 : Approved no. (88) Tai Cai Zheng Zi (1) 30979, 4/6/1999  
 Note 6 : Approved no. (88) Tai Cai Zheng Zi (1) 101893, 12/9/1999  
 Note 7 : Approved no. (89) Tai Cai Zheng Zi(1) 42070, 5/16/2000  
 Note 8 : Approved no. (90) Tai Cai Zheng Zi(1) 144155, 7/11/2001  
 Note 9 : Approved no. Tai Cai Zheng Zi(1) 0910134316, 6/25/2002  
 Note10: Approved no. Tai Cai Zheng Zi (1) 0920126413,6/16/2003  
 Note11: Approved no. Tai Cai Zheng Zi (1) 0930126017,6/11/2004  
 Note12: Approved no. Jing So Shang Zi 09401045320, 3/21/2005  
 Note13: Approved no. Jing So Shang Zi 09401139810 , 7/21/2005  
 Note14: Approved no. Jing So Shang Zi 09401177590 , 9/08/2005  
 Note15: Approved no. Jing So Shang Zi 09501027910 , 2/16/2006  
 Note16: Approved no. Jing So Shang Zi 09501075300 , 4/25/2006  
 Note17: Approved no. Jing So Shang Zi 09501159860 , 7/26/2006  
 Note18: Approved no. Jing So Shang Zi 09501206950 , 9/12/2006  
 Note19: Approved no. Jing So Shang Zi 09501247950 , 11/03/2006  
 Note20: Approved no. Jing So Shang Zi 09601045320 , 3/06/2007  
 Note21: Approved no. Jing So Shang Zi 09601242380 , 10/03/2007  
 Note22: Approved no. Jing So Shang Zi 09701278820 , 11/03/2008  
 Note23: Approved no. Jing So Shang Zi 09801230170, 10/07/2009  
 Note24: Approved no. Jing So Shang Zi 10001087800, 05/02/2011  
 Note25: Approved no. Jing So Shang Zi 10001133750, 06/28/2011  
 Note26: Approved no. Jing So Shang Zi 10001246030,10/26/2011  
 Note27: Approved no. Jing So Shang Zi 10101015910, 02/02/2012  
 Note28: Approved no. Jing So Shang Zi 10101056300, 04/02/2012  
 Note29: Approved no. Jing So Shang Zi 10101093520, 05/25/2012  
 Note30: Approved no. Jing So Shang Zi 101010169120, 08/16/2012  
 Note31: Approved no. Jing So Shang Zi 10301090650, 05/21/2014  
 Note32: Approved no. Jing So Shang Zi 10301184600, 09/04/2014  
 Note33: Approved no. Jing So Shang Zi 10301248990, 12/03/2014  
 Note34: Approved no. Jing So Shang Zi 10401061390, 04/21/2015

### C. Information of Shelf Registration System: None

## (2) Status of Shareholders

Par Value: NT\$10 per share: 2017/09/21

Structure Number	Government Agencies	Financial Institutions	Other Institutions	Foreign Institutions& Individuals	Individual investors	Treasury shares	Total
Numbers of Shareholders	0	27	222	1,316	24,410	0	25,975
Shareholding (Shares)	0	15,711,170	86,748,472	513,445,290	154,486,137	0	770,391,069
Holding Percentage (%)	0.00%	2.04%	11.26%	66.65%	20.05%	0.00%	100%

Note: The data shown above was gathered until the latest ex-registered date.

## (3) Distribution of Common Shares

### A. Common Stock

Par Value: NT\$10; 2017/09/21

Class of Shareholding	Number of Shareholders	Shareholding (shares)	Holding Percentage%
1-999	6,776	1,478,564	0.19%
1,000-5,000	15,483	27,906,399	3.62%

5,001-10,000	1,504	11,693,979	1.52%
10,001-15,000	473	5,982,327	0.78%
15,001-20,000	282	5,202,445	0.68%
20,001-30,000	275	6,912,752	0.90%
30,001-40,000	162	5,746,239	0.75%
40,001-50,000	127	5,783,612	0.75%
50,001-100,000	273	19,719,564	2.56%
100,001-200,000	221	31,896,526	4.14%
200,001-400,000	142	41,715,376	5.41%
400,001-600,000	74	36,550,602	4.74%
600,001-800,000	36	24,254,672	3.15%
800,001-1,000,000	21	18,996,939	2.47%
Above 1,000,001	126	526,551,073	68.34%
Total	25,975	770,391,069	100.00%

Note: The data shown above was gathered until the latest ex-registered date

#### **B. Preferred Stock**

None.

#### **(4) List of Major Shareholders**

Units: shares, 2017/09/21

Shareholder's Name	Shares	Common Shares	(%) of Shareholding
Kai-Yi Investment Co., Ltd.		33,648,869	4.37%
Jia-Wei Investment Co., Ltd.		28,246,885	3.67%
The Overlook Partners Fund L.P.		18,916,000	2.46%
Chen Mei Lin		18,409,961	2.39%
Sui Mei Kuo		15,364,013	1.99%
JPMorgan Chase Bank custody Investment account for Central Bank of Saudi Arabia		15,267,500	1.98%
HSBC in custody for Morgan Stanley & Co. International plc.		13,971,837	1.81%
JPMorgan Chase Bank N.A. Taipei Branch in custody for T. Rowe Price Emerging Markets Stock Fund		13,453,000	1.75%
Citi as directed trustee Government of Singapore Investment Corporation		12,834,818	1.67%
Standard Chartered in custody for WGI Emerging Market Fund		12,809,000	1.66%

Note: The data shown above was gathered until the latest ex-registered date

## (5) Market Price, Net Worth, Earnings, and Dividends per Share

Unit: in thousand NTD/shares

Item \ Year		2016	2017	As of 2018/03/31
Market Price per Share	Highest	295.00	399.00	372.00
	Lowest	200.00	212.50	216.00
	Average	238.12	318.22	345.58
Net Worth per Share	Before Distribution	159.18	172.71	(Note 1)
	After Distribution	149.18	(Note 2)	(Note 1)
Earnings per Share	Weighted average shares	770,391	770,391	(Note 1)
	Earnings per shares	28.58	28.58	(Note 1)
Dividend per Share (Note2)	Cash dividends		10.0	(Note 2)
	Stock dividends	Dividend from retained earnings	0	(Note 2)
		Dividend from Capital Reserve	—	(Note 1)
	Accumulated un-appropriated dividend (Note2)		—	(Note 1)
Return on Investment	Price/Earning ratio (Note3)		8.37	11.22
	Price/Dividends ratio (Note4)		23.93	(Note 2)
	Cash dividends yield rate (Note5)		4.18	(Note 2)

Note1: Up until the printing date, Q1/2018 financial report is not yet available.

Note2: Distributed earnings of 2017 are not yet been approved by shareholders' meeting as at printing date. The related information will be available on Market Observation Post System after the meeting.

Note3: Price/Earnings ratio = Average Market Closing Price per Share /Earning per Share

Note4: Price/Dividend ratio = Average Market Closing Price per Share/Cash Dividend per Share

Note5: Cash dividends YTM = Cash Dividends per Share/Average Market Closing Price per Share

## **(6) Dividend policy and Status:**

### **A. Dividend Policy in the Company's Articles of Incorporation:**

Dividend policy is set forth in the Articles of Incorporation, the distribution priority orders are listed as follows:

- a. Making up loss for preceding years;
- b. Setting aside 10% for legal reserve;
- c. Setting aside or reverse special reserve(s) according to the business need or laws and regulations;
- d. Any remaining earnings should be added to the accumulated retained earnings and current period's adjustments, and the board can determine to distribute or to retain according to the dividend policy.

We are locating at the industry which has positive growth potential. We will appropriately watch each step we have and economics status we are facing. We will continue to expand our scale considering viability of economic situation. Our board also focuses on the stable and growing dividend in proposing the appropriation of annual earnings. However, regarding earning distribution of aforementioned item four, the cash dividends shall not be less than 10% of earnings distributed to shareholders. If the cash dividends is less than 0.5 per share, the Company could distribute stock bonus.

### **B. Proposed Distribution of Dividend:**

2018 Board Meeting has approved the distribution of 2017 earnings.

- a. Cash dividend: NT\$12 per share (cash dividend total NT\$ 9,244,692,828)  
Stock dividend: NT\$0 per share
- b. The Board of Directors of CATCHER should be authorized to adjust the cash dividend to be distributed to each common share based on the total amount of profits resolved to be distributed and the number of actual common shares
- c. The Board of Directors is authorized to set up the distribution date once the Shareholder Meeting approved this proposal

## **(7) Impact of Stock Dividends on Operating Results, EPS, and ROE:**

Not Applicable

## **(8) Employee Compensation and Directors' Remuneration:**

### **A. The Percentages or Ranges with Respect to Employee and Director Compensation, as set forth in the Company's Articles of Incorporation:**

The Company shall distribute no less than 1 percent of the current year's profit if any as compensation for employees and the Board could decide to distribute in stocks or cash. The employees to receive compensation may include certain qualified employees from affiliate companies. The Board could also decide no more than 1 percent of the abovementioned profit as compensation for Directors. The distribution of compensation for employees and Directors should be reported during Shareholders' Meeting. However, when there's accumulated losses, the Company shall reserve certain amount to compensate the accumulated losses and then distribute the profits to employees and Directors based on the abovementioned percentage.

### **B. Accounting Treatments when Differences Occurred between Estimated and Actual Distributed Amount of Employee and Director Compensation.**

There is no difference between the estimated and actual amounts of employee and director compensation

### **C. Information on any Employee Compensation Distribution Proposals adopted at Board Meetings:**

To adapt to the regulation, Catcher amended "Articles of Incorporation" in its 2016 Shareholder Meeting.

According to Catcher's "Articles of Incorporation", if the company recorded a positive earnings, it should distribute no less than 1% of the earnings as employee compensation, and no more than 1% of the earnings as board member compensation.

Below table shows 2017 employee cash compensation and board member compensation, which was approved by the board on March 5<sup>th</sup>, 2018.

If there is a difference between the estimated dollar amount and the actual dollar amount, we will address it with accounting estimation changes, and adjust on the year of distribution.

Compensation	Board Resolution (March 5 <sup>th</sup> , 2018)
	Dollar Amount (NT\$)
Employee Compensation (Cash)	2,421,230,934
Board Compensation (Cash)	16,892,475
Total	2,438,123,409

Note: There is no difference between the above board member/employee compensation expense and the dollar amount that the board proposed.

#### **D. Earning Distribution Information of the 2017 Employee Bonus and Directors' & Supervisors' Remuneration**

The information of approved distribution earning of 2017 are listed as follows:

Unit: NTD; Shares

Details	As approved by the Shareholders' Meeting	As recommended by the Board of Directors	Differences
<b>Distribution Status</b>			
1. Employee bonus			
(1) Stock bonus amount	-	-	-
Stock bonus shares			
Market price per share (ex-right and ex-dividend factors have been considered)	-	-	-
(2) Cash bonus			
	1,908,683,927	1,908,683,927	None
2. Remuneration paid to Directors and Supervisors	16,892,475	16,892,475	None

#### **(9) Share Buy-back History**

None.

## **2. Corporate Bonds**

### **(1) Corporate Bonds:**

None

### **(2) Convertible Bonds' Information**

None

### **3) Exchangeable Bonds Information:**

None

### **(4) Shelf Registration Information of Corporate Bond Issuance:**

None

### **(5) Equity Warrant Bonds Information:**

None

## **3. Preferred Stock:**

None

#### 4. Global Depository Receipts (GDRs)

Date of Issuance			Global Depository Receipts issued in 2011/06/08
Content			
Date of Issuance			2011/06/08
Listing Exchange			Assumed to be issued and traded either at Euro MTF of Bourse de Luxembourg or at an international securities trading market which meets the requirements of the major underwriter and Catcher.
Issue Amount			Raising USD 220,028 thousand by issuing 6,700 thousand units of GDR(representing 33,500 thousand common shares )
Listing Price/Unit			USD 32.84 (NTD 189 per common stock share)
Listing Units			6,700,000 Units
Underlying Representing Shares			Issue new common shares.
Number of Total Units and Equivalent Local Shares per Unit			Total units: 6,700,000 units Each unit represents 5 shares of common stock with total issuance of 33,500,000 common shares
Rights and Obligations of GDR holder			The rights and obligations are the same as common stock holders'.
Trustee			None
Depository Bank			JPMorgan Chase Bank
Custodian Bank			Taipei Branch / JPMorgan chase bank
Outstanding Balance (Units)			Up to 2018/03/31, 455,357 units outstanding
Issuing Expense and Maintenance Fees			All by the Company
Important Terms and Conditions of Depository Agreement and Custodian Agreement			Please refer to Depository Agreement and Custodian Agreement
Market Price/Unit	2017	Highest	USD 64.84
		Lowest	US\$ 34.07
		Average	US\$ 52.48
Market Price/Unit	Up to 2018/3/31	Highest	USD 63.50
		Lowest	USD 54.00
		Average	USD 58.92

#### 5. Employee Stock Option Certificates

None

#### 6. Mergers and Acquisitions or the Issue of New Shares to Acquire Another Company's Shares

None

#### 7. The Execution Status of Capital Plan:

None

## Five 、 Overview of the Business Scope

### 1. Description of The Business

#### (1) Major Business

##### A. Major Business:

- a. Manufacturing, processing, and sales of molds and alloy products.
- b. Surface treatment, processing, and sales of alloy products.
- c. Related materials' and products' trading, export, and import business.

##### B. Major Products and Weights :

Unit : in thousand NTD ; %

Product Item	Net sales in 2017	(%) of Sales
Product Sales	93,277,048	99.98%
Others	18,912	0.02%
Total	93,295,960	100.00%

##### C. Current Products and Services:

- a. Product Sales: Sales and manufacturing of casing, internal components, molds and thermal modules for mobile devices and 3C products, such as notebooks, tablets, mobile phones, MP3 players, Digital cameras, PDA and so on.
- b. Others: Other sales income

##### D. Future Products and Services:

- a. Mg alloy, Al alloy and SUS metal housing and multiple
- b. Development of Novel surface treatment
- c. High performance metal and non metal material applied on 3C products
- d. Bonding technology on different materials and its applications
- e. Manufacturing process, decoration and product applications on Ultra light and thin composites
- f. Product design and research on Metal/non-metal composites housing with low EMI
- g. Environment friendly painting technology on metal and non-metal cosmetic parts
- h. Non-metal or powder material which can be applied to mechanical parts manufacturing.

#### (2) Industry Scope

##### A. Current Industry Products & Development:

Trends of portable and 3C products are toward thinner, lighter, and slimmer. In addition to the quality and feelings in products' appearance, consumers are paying more attentions in environmental issues. As a result, metals with recyclable performance have become major material for casing and its internal components for portable and 3C products. Reasons for the popularity of metals include:

- a. More flexibility of alloy metal and more surface treatment technologies.
- b. Metals are stronger and provide higher impact resistance than engineering plastics.
- c. Metals provide better heat dissipation and EMI protection, comparing to engineering plastics.
- d. Metals are abundant materials.
- e. Popularity of environmental protection has resulted in regulations of recycling IT products in many countries.

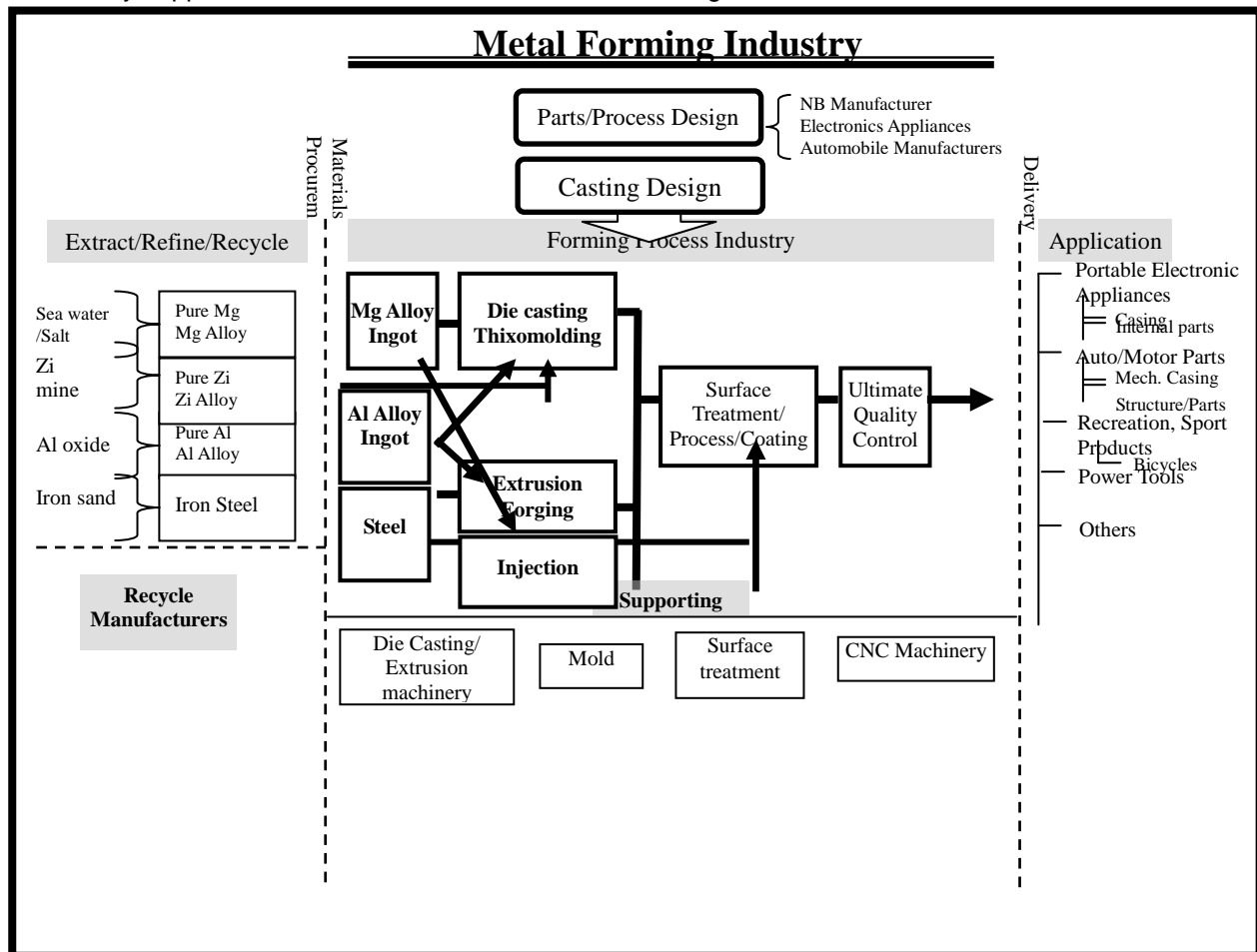
The trend of Ultramobile will continue to develop in mobile phones, tablets, and NBs. That will



also drive the demand for metal parts and the requirement for strength. The demand of hybrid unibody made by metal parts and high level composite materials is getting clear as well. We expect those demand will be our main growth drivers in the future.

## B. The Relationship Between Up-, Mid-, and Down-stream Supply Chain Services:

Industry supplier, wholesaler and retailer is shown as diagram below :



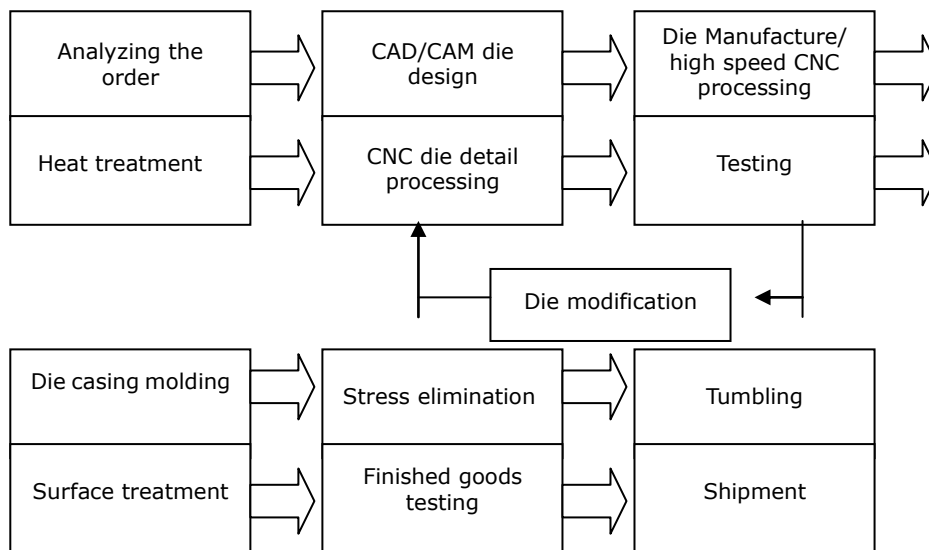
Resource from ITRI IEK-IT IS project; Quoted by Catcher

### (a) Metal Alloy Upstream

Metal alloy upstream includes extraction of magnesium ore, aluminum ore, zinc ore and iron ore, and manufacturing of metal processing equipments, such as aluminum extrusion machine, forging machine, stamping machine and die-casting machine. Because Taiwan does not have mineral resources, metals are imported from nearby countries, such as China and Australia. In earlier times, the global magnesium alloy extraction and facilities are controlled by few companies, for example, Dow Chemical of United States, American Magnesium Inc. and Dead Sea, etc. But recently, China keeps on extraction and production of magnesium raw materials and has become the biggest magnesium supplier in the world. China is also Catcher's major magnesium materials supplier. On the other hand, aluminum ingots are supplied by China, Australia and Dubai. Domestic firms allocate and alloy these aluminum ingots into aluminum extrusion, and further reprocess into finisher. Stainless steel forge cloth is made by domestic companies, like Yusco.

### (b) Metal Alloy Midstream

Metal alloy midstream is mainly responsible for metal mold manufacturing, shape machining, and surface treatment. The major suppliers include Catcher, Foxconn, Wafer, Casetek, Ju-Teng, BYD and Silitech. Die-casting industry wholesalers receive downstream consumer orders, and produce metal alloy merchandises. The manufacturing flow chart is illustrated as below:



### (c) Metal Alloy downstream

Metals are suitable for all thin and light products, such as portable electronic devices, car parts, and sports products. Automobile and bicycle industry have used aluminum extrusion and forging product quite earlier, but the requirement are not as strict as 3C industry. Thus, 3C sector initialed the high quality and density extrusion products. As for stainless steel, it is very difficult to process but provides strong factor, attracting some smart phone brands. Taiwan has become the manufacturing center for the global ICT products, especially on desktop computers, NBs, and portable devices. Magnesium is the main material for NB and smart phone, and on the other hand, aluminum alloy and Zinc alloy play the key role for 3C industry. As of being an identity product, wearable devices also see prosperous demand in recent years. Metal casing still remain the preferred design and unibody casing can provide outstanding value to meet end customers' requirement.

## C. Competition Status

Major Competitors:

Company	Main business scope	Major items	Note
Catcher Technology Co. Ltd.	Manufacture and sales of mold and metal casing products; Surface treatment.	Mg alloy and aluminum alloy casing and other 3C components	Public traded company
Casetek	Design, research, and production of consumer electronic parts	Aluminum alloy components	Public traded company
Waffer Technology Co., Ltd.	Sales and manufacture of plastic and metal products, Mg alloy products, mental surface treatment technology, and electronics components.	Mg casing and other 3C components	Public traded company
Foxconn Technology Co., Ltd.	Manufacture and sales of monitor and electronics components	Mg casing and other 3C components	Public traded company
Silitech Technology Co., Ltd	Manufacture and sales of rubber dial, rubber roller and cellular phone module and rubber dial on car	Mg casing and other 3C components	Public traded company
Ju Teng International	Mold development, plastic injection, metal stamping, die-casting/thixo-molding, CNC machining, composite casing, surface coating and assembly.	Mg alloy and aluminum alloy casing, carbon fiber, and other 3C components	Public traded company
BYD Electronics	Provider of handset components and modules manufacturing and assembly services.	Aluminum alloy components	Public traded company

## (3) Research & Development Achievements and Plans:

## A. Research and Development Expenditures:

Year	2017 (consolidated)
R&D expenditures	NT\$ 1,659,912 thousand

## B. Successful Development in Technologies and Products:

During the past few years, Catcher has aggressively extended special processes and technologies to accommodate into existing techniques, creating a "Comprehensive Manufacturing Matrix". The matrix provides customers with a variety of design flexibility and achieves the goal of vertical integration. When integrating these processes into mass production, we also find new application possibilities of combining more different processes. These combinations expand the surface treatments techniques and create new exterior feels. The latest developed products and processes are as follows:

- Unibody composite housing of High strength glass fiber with 0.4mm thickness
- High modulus/High strength 3K carbon thermal plastic unibody
- Dual tone/Dual color aluminum anodized mobile phone and casing
- Narrow boarder display housing made by high strength Al alloy and composites
- Slim and light high strength unibody tablet with detach device
- Novel PVD SUS unibody product made by SUS with multi color
- Special dazzle color on anodized aluminum alloy
- New unibody casing with novel antenna solution and electro magnetic performance
- Carbon fiber unibody composite with special designed antenna solution

## C. Long-term and Short-term Business Development Plan:

For short term planning, the 3C products are getting more diversified. In addition to the stable demand from NBs, the market demand of smartphones and tablets is also increasing. The trend toward multi-functional, thinner, lighter, and stylish design has made metal casing much popular, and drove the growth for metal casing sector. Therefore, Catcher is going to increase its allocation, product categories, value-add, customers, enabling this company to pursue growth.

For the long term, Catcher will keep its leading advantage to maintain its market share. We will also develop any other materials, components or technologies to provide more materials, products and serve more customers. On top of current customers and products, Catcher sets up a new subsidiary "KeYao(tentative) Co., Ltd." to focus on the development of new material, new processes, and new business. We will continuously evaluate any possibilities of building new factory or capacities. Besides, in the needs of manufacturing capacity allocation and strategic planning, the Company has added new production sites and expands capacity aggressively. We will continue to evaluate the necessity of future expansion or new production sites. The Company manages to keep the commitment of technology innovation and customer-oriented service while with a vision of sustainable operation. Catcher targets to outgrow the industry's average.

## 2. Market and Sales Conditions

### (1) Market Analysis:

#### A. Major Sales Regions:

Unit : in thousand NTD ; %

Area \ Year		2017		2016	
		Net Sales	%	Net Sales	%
Domestic		967,563	1.04%	2,646,469	3.35%
Export	Asia	36,645,400	39.28%	24,252,152	30.65%
	America	55,598,279	59.59%	51,757,369	65.42%
	Europe	84,718	0.09%	457,663	0.58%
	Others	0	0.00%	0	0.00%
Export subtotal		92,328,397	98.96%	76,467,184	96.65%

Total	93,295,960	100.00%	79,113,653	100.00%
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## B. Market Share:

According to market survey, few Taiwan metal casing companies account for the majority market share and lead other companies with a distance in technique, skill and capacity. About magnesium die casting, aluminum and stainless steel unibody, there are high entry barriers because of technical difficulty, production capacity, as well as vertical integration and other factors. The new entrants as well as other vendors do not have the big scale of production, mass production experience and technology. Therefore, there should not be any significant impact in the short term. The few companies are estimated to account for approximately 80% shipment in metal casing industry. Catcher is one of few manufacturers with completed processing technique, customization capability, and innovative design ability. Catcher has received recognition and orders from global leading brand names. These achievements make the Company a leader of metal casing industry in the world.

Smartphone sector is still growing. To show the products' premium quality, mid to high end brands expand their adoption in metal casing. Even though the global NB is declining, the penetration of high end metal casing or hybrid casing has been increasing. This trend benefits Catcher's growth in this sector.

According to the research reports, metal casing industry is delivering mild growth. Therefore, Catcher take this index as the target and will aim at outpacing this target. Catcher recorded NT\$93.3bn revenue in 2017, a 18% growth from 2016 (NT\$79.1bn), and reached the "above industry growth rate" target

## C. Future Market Supply, Demand, and Growth Potential

For smartphone market in 2017, IDC indicated the shipment of smartphones was around 1.462 billion, down 0.8% y-y from 1.473 billion last year. IDC also estimates the smartphone will increase to 1.572 billion units in 2018, up 7.5% y-y, and up 3% to 1.627 billion units in 2019. We expect the competition between different brands and different operating systems to be fiercer in the future for smartphones, thus mid-to-high end models will be the main source of profitability for brand customers. High value-added and product differentiation will be the fundamental for tier 1 brands to expand market share. Moreover, due to the trend of being larger screen size, thinner, lighter and fashions for smartphones, metal casing has become one of the must-have specifications no matter what kind of design. The trend of metal casing design also leads to the "bigger gets bigger" in the industry. As a result, smartphones remain one of the main growth drivers for the Company.

Gartner indicated the shipment of Tablet PC in 2017 was around 157.5 million units, compared with 168.8 million in 2016, down by 6.7%. Gartner forecasts that tablet will grow/decrease 2.1%/0.7% to 160.9/159.7 million units in 2018/2019, indicating a stabilizing tablet PC market. Compared to notebook, tablet is more convenient and thus it requires higher strength and better outlook. Therefore, tablet will continue to be one of the important products for metal casing vendors.

Notebook shipments of 2017 were 160.4 million, compared to 162.1 million units in 2016, declining by 1.0% y-y. Gartner estimates that the NB will grow 3.1% yoy to 165.5 million units in 2018 and increases again by 3.3% to 171 million in 2019. Overall notebook market will stabilize and it is still one of important part for our sales revenue. Although it's mature, the slim and stylish design of products can increase the penetration rate of metal casing. We expect the NB business could be quite stable, due to the stable demand for commercial models and some consumer models will switch to high end metal casings.

Looking ahead into 2018, mobile devices, especially smartphones, will continue to grow, metal adoption will increase, and metal casing will penetrate into the new areas. All of which will drive the metal casing sector to grow.

## D. Competitive Advantages

The company focuses on the manufacture of metal casing (Al, Mg, Zn, Stainless Steel...), composite materials, and internal frame. It include the process of Die Casting, Extrusion, Forging, Stamping, MIM, thermoforming, CNC machining, Anodizing and many kinds of surface treatment technology. These technologies can be adopted in NB, mobile phone, Tablet, MP3 player and all the other 3C products. Catcher is one of the few metal casing and internal components manufacturers that are able to meet customers' expectations in quality, yield, mass production capability, customization, and innovative design ability. The following strengths contribute to Catcher's achievements aforementioned :

- a. The Company possesses strong research and development programs and leverages its ability in technology development.
- b. The comprehensive manufacturing capabilities of multi-materials, multi-process, and multi-surface treatment.
- c. The Company provides one-stop-shopping solution, and ensures time-to-market and quality control issue due to highly in-house integration.
- d. The Company's vertically integrated technology in mechanical design, precision mold design and fabrication, molding, decoration, second processing, and sub-assembly also enable it to meet time-to-market and volume production requirements while having the competence to handle the rapid changes in product designs.
- e. The Company's technologies and quality have been proven and recognized by customers.
- f. The Company consistently develops new products and new applications to meet customers' demand.

With the idea of steady growth and innovation commitment, Catcher builds competitive advantages in R&D, manufacturing, and sales. The Company also has a solid financial structure and fine-tuning of the manufacturing process accompanying with professional employees' recruiting programs. These factors make the Company a reliable and close partner to customers.

## **E. Positive and Negative Factors Relating to Future Development**

### **a. Favorable Factors**

#### **➤ Wider metal casing application and optimistic industry outlook**

Superior physical characteristics of metals result in the popular applications of metals. Metal casings provide better structure strength, save space, and make better outlook, which enable other portable devices, like NB, smartphone, tablet, camera, and 3C products, to adopt more and more metal. Therefore, the applications for metals are in growth and the industrial outlook is optimistic. There are three main growth drivers for the metal casing sector: 1. Increasing unit shipment from smart devices, 2. Increasing adoption rate of metal casing, and 3. Form factor change, including larger size, more complicated and difficult design. For Catcher, we expect three growth drivers for the near to mid-term; 1. Organic growth from existing products, 2. New products, and 3. New customers.

#### **➤ Downstream Applications and Diversified & Stable Customer Base**

Due to the boosting of Internet and multimedia, the market of mobile devices and 3C products is booming up. In addition, the effort in the information industry from private sectors and government being more than a decade, a completed and well-operating supply chain was established. As a result, the market shares of many kinds of 3C products in Taiwan achieve No.1 around the world. Catcher is one of few suppliers qualified in quality, yield rate, and capacity. The company already cooperated with brand companies and ODMs for many years. Because of the rapid growth of the smartphone in recent years, the Company also has cooperation with smartphone, mobile devices brand companies. The diversified and stable customers' base is the important factors for the sustainable development.

#### **➤ High Entry Barrier in the metal casing industry**

As per the technology progress of notebooks, smartphones, tablet PCs, MP3, digital cameras and the other consumer products, the demands for those products are also growing quickly. However, due to the highly customized structure and design, the key technologies, the ability to make the mold and tooling, and the variety of surface treatment technology require abundant mass production experience to improve the yield rate of products and processes. In recent years, more and more notebook and smartphones adopt Unibody design of aluminum metal casing, the extensive uses of extrusion and CNC machining is able to make more creative design of casing outlook. Meanwhile, there also build up high entry barriers of capital and technology in the metal casing manufacturing industry. In addition to a lot of machines and equipments, there are still complicated secondary operating and surface treatment process, which cannot be replaced by automatic robots or machines. It is not an

easy thing to maintain long-term profitable operations if the company did not optimize the use of limited manpower and resources, and control the cost.

The life cycle of 3C products is getting shorter; the Company needs to have R & D ability and makes mass production within a short period in order to grasp the market momentum. The new manufacturers have to spend huge initial investment for equipments and face the insufficient technical experience. Thus, it is not easy for them to improve the yield rate of products and processes in short term, and it will take for quite long time to achieve breakeven. There might be the potential threat in medium-and long-term, but it is not simple thing to catch up with the Company in short-term. The Company already entered in this industry for quite a long time, and had solid R&D team and experience for delivery and quality. All above competitive advantages can make the company become outstanding in the severe competition.

The metal casing industry has four entry barriers: 1.High uncertainty of business operation, 2.More complicated and difficult design trend, 3.Huge capacity and high automation needed, and 4.Compliance with higher standard from global tier one customers.

### ➤ **Research and Development Specialty**

Considering 3C products' characteristics as complicated in design and ever changing in research development, high quality requirement becomes the competitive advantage for the components manufacturers. The Company has excellent management team in this related field and strong R&D team for backing-up. Back to 1990's, the Company realized the importance of Mg alloy materials, and embarked the research since ever. With this accomplishment, the Company becomes the first mass production manufacturer in Taiwan for Mg alloy casing used for NBs. In recent years, the Company also actively makes efforts in research and development for new technologies, new processes, and new materials. Besides, we standardize our products into module, and it is recognized by the world's most prestigious companies, which represents that the technology skill experience of the Company achieves the worldwide standard. The Company will continue to invest in research based on past achievement and enhance employee quality to maintain the competitive advantages in innovation and new product development faster than other competitors.

### ➤ **Leading Position, Economies of Scale, and Time-to-market Capabilities**

We position ourselves as a one-stop-shopping service for metal technology and components manufacturing. We have developed vertically integrated manufacturing capabilities from design to manufacturing and logistics covering mode/ cutting tool design, multi-forming, CNC machining, variety of surface treatment, powder coating/painting and assembly, which enables the fast time-to-market capability, and quality assurance to meet global brand name clients' need. In addition to the development of special process and technology, the company's existing comprehensive manufacturing matrix enables the company to become one of the few metal casing manufactures with good quality, yield rate, production capacity and customized and innovative design, and all of these can achieve customer's requirements.

In addition, the Company expands its productivity in engineering plastic products providing our customer in an integrity way. We are developing the service of integrating metal and plastic. Since the surface treatment in combining metal and plastic is complicated, we have been making more effort in developing new techniques in different surface treatment technology. We will make the investment for capacity according to the market situation and we believe that the potential growth is predictable in the upcoming year.

## **b. Negative Factors**

### ➤ **Uncertainty of Global Economy , Industry Competition, and compressed Gross Margin**

After the financial crisis, the economy does not totally recover in recent years. Moreover, European sovereign debt crisis made the global economy in the uncertainty again and the demand for the 3C products was unstable. In addition, China economy growth has entered into a so called " New Normal" stage. The electronics products technology is advancing, given shorter products life cycle, resulting in margin contraction. In the view of potential metal

casing growth, there are a handful of new entrants stepped into this industry. Those companies, who originally focus on stamping, plastic molding, stainless steel manufacture, molding and assembly, would like to make premium metal casing as well. Due to the severe competition, the Company may have some potential operating pressure in the following years.

Although, the general profit margin in the metal casing industry is relative higher than others, basically, the different products' profits may vary for new competitors, the attractive factors are that if they will be able to drive their growth in sales with a better profit margin, if they can get meaningful orders from customers, and if they have enough capacity for mass production.

#### ■ **Action Plans**

- i. Expand the production capacity to lower production cost with economies of scale and enhance innovation of more value-added, diversified and premium products to sustain the Company's profitability.
- ii. We are proud of providing existing clients with outstanding process technology by extending from handling products designing, mass production, back-up service, products distribution, to post-selling services. In addition, with superior production standard, we will aim at increasing yield rate to remain the Company's core competency.
- iii. We will also emphasize on providing customers with one-stop shopping service, covering from mold design, rapid prototyping, mold flow analysis, mold development and forming, CNC processing, fine polishing, surface anticorrosion treatment, superior coating to assembly, to fulfill clients' need.

#### ➤ **Price Pressure and active Vertical Integration from Competitors**

Due to the increase of commercial notebook demand, the metal casing penetration rate is rising up. However, because of the high pressure of cost, most companies would like to adopt the cost saving solution, such as "stamping + Mg die casting internal frame" and "stamping + plastic internal frame". In this way, the product can meet the attractive outlook requirement, and reduce the price pressure as well. As smartphone and tablet being the main growth driver for the industry, every assembler is targeting at this sector and looks for opportunity to enter into casing business.

Considering ODM & OEM companies are aggressively conducting vertical integration and all the top 4 NB ODM companies have abilities to coordinate with casing vendors, in a long term, at least certain percentage of casings will be manufactured in-house in ODM. Thus, Catcher's market share does not have a clear improvement this year and benefits from transferred orders are still vague.

#### ■ **Action Plans**

- i. Fully utilizing our "most comprehensive matrix" advantage to continuously develop diversified material and processes for high end casing solution, which creates premium value for customers and then enhances the entry barrier.
- ii. Given the current economics scale, we are putting efforts on product and process designs, automation, and efficiency improvement, to lower cost and improve quality.
- iii. To adopt the design of "Stamping + Mg Die Casting Frame" or "Stamping + Plastic Internal Frame", and focus more on value-added surface treatment.
- iv. The major competitive factors in casing industry are mold development and surface treatment technology. Recently, most of domestic NB manufacturing companies strategically coordinated with casing manufacture companies, but most of them make plastic casing rather than metal one. Compared with plastic casing, the requirement for capital and technology know-how are important for metal casing manufacturing, and the yield rate cannot be improved easily in short-term. It may take quite a long time to achieve breakeven. Although there are some new competitors and they will become potential threat in the medium and long term, the Company still have the advantage of technology and quality.

#### ➤ **Increase of Entry Level Smartphone.**

Currently, most of the smartphones are sold in US, Europe, and Japan. The penetration rate in west Europe is even more than 100%. The driver from those developed countries comes from the increasing demand for the upgrade to high end models. Emerging market, on

the other hand, shows strong growth potential, particularly in China, India, east Europe, and mid east Asia etc., where mid to low end smartphones are getting popular.

■ **Action Plans**

- i. Vertical integration: To reduce the outsourcing proportion to save production costs.
- ii. In terms of the lower selling price of 3C products, the Company will not only make the high value-added products, but also provide the cost saving products & process solution. At the same time, we will improve the process and yield rate to reduce the production cost.

➤ **Rising Production Cost in China; Shortage of Labors and Experienced Employees**

Labor force is limited on account of the change of social values; as a result, the recruitment and production costs are increasing. The demands in skilled and experienced employees are strong because the manufacturing process in metal casing are complicated, the quality requirement is strict, and manpower cannot be totally replaced by the automation. Moreover, in terms of the shorter life cycle, and the increase of product demand, the Company need an abundant manpower and experienced employees. In addition, as a result of China's rapid economic growth, labor cost has been increased a lot; the appreciation of RMB currency, heavier tax, and the inflation.etc caused the labor costs increased dramatically as well.

■ **Action Plans**

- i. Under the principle in economics scales, we will produce our new developed, high price, and high margin products in Taiwan. Through product and manufacture processing designs to reduce reliance on labor force with automation production to achieve high quality performance with lower cost.
- ii. The Company has enough economics scales to lower production cost. With plenty orders and reasonable profitability, we are able to recruit and retain excellent employees by offering well benefits and satisfied salary.
- iii. Increasing automatic production in order to reduce the demand for manpower and improve the production stability.

➤ **Potential Substitute Materials**

Metal alloy is not the only structure material for casing and the internal components of mobile devices and 3C products. Due to its cheaper cost, plastic casing had caused the demand of metal casing to slow down. Right now, plastic casing still has certain share in the market. And the development of new materials of carbon fiber, glass fiber, 3D glass, special metals, composite materials, and so on, may affect the long-term development of the metal casing as well.

■ **Action Plans**

- i. Catcher focuses on R&D and continues to dedicate on developing new potential substitutes. Recently, besides magnesium alloy and aluminum alloy, the Company begins to provide all kinds of metal alloy, such as zinc alloy, stainless steel, carbon fiber, and glass fiber. The Company also aggressively extended special process and technology to accommodate into existing technique, creating a "comprehensive manufacturing matrix". Thus, the Company provides injection, extrusion, forging as well as die-casting, and all kinds of surface treatments on metal alloy products, such as anode, PVD. Catcher will provide better quality and service diversely, enlarge the differentiation between metal and non-metal, and keep improving competence.
- ii. Catcher's R&D team puts efforts on the exploitation and development of new material, and on the upgrading and development of non-metal material. In addition to metal casing, the Company starts to develop plastic casing and composite materials as well. We saw a remarkable growth in 2013. We are looking forward to providing customers with one-stop shopping and grow together to reach the goal of win-win situation.
- iii. Catcher puts more resources in investment and injects NTD 6 billion to set up a new subsidiary "KeYao" Technology, focusing on new material, new processes, and new business. The shows our determination as the pioneer in 3C structure parts. Recently,



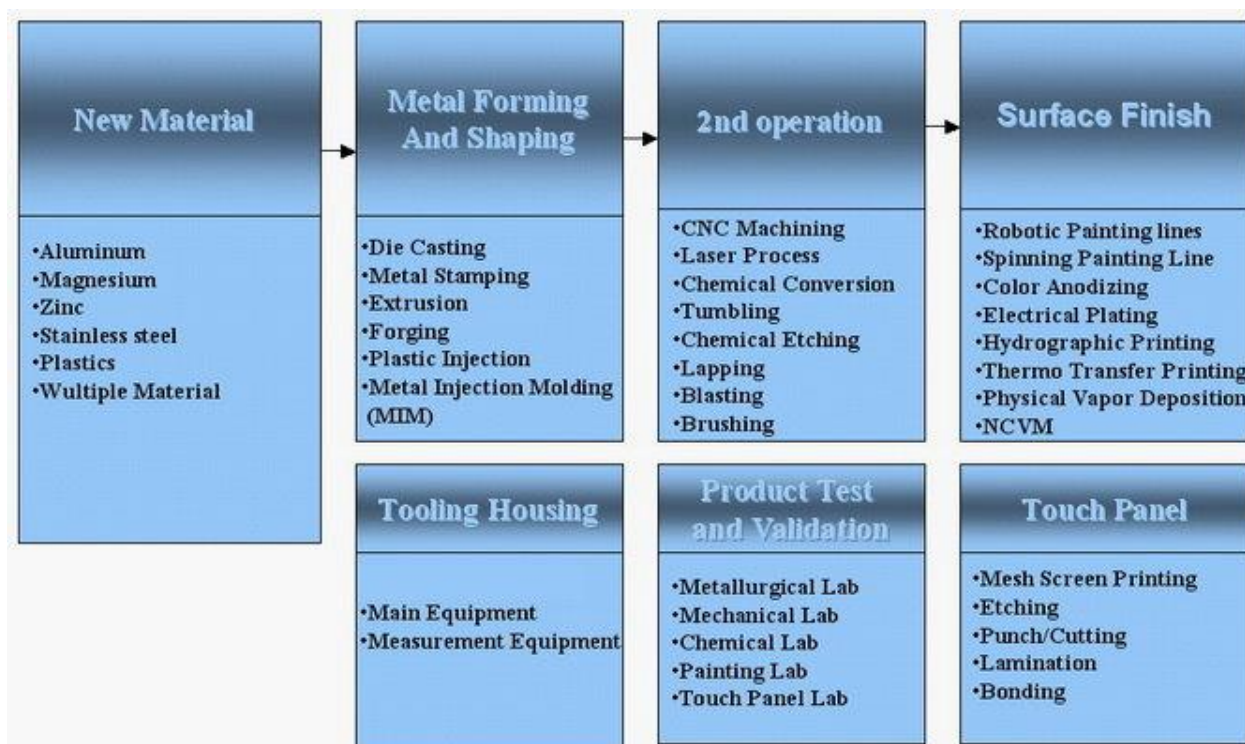
Catcher also invests into powder material, and can be more aggressive in this area if customers do have the demand.

## (2) Usage and manufacture Processing in Main Products:

### A. Usage in Main Products:

Catcher's main products include the casing and internal components for mobile devices and 3C products. These products are used to protect the body, LCD Panel and components, to dissipate heat, to provide protection from shock, and to prevent EMI.

### B. Major Product Technology Process :



## (3) Supply situation for the major raw materials

Material Categories	Area	Supply Status
Magnesium Alloy Ingot	Mainland China	Sufficient
Aluminum and Zinc Alloy Ingot	Domestic firms, Mainland China	Sufficient
Stainless Steel Sheet	Domestic firms, Japan	Sufficient
Stainless Steel Powder	Domestic firms, Japan, Europe	Sufficient

## (4) Major Vendors and Customers

### A. Major Customers

Unit: in thousand NTD; %

2017					2016			
Item	Supplier	Amount	[ % ]	Related party	Supplier	Amount	[ % ]	Related party

1	G	55,481,717	59.47%	No	G	51,714,117	65.37%	No
2	C	20,575,315	22.05%	No	O	12,864,341	16.26%	No
3								
	Others	17,238,928	18.48%		Others	14,535,195	18.37%	
	Net Sales	93,295,960	100.00%		Net Sales	79,113,653	100.00%	

Note: The variance is primarily resulted from the dynamic market and customer needs.

## B. Major Vendors

Unit: in thousand NTD; %

	2017				2016			
Item	Supplier	Amount	[ % ]	Related party	Supplier	Amount	[ % ]	Related party
1	F	6,489,144	30%	No	E	1,352,378	11%	No
2	E	1,023,200	5%	No	F	1,310,323	10%	No
3	Others	14,208,369	65%	-	Others	10,044,791	79%	-
	Total	21,720,713	100%		Total	12,707,491	100%	

Note: The variance is primarily resulted from the consideration of quality, pricing, new model, and new processes

## (5) Production Figures

Unit: in thousand NTD ; Thousand pieces

Value Products	Year	2017			2016		
		Capacity	Quantity	Amount	PCapacity	Quantity	Amount
Product Sales		107,350	80,406	51,318,694	98,800	82,066	44,708,547
Others		0	0	7,749	0	0	7,476
Total		107,350	80,406	51,326,443	98,800	82,066	44,716,023

## (6) Sales Figures

Unit: in thousand NTD ; Thousand pieces

Value Products	Year	2017				2016			
		Domestic		Export		Domestic		Export	
		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Product Sales		1,598	948,651	78,808	92,328,397	4,205	2,624,434	77,861	76,467,184
Rental Sales		0	18,912	0	0	0	22,035	0	0
Net Sales		1,598	967,563	78,808	92,328,397	4,205	2,646,469	77,861	76,467,184

## 3. Employee Analysis

Catcher Technology Co., Ltd. Employee Analysis				
Year		2016	2017	As of 2018/3/31
Employees				
Numbers of	Direct Labors	1,699	1,571	1,622

Employees	Indirect Labors	1,649	1,761	1,804
	Total	3,348	3,332	3,426
Average Age		31.59	32.29	32.29
Average Years of Employment		3.76	4.30	4.20
Level of Education (%)	Ph.D.	0.24	0.27	0.29
	Masters Degree	7.41	7.44	7.30
	Bachelors/Associate Degree	41.40	34.25	33.71
	High School	43.13	25.81	24.02
	Others	7.83	32.23	34.68

#### 4. Environmental Protection Information

**(1) Total losses and fines for environmental pollution for the two most recent fiscal years, and during the current fiscal year up to the date of printing of the annual report**

None.

**(2) Explanation of the measures to be taken and possible disbursements to be made in the future:**

The Company complies with ISO 14001 and PDCA( Plan-Do-Check-Act Cycle) management system to exercise environment protection, and comply with regulation. Our strategies this year are toward the reduction of wastes, and we have certified vendors to process our factory wastes.

#### 5. Labor Relations:

**(1) Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and the status of labor-management agreements and measures for preserving employees' rights and interest:**

A. Employee benefit plans are as follows:

- a. Subsidy for festivals, birthdays and consolation money
- b. Subsidy or compensation for maternity, funeral, and wedding
- c. Drawing for the Chinese New Year Eve Festival
- d. Paid vacations, travel funds and family day
- e. Subsidy for regular health examination program
- f. Care for employees who live on site
- g. Subsidy for insurance and expenses related to business travel
- h. Group insurance for employees
- i. Education scholarship for employees' children

B. Continuing education and training: We encourage employees to pursue advanced knowledge and skills for career development. Employees have opportunities to participate in internal or external courses and forums and company will subsidy for those who pass certification programs.

C. Retirement systems: Company employees enjoy all benefits provided under labor insurance laws. Provisions have also been added to company regulations in accordance with the Labor Standards Law to provide benefits and security for employees when they retire.

D. Labor relations: The achievement of a company depends highly on the synergy created by human capital. In order to attract, train, and retain talents, Catcher provides great career development paths for our employees and always places importance on maintaining labor relation harmony. We possess the win-win philosophy and design a better working environment of attractive salary, welfares, and training systems in the hope to benefit both the Company and its employees.

**(2) Loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report, disclose an estimate of losses incurred to date and indicate mitigation measures being or to be taken:**

- A. Catcher has maintained a good relationship with our employees, and there is no loss sustained as a result of labor disputes in the most recent fiscal year, and during the current fiscal year up to the date of printing of the annual report. Catcher also estimates that no losses will be incurred in the future due to the labor disputes.
- B. Mitigation measures being or to be taken: None

## 6. Major Agreements

Contract Type	Name of the Company	Contract Period	Major Content	Limitations
Lease	Taiwan Sugar Co., Ltd.	2000.4.20   2050.4.19	Land rental	The agreement will be terminated or cancelled if violate relative regulations or land pledged without agree written by the landlord.
Contract to purchase Catcher Technology (Suzhou)'s land, plants, dorms, partial equipment	Land Reserve Center of Suzhou Industrial Park	2014.11.28	Land and Factory Purchase	None
Contract for Transfer of the Right to the Use of Land-Topo Technology (Suzhou) Co., Ltd (Factory)	China-Singapore Suzhou Industrial Park Development Co.Ltd	2005.01.12   2055.01.11	Transfer of the right to the use of land	None
Contract for Transfer of the Right to the Use of Land-Meeca Technology (Suzhou) Co., Ltd (Factory)	China-Singapore Suzhou Industrial Park Development Co.Ltd	2006.04.30   2056.04.29	Transfer of the right to the use of land	None
Contract for Transfer of the Right to the Use of Land-Catcher Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2008.12.12   2058.12.11	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Catcher Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2010.01.05   2060.01.04	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Catcher Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2012.07.24   2062.07.23	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Vito	Bureau of Land Resources and Housing Management-Suqian	2012.08.24   2062.08.23	Transfer of the right to the use of National-owned construction land	None

Technology (Suqian) Co., Ltd				
Contract for Transfer of the Right to the Use of Land-Vito Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2014.04.19   2064.04.18	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Vito Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management-Suqian	2014.12.15   2064.12.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Arcadia Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2015.01.15   2065.01.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Arcadia Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2015.01.15   2065.01.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Arcadia Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2015.03.24   2065.03.23	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Envio Technology (Suqian) Co., Ltd	Bureau of Land Resources and Housing Management	2017.09.15   2067.09.14	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Topo Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2013.02.14   2063.02.13	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Topo Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2014.07.14   2064.07.13	Transfer of the right to the use of National-owned construction land	None

Contract for Transfer of the Right to the Use of Land-Meeca Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2017.04.20   2067.04.19	Transfer of the right to the use of National-owned construction land	None
Contract for Transfer of the Right to the Use of Land-Meeca Technology (Taizhou) Co., Ltd	Bureau of Land Resources and Housing Management-Taizhou	2017.12.29   2067.12.28	Transfer of the right to the use of National-owned construction land	None

## Six 、 Overview of the Financial Status

### 1. Abbreviated Balance Sheets and Income Statements -IFRS

#### (1) Abbreviated Consolidated Balance Sheet -IFRS

Unit : In thousand NTD

Year Item		Past Five Fiscal Year (Note1)					As of 2018/03/31
		2017	2016	2015	2014	2013	(Note 3)
Current Assets		151,436,277	127,943,044	103,551,236	79,877,672	65,346,656	—
Property, Plant and Equipment		52,066,481	51,055,042	58,737,606	45,405,426	34,903,140	—
Intangible Assets		81,700	109,393	141,521	146,369	102,555	—
Other Assets		10,279,504	7,240,105	9,149,309	11,535,237	5,026,685	—
Total Assets		213,863,962	186,347,584	171,579,672	136,964,704	105,379,036	—
Current Liabilities	Before Distribution	77,326,260	57,291,101	44,873,539	32,180,086	31,574,568	—
	After Distribution	77,326,260	64,995,012	52,577,450	36,802,432	35,334,834	—
Long-term Liabilities		3,403,023	6,226,431	10,740,671	8,695,459	124,362	—
Total Liabilities	Before Distribution	80,729,283	63,517,532	55,614,210	40,875,545	31,698,930	—
	After Distribution	80,729,283	71,221,443	63,318,121	45,497,891	35,459,196	—
Equity attributed to parent company's shareholders		133,050,446	122,629,326	115,762,580	95,897,663	73,509,487	
Capital		7,703,911	7,703,911	7,703,911	7,703,911	7,507,031	—
Capital reserve		20,270,956	20,269,657	20,274,286	20,276,071	16,974,456	—
Retained earnings	Before Distribution	111,282,634	97,143,287	82,827,439	62,330,904	48,216,767	—
	After Distribution	111,282,634	89,439,376	75,123,528	57,708,558	44,456,501	—
Other equity		-6,207,055	-2,487,529	4,956,944	5,586,777	811,233	—
Treasury stock		0	0	0	0	0	—
Minority equity		84,233	200,726	202,882	191,496	170,619	—
Total Equity Total Equity	Before Distribution After Distribution	133,134,679	122,830,052	115,965,462	96,089,159	73,680,106	—
	Before Distribution	133,134,679	115,126,141	108,261,551	91,466,813	69,919,840	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: Because 2018 shareholders' meeting has not yet been convened, the amount after distribution in 2017 represents the same as the amount before distribution.

Note 3: Up until the printing date, Q1/2018 financial report is not yet available.

## (2)Abbreviated Parent Company Balance Sheet -IFRS

Year Item		Past Five Fiscal Year (Note1)					As of 2018/03/31
		2017	2016	2015	2014	2013	(Note 3)
Current Assets		89,805,016	66,840,329	58,234,017	21,821,968	16,547,660	—
Property, Plant and Equipment		6,210,883	5,989,971	5,804,281	6,023,585	5,893,366	—
Intangible Assets		2,988	2,041	4,829	6,229	11,625	—
Other Assets		123,081,770	112,783,180	103,342,337	88,251,251	69,344,402	—
Total Assets		219,100,657	185,615,521	167,385,464	116,103,033	91,797,053	—
Current Liabilities	Before Distribution	85,967,923	62,070,808	48,064,998	20,010,906	18,165,528	—
	After Distribution	85,967,923	69,774,719	55,768,909	24,633,252	21,925,794	—
Long-term Liabilities		82,288	915,387	3,557,886	194,464	122,038	—
Total Liabilities	Before Distribution	86,050,211	62,986,195	51,622,884	20,205,370	18,287,566	—
	After Distribution	86,050,211	70,690,106	59,326,795	24,827,716	22,047,832	—
Equity attributed to parent company's shareholders		133,050,446	122,629,326	115,762,580	95,897,663	73,509,487	
Capital		7,703,911	7,703,911	7,703,911	7,703,911	7,507,031	—
Capital reserve		20,270,956	20,269,657	20,274,286	20,276,071	16,974,456	—
Retained earnings	Before Distribution	111,282,634	97,143,287	82,827,439	62,330,904	48,216,767	—
	After Distribution	111,282,634	89,439,376	75,123,528	57,708,558	44,456,501	—
Other equity		-6,207,055	-2,487,529	4,956,944	5,586,777	811,233	—
Treasury stock		0	0	0	0	0	—
Minority equity		0	0	0	0	0	—
Total Equity Total Equity	Before Distribution After Distribution	133,050,446	122,629,326	115,762,580	95,897,663	73,509,487	—
	Before Distribution	133,050,446	114,925,415	108,058,669	91,275,317	69,749,221	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: Because 2018 shareholders' meeting has not yet been convened, the amount after distribution in 2017 represents the same as the amount before distribution.

Note 3: Up until the printing date, Q1/2018 audited financial report is not yet available.



### (3) Abbreviated Consolidated Income Statement -IFRS

Unit : in thousand NTD (EPS: NTD)

Item \ Year	Past Five Fiscal Year (Note1)					As at 201803/31
	2017	2016	2015	2014	2013	
Net Operating Revenues	93,295,960	79,113,653	82,413,385	55,277,365	43,245,550	—
Gross Profit	41,969,517	34,397,630	38,146,556	26,101,348	18,320,726	—
Operating Income (Loss)	33,433,242	27,490,819	29,425,687	20,024,925	13,915,661	—
Net Non-operating Income (expenses)	-688,024	5,134,229	5,271,311	3,519,678	3,612,614	—
Income (loss) Before Tax From Continuing Operations	32,745,218	32,625,048	34,696,998	23,544,603	17,528,275	—
Income (loss) From Continuing Operations	21,857,599	22,068,278	25,181,351	17,887,757	13,817,120	—
Income (loss) From Discontinued Operations	—	—	—	—	—	—
Net Profit (loss)	21,857,599	22,068,278	25,181,351	17,887,757	13,817,120	—
Other Comprehensive Income (loss)	-3,726,580	-7,512,681	-680,917	4,783,066	2,760,864	—
Total Comprehensive Income (loss)	18,131,019	14,555,597	24,500,434	22,670,823	16,577,984	—
Net Profit attributed to Parent Company's shareholders	21,843,250	22,019,794	25,120,856	17,877,167	13,801,184	—
Net Profit attributed to minority	14,349	48,484	60,495	10,590	15,936	—
Comprehensive Income attributed to Parent Company's shareholders	18,123,732	14,575,286	24,489,048	22,649,946	16,553,748	—
Comprehensive Income attributed to minority	7,287	-19,689	11,386	20,877	24,236	—
Earnings Per Share (Note 2)	28.35	28.58	32.61	23.52	18.38	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note 3: Up until the printing date, audited Q1/2018 financial report is not yet available.

#### (4) Abbreviated Parent Company's Income Statement -IFRS

Item \ Year	Past Five Fiscal Year (Note1)					As at 2018/03/31
	2017	2016	2015	2014	2013	
Net Operating Revenues	65,607,147	59,353,755	60,170,232	14,880,243	22,228,284	(Note 3)
Gross Profit	7,591,901	5,053,498	6,880,773	4,446,051	2,429,922	—
Operating Income (Loss)	6,742,308	4,253,180	5,773,045	3,864,901	1,953,420	—
Net Non-operating Income (expenses)	18,507,660	21,101,513	21,748,436	15,654,274	12,745,508	—
Income (loss) Before Tax From Continuing Operations	25,249,968	25,354,693	27,521,481	19,519,175	14,698,928	—
Income (loss) From Continuing Operations	21,843,250	22,019,794	25,120,856	17,877,167	13,801,184	—
Income (loss) From Discontinued Operations	—	—	—	—	—	—
Net Profit (loss)	21,843,250	22,019,794	25,120,856	17,877,167	13,801,184	—
Other Comprehensive Income (loss)	-3,719,518	-7,444,508	-631,808	4,772,779	2,752,564	—
Total Comprehensive Income (loss)	18,123,732	14,575,286	24,489,048	22,649,946	16,553,748	—
Net Profit attributed to Parent Company's shareholders	—	—	—	—	—	—
Net Profit attributed to minority	—	—	—	—	—	—
Comprehensive Income attributed to Parent Company's shareholders	—	—	—	—	—	—
Comprehensive Income attributed to minority	—	—	—	—	—	—
Earnings Per Share (Note 2)	28.35	28.58	32.61	23.52	18.38	—

Note 1: The financial information over the past 5 fiscal years has been audited by independent auditors.

Note 2: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note 3: Up until the printing date, Q1/2018 audited financial report is not yet available.

## 2. Names of the Auditors and the Opinions:

Year	CPA Firm	CPA	Auditors' Opinion	Reason for change CPA
2013	Deloitte & Touche	Hung Ju Liao Chi Chen Lee	Revised unqualified opinion	
2014	Deloitte & Touche	Hung Ju Liao Chi Chen Lee	Revised unqualified opinion	
2015	Deloitte & Touche	Hung Ju Liao Chun Chi Kung	Revised unqualified opinion	Job rotation inside CPA firm
2016	Deloitte & Touche	Hung Ju Liao Chun Chi Kung	unqualified opinion	
2017	Deloitte & Touche	Chi Chen Lee Chun Chi Kung	unqualified opinion	Job rotation inside CPA firm

## 2. Financial Analysis for the Past Five Years

### (1) Consolidated Financial Analysis -IFRS

Analysis Items		Year	Financial Information For The Past 5 Years (Note 2)					As of 2017/03/31 (Note 3)
			2017	2016	2015	2014	2013	
Capital Structure (%)	Debt ratio		37.74	34.08	32.41	29.84	30.08	—
	Long-term Funds to Fixed Assets		255.53	240.19	197.08	211.20	210.61	—
Liquidity (%)	Current Ratio		195.84	223.32	230.76	248.22	206.96	—
	Quick Ratio		180.04	215.02	209.41	216.18	191.8	—
	Times Interest Earned		10,426.33	13,866.71	20,135.33	14,438.28	6,114.93	—
Operating Performance	Accounts Collection Turnover (times)		2.84	2.56	3.34	2.87	2.65	—
	Average Collection Days		128.52	142.57	109.28	127.17	137.74	—
	Inventory Turnover (times)		8.05	8.35	6.89	6.16	7.88	—
	Average Payable Turnover (times)		5.86	7.60	7.07	5.30	6.14	—
	Inventory Turnover Days		45.34	43.71	52.97	59.25	46.32	—
	Fixed asset Turnover (times)		1.80	1.44	1.58	1.22	1.24	—
	Total asset Turnover (times)		0.46	0.44	0.53	0.40	0.41	—
Profitability	Return on Assets (%)		11.02	12.42	16.40	14.87	13.59	—
	Return on Equity (%)		17.09	18.51	23.79	21.12	20.48	—
	Income Before Tax as % of Capital		425.04	423.48	450.38	305.62	233.49	—
	Net income to Sales (%)		23.42	27.89	30.55	32.36	31.95	—
	EPS (NTD) (Note 1)		28.35	28.58	32.61	23.52	18.38	—
Cash Flow (%)	Cash Flow Ratio		42.49	46.23	74.07	83.85	63.71	—
	Cash Flow Adequacy Ratio		123.13	121.23	111.34	105.78	107.75	—
	Cash flow Reinvestment Ratio		13.57	11.18	18.17	18.32	17.31	—
Leverage	Operating Leverage		1.98	2.03	1.99	1.97	2.16	—
	Financial Leverage		1.00	1.00	1.00	1.01	1.02	—

Note1: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note2: The financial information over the past 5 years has been audited by independent auditors.

Note3: Up until the printing date, Q1/2018 audited financial report is not available

### Explanations for Significant Changes (over 20%)

- Times Interest Earned: The ratio increased due to better sales performance and increasing profits
- Average Payable Turnover (times): The turnover rate increased because of better sales performance and rising operating cost.
- Fixed asset Turnover (times), Total asset Turnover (times): The turnover rate rose as the profits grew substantially on better sales performance.
- Income Before Tax as % of Capital, EPS: Pretax income improved due to better sales performance and resulted in substantial growth in profits

## (2) Parent Company Financial Analysis -IFRS

Analysis Items \ Year		Financial Information For The Past 5 Years (Note 2)					As of 2018/03/21 (Note 3)
		2017	2016	2015	2014	2013	
Capital Structure (%)	Debt Ratio	39.27	33.93	30.84	17.40	19.92	—
	Long-term Funds to Fixed Assets	2,142.21	2,047.24	1,994.43	1,592.03	1,247.33	—
Liquidity (%)	Current Ratio	104.46	107.68	121.15	109.05	91.09	—
	Quick Ratio	99.11	105.47	120.11	107.00	88.72	—
	Times Interest Earned	8,968.47	11177.48	16,021.80	13,075.50	11,487.19	—
Operating Performance	Accounts Collection Turnover (times)	2.95	2.72	4.21	2.22	4.41	—
	Average Collection Days	123.72	134.19	86.69	164.41	82.77	—
	Inventory Turnover (times)	26.23	80.17	136.46	27.81	53.87	—
	Average Payable Turnover (times)	2.4	2.9	5.06	7.01	12.50	—
	Inventory Turnover Days	13.91	4.55	2.67	13.12	6.78	—
	Fixed asset Turnover (times)	10.75	10.06	10.17	2.47	3.77	—
	Total asset Turnover (times)	0.32	0.33	0.42	0.13	0.24	—
Profitability	Return on Assets (%)	10.91	12.58	17.83	17.33	16.82	—
	Return on Equity (%)	17.08	18.47	23.73	21.11	20.46	—
	Income Before Tax as % of Capital	327.75	329.11	357.24	253.37	195.80	—
	Net income to Sales (%)	33.29	37.09	41.74	120.14	62.09	—
	EPS (NTD) (Note 1)	28.35	28.58	32.61	23.52	18.38	—
Cash Flow (%)	Cash Flow Ratio	23.94	-2.51	34.41	16.81	0.39	—
	Cash Flow Adequacy Ratio	106.5	72.77	113.10	44.88	32.89	—
	Cash flow Reinvestment Ratio	9.36	-7.26	9.72	-0.40	-5.59	—
Leverage	Operating Leverage	5.8	8.12	6.18	2.57	6.71	—
	Financial Leverage	1.04	1.05	1.03	1.04	1.01	—

Note1: The shares used for calculation are those after retroactive adjustment capital reserve, retained earnings, and employee's bonus distribution.

Note2: The financial information over the past 5 years has been audited by independent auditors.

Note3: Up until the printing date, Q1/2018 financial report is not available

### Explanations for Significant Changes (over 20%)

- Inventory turnover rates (times) 、 average inventory days(times): The turnover rate increased due to higher sales revenues and rising operating cost; therefore, the inventory turnover rate improved and the inventory days decreased.
- Operating leverage: The figure increased because of the higher increase in operating profits than growth in operating cost
- Cash flow ratio, Cash Flow Adequacy Ratio, Cash flow reinvestment ratio: The ratio increased due to better cash inflow from operating activities .

### Formula for Financial Analysis :

#### A. Capital Structure

- Debt ratio = Total liabilities/Total assets
- Long-term funds to fixed assets = ( Stockholders' equity + Long-term Liabilities ) / Net Fixed Assets

#### B. Liquidity

- $\text{Current ratio} = \text{Current assets} / \text{Current liability}$
- $\text{Quick ratio} = (\text{Current asset} - \text{Inventories} - \text{Prepaid Expense} - \text{Current Deferred Income Tax}) / \text{Current Liability}$
- $\text{Times interest earned} = \text{Earnings before interest and Taxes} / \text{Interest Expense}$

### C. Operating Performance

- $\text{Accounts collection turnover (times)} = (\text{including accounts receivable and notes receivable from operating}) = \text{Net Sales} / \text{Average Trade Receivable} (\text{including accounts receivable and notes receivable from operating})$
- $\text{Average collection days} = 365 / \text{Average Collection Turnover (Times)}$
- $\text{Inventory turnover times} = \text{Cost of Goods Sold} / \text{Average Inventory}$
- $\text{Average payable turnover (times)} = (\text{including accounts payable and notes payable from operating}) = \text{Cost of Goods Sold} / \text{Average Trade Payables} (\text{including accounts payable and notes payable from operating})$
- $\text{Inventory turnover days} = 365 / \text{Inventory Turnover (times)}$
- $\text{Fixed assets turnover (times)} = \text{Net Sales} / \text{Average Fixed Assets}$
- $\text{Total assets turnover (times)} = \text{Net sales} / \text{Average Total Assets}$

### D. Profitability

- $\text{Return on total assets} = [\text{Net Income after Tax} + \text{Interest Expense} \times (1 - \text{Tax Rate})] / \text{Average Total Assets}$
- $\text{Return on Equity} = \text{Net Income after Tax} / \text{Average Stockholders' Equity}$ .
- $\text{Net income to sales} = \text{Net Income after Tax} / \text{Net Sales}$ .
- $\text{EPS} = (\text{Net Income after Tax} - \text{Preferred Stock Dividend}) / \text{Weighted Average Number of Shares Outstanding}$

### E. Cash Flow

- $\text{Cash flow ratio} = \text{Net operating cash flow} / \text{Current liability}$ .
- $\text{Cash flow adequacy ratio} = \text{Net operating cash flow over the last 5 years} / (\text{capital expense} + \text{inventory} + \text{cash dividend})$
- $\text{Cash flow reinvestment ratio} = (\text{Net operating cash flow} - \text{cash dividends}) / (\text{Gross fixed assets} + \text{long-term investment} + \text{other assets} + \text{working capital})$

### F. Leverage

- $\text{Operating leverage} = (\text{Net Sales} - \text{Variable Cost \& expense}) / \text{Income from Operations}$
- $\text{Financial leverage} = \text{Income from Operations} / (\text{Income from Operations} - \text{Interest Expenses})$

### 3. Audit Committee's Review Report

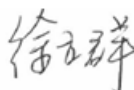
## Audit Committee's Review Report

The Board of Directors has prepared the Company's 2017 Financial Statements. Independent auditors, Certified Public Accountants of Deloitte & Touche, have audited the Financial Statements. The Financial Statements have been reviewed and determined to be correct and accurate by the Audit Committee of CATCHER. The Audit Committee hereby submits this report according to Article 14-5 of the Securities and Exchange Act and Article 219 of the Company Act.

Catcher Technology Co., Ltd.

Audit Committee Members

Independent Director:



March 5, 2018

#### 4. Consolidated Financial Statements

Please refer to appendix 1

#### 5. Financial Statements

Please refer to appendix 2

#### 6. Financial Difficulties Information

None.

## Seven 、 Financial Position, Business Performance and Risks

### 1. Financial Position

#### Analysis of Financial Position

Unit: in thousand NTD

Item \ Year	2017	2016	Difference	
			Amount	%
Current Assets	151,436,277	127,943,044	23,493,233	18%
Fixed Assets, Plant and Equipment	52,066,481	51,055,042	1,011,439	2%
Intangible Assets	81,700	109,393	-27,693	-25%
Other Assets	10,279,504	7,240,105	3,039,399	42%
<b>Total assets</b>	<b>213,863,962</b>	<b>186,347,584</b>	<b>27,516,378</b>	<b>15%</b>
Current Liabilities	77,326,260	57,291,101	20,035,159	35%
Long-term Liabilities	3,403,023	6,226,431	-2,823,408	-45%
<b>Total liabilities</b>	<b>80,729,283</b>	<b>63,517,532</b>	<b>17,211,751</b>	<b>27%</b>
Equity attributed to parent company's shareholders	133,050,446	122,629,326	10,421,120	8%
Capital	7,703,911	7,703,911	0	0%
Capital Reserve	20,270,956	20,269,657	1,299	0%
Retained Earnings	111,282,634	97,143,287	14,139,347	15%
Shareholders' Equity - others	-6,207,055	-2,487,529	-3,719,526	150%
Treasury stock	0	0	0	0%
Minority equity	84,233	200,726	-116,493	-58%
<b>Total Equity</b>	<b>133,134,679</b>	<b>122,830,052</b>	<b>10,304,627</b>	<b>8%</b>

#### (1) Explanations for Significant Changes in Financial Position

- Current asset increased due to higher cash position generated from strong growth in sales revenues and profit
- Increasing fixed assets due to the expansion of capacity, building construction, and equipment purchase.
- Decrease in other assets due to prepayment for equipment has been re-recognized into fixed assets
- Increase in current liabilities and long-term liabilities due to increase in bank borrowings and deferred revenues
- Increasing retained earnings due to recognized earnings earned during the year.

#### (2) Significant Influences by the Changes

No material influences.

#### (3) Action Plans for the Influences

Not Applicable

## 2. Operating Results

### (1) Analysis of Operating Results

Unit: in thousand NTD

Item \ Year	2017	2016	Increase (Decrease) Amount	Percentage of change (%)
Net sales	93,295,960	79,113,653	14,182,307	18%
Gross Profit	41,969,517	34,397,630	7,571,887	22%
Operating Income (Loss)	33,433,242	27,490,819	5,942,423	22%
Non-Operating Income (Expenses)	-688,024	5,134,229	-5,822,253	-113%
Income before Income Tax	32,745,218	32,625,048	120,170	0%
Profit from Continuing Operations	21,857,599	22,068,278	-210,679	-1%
Loss from Discontinued Operations	—	—	—	—
Net Income (Loss)	21,857,599	22,068,278	-210,679	-1%
Other Comprehensive Income	-3,726,580	-7,512,681	3,786,101	-50%
Total Comprehensive Income	18,131,019	14,555,597	3,575,422	25%
Net Profit attributed to Parent Company's shareholders	21,843,250	22,019,794	-176,544	-1%
Net Profit attributed to Non-Controlling Equity	14,349	48,484	-34,135	-70%
Total Comprehensive Income attributed to Parent Company's shareholders	18,123,732	14,575,286	3,548,446	24%
Total Comprehensive Income attributed to Non-controlling Equity	7,287	-19,689	26,976	-137%
Earnings per Share	28.35	28.58	-0.23	-1%

#### A. Explanations for Significant Changes

- Increase in sales, gross profit, operating income, net profits and net profit attributed to parent company's shareholders were attributed to the increasing sales revenue and gross profits of the Company.
- Increase in net profit attributed to non-controlling equity was because of the growing profit from affiliated companies invested by the Company
- Increase in non-operating income were due to higher subsidy income and foreign exchange income
- Decrease in other comprehensive income was because of RMB depreciation to generate foreign currency exchange difference.

#### B. Sales Quantities Estimation for Next Year

Non Applicable

#### C. Possible Impact on Future Business and Responsive Plans

No significant impact on financial and business.

## 3. Analysis on Cash Flow

Unit: in thousand NTD

Cash Balance at the Beginning of the Year (A) (2016.12.31)	Net Cash Provided by Operating Activities (B) (2016)	Net cash Provided from Investing and Financing Activities (C) (2016)	Impact from changes in Foreign Currency Exchange Rate (D) (2016)	Balance of Net Cash (A+B+C+D) (2016.12.31)	Remedy for cash shortfall	
					Investment Plan	Finance plan
\$29,666,993	\$32,862,178	-\$43,877,207	-\$1,635,200	\$17,016,764	—	—



## **(1)Analysis Cash Flow Changes during the Most Recent Fiscal Year**

### **➤ Operating Activities**

Cash inflow approximately NTD 32,862,178 thousand was mainly because the Company continued to generate profits

### **➤ Investing Activities**

Cash outflow approximately NTD 45,279,873 thousand was mainly due to the increase in purchasing equipment/machinery for capacity expansion.

### **➤ Financing Activities**

Cash inflow approximately NTD 1,402,666 thousand was mainly due to increase in short-term borrowings

## **(2)Action Plans to Improve the Cash Flow**

Not Applicable

## **(3)Cash Liquidity Analysis for the Upcoming Year**

Not Applicable

## **4. Impact on the Company's Financial Operations and Contingency Action Regarding Major Capital Expenditures**

### **(1) Major Capital Expenditures**

Unit: in thousand NTD

Plan	Actual or Expected Sources of Capital	Actual or Planned Completion Date	Expected Benefits
-Construction of Factories -Machinery and Equipment	-Self owned capital -Bank loans -Bonds	In progress	To plan better working environment for the Company's long-term management.
			For capacity expansion to enhance the competitiveness of Catcher and improve the operating efficiency, which shall benefit shareholders.

## **5. Investment Policy, Causes of Profit/Loss and Future Investment Plans**

### **(1) Investment Policy**

Our investment policy focuses on the related industry to strengthen the competitiveness. Every investment case is only executed after comprehensive analysis and consideration. In addition, the Company carefully monitors and evaluates its investment companies' operation and performance.

### **(2) Causes of Profit / Loss**

The Company has recognized investment gains of \$ 21,532,210 thousand in 2017. These gains were mostly contributed from subsidiaries.

### **(3) Investment Plans**

Based on the Company's global strategy, the Company will set up manufacturing site or sales centers in key global area which will be able to provide service and inventory to our customers in a timely basis. In addition, depending on the business development, the Company may expand its scale by setting up subsidiaries.

## **6. Risk Management and Evaluation**

### **(1)Impact on Corporate Profitability from Fluctuating Interest Rates, Exchange Rates, and Inflation**

#### **A. Interest Rate Risk**

The Company's interest rate risk is generated from the short-term liabilities of operating activities. The risk is low because of adopting stable rate and low-cost financial instruments. For the respect of assets, we mostly invest in high-liquidity, short-term fixed-income bonds or term deposits in order to protect capital and reduce risks.

## **B. Exchange Rate Risk**

The Company mostly charges US dollars from sales, and most payable for machinery/equipment by Japanese yen. The Company's foreign currency policy is relative conservative by dynamically adjusting assets and liabilities positions and engaging in hedge instruments to lower exchange rate risk.

## **C. Inflation Risk**

The international gasoline and raw material prices have been returned to a normal level and the inflation risk has been turned down as well. In the long term, the Company will adjust its inventory stock level to reduce possible impact from inflation risk.

### **(2) Profit or Loss from Activities in High Risk and Highly Leveraged Investments, Loans Provided to Others, Endorsements and Guarantees, and Derivatives**

Catcher did not engage in any high-risk investment or any leveraged investment. Parties who were given endorsements or loans by Catcher were all subsidiaries or operation needed. The endorsements and loans policy are all followed by the Company's Endorsement and Guarantee Procedure and Lending of Capital Procedure. All the derivatives engaged by the Company were under non-trading purpose. They are mainly to lower the risk of the exchange rate. We comply with the Company's Procedures of Asset Acquisition and Disposition where regulates in conducting derivatives transactions.

### **(3) Upcoming R&D Plans and Their Status**

Please refer to the disclosure information of R&D status in the section of "Reports to the Shareholders" for details.

### **(4) Impact on the Company's Financial Operation and Contingency Action Regarding Recent Changes in Domestic and International Policies and Regulations**

The Company has dedicated staff to follow the important domestic and international policy and legal changes at any time; responding for seeking professional advices such as lawyer and accountant and plan preventative actions. During 2017, such changes have no major impact on our operation.

### **(5) Impact on the Company's Financial Operations and Contingency Action Regarding Recent Changes in Technology**

We pay full attention on collecting and analyzing the market and technology's development changes of various alloy products. Thus, we are able to minimize the impact from technology changes. In addition to enhance in value-added and high profit products' developments, we continue to focus on diversity in product and profit improvement. . Also we emphasize on keeping long-term relationship with our customers by providing total solutions of product designs, mass production, logistic supports, sales distribution, and customer services. Thus, we can reduce the impacts on changes in technology.

### **(6) Impact on the Company's Risk Management and Contingency Action Regarding Recent Changes in Corporate Image**

Our Company has always upheld integrity and abides by the law and fulfills social responsibility; hence our corporation image has been superior. As of the date of publishing this annual report there are no matters risking the Company's normal operation or corporate image.

### **(7) Risk from the Company's Any Merger and Acquisitions**

As of the date of publishing this annual report there is no such issues incurred.

### **(8) Risk of Excess Capacity from Fluctuating Economics Conditions**

After appropriate analysis in the industry, market status, cost, and production of the Company in different bases, we has maintained a leading position in technology and processing within the industry. We aim to improve the productivity and yield for cost advantages, as well as decreasing the risk of expanding the plants; hopefully this would significantly boost the corporation profit performance.

### **(9) Risk of Profit/Loss if Sales/Material are Concentrated on a Single or Few**

## **Customers/Suppliers, and a Major Customers/Supplier Reduces its Orders/Supplies**

### **A. Risk of Sales Concentrated**

Major customers are disclosed in operation overview section. Although the major operating revenues are from international big brand customers, there is no material risk in sales concentration. However, the Company's sales still depends on the status of prosperity of the economics status, customers' product designs, outsourcing strategy and inventory adjustment.

### **B. Risk of Suppliers concentrated**

The major vendors are disclosed in operation overview section. There is no material purchase concentrated situation.

From the perspective of Catcher and the industry, it is better toward to dispersion in purchase and sales. We will continue putting efforts and keeping the business in a balance and conservative status.

### **(10) Risk of Change of Control and Stock Price Fluctuation from Large Scale Transfer of Shares**

Directors and major shareholders all keep a positive perspective to Company. However, shareholders may have their personal considerations regarding their portfolios or tax concerns. When our directors and major shareholders (>10% holding) are planning to take a major transfer, they might communicate with the Board and managements. Thus, there is no negative impact to the Company's operation and shareholders' equity. We follow the regulations and consider the Company's profit and shareholders' benefit at first priority. Up until the printing date, there is no shareholders with more than 10% shareholdings.

### **(11) Risk of the Company Losing One or More Key Personnel without Adequate Replacement Due to Any Change of Company Control**

There is no change in governance personnel being taken during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report.

### **(12) Litigation and Non-litigated Incidents**

The financial report has full disclosed the related litigation and non-litigation matters and their effects.

### **(13) Other Significant Risks**

None

## **7. Other Necessary Supplements**

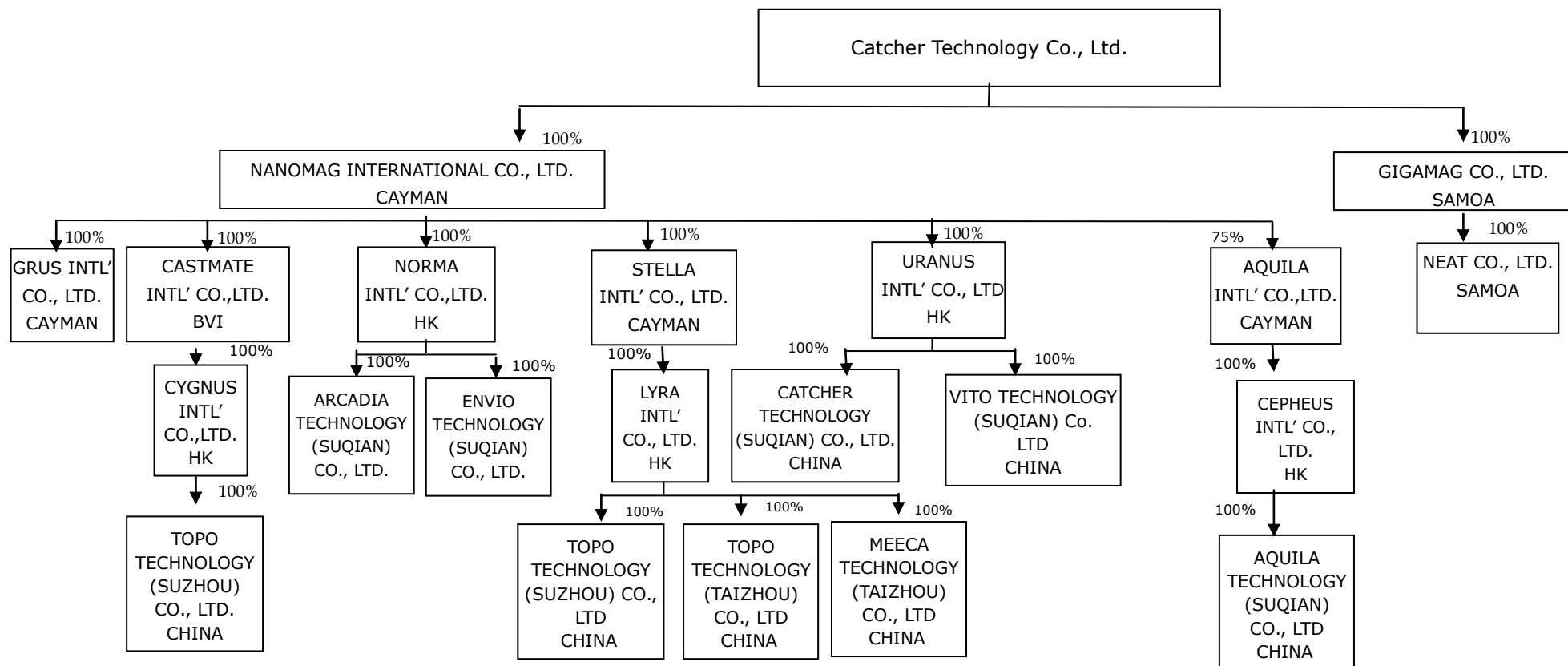
None

## Eight 、 Special items to be included

### 1. Summary of Affiliated Enterprises

#### (1)The Consolidated Operating Report

##### A. Organizational Chart (2017.12.31)



## B. Basic Information of the Company's Affiliated Enterprises:

2017/12/31; Unit: in thousand NTD

Name of Corporation	Date of incorporation	Address	Capital	Major Business
Nanomag International Co., Ltd.	2001.07.19	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	1	Investment activities
Gigamag Co., Ltd.	2000.12.15	Offshore Chambers,P.O.Box 217, Apia,Samoa	484,941	Investment activities
Saturn Trading Limited	2015.08.21	Portcullis TrustNet Chambers, P.O. Box 1225, Apia, Sammoa	328	International trading
Castmate International Co., Ltd.	1998.04.15	P.O. Box 957 offshore Incorporations Centre Road Town, Tortola, Birtissh Virgin Islands	114,218	Investment activities
Stella International Co., Ltd.	2003.11.13	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	5,829,564	Investment activities
Aquila International Co., Ltd.	2005.01.06	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	45,955	Investment activities
Uranus International Co., Limited	2007.11.07	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	13,097,483	Investment activities
Grus International Co., Limited	2009.09.24	Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman, KY 1-1112, Cayman Islands	984,869	Investment activities
Norma International Co., Limited	2014.09.18	12/F, RUTTONJEE HOUSE, 11 DUDELL STREET, CENTRAL, HONG KONG	2,435,615	Investment activities
Cygnus International Co., Limited	2007.11.07	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	3,560,700	Investment activities
Lyra International Co., Limited	2007.11.07	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	6,813,469	Investment activities
Cepheus International Co., Limited	2007.11.09	Room 2108, 21/F., Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong	45,955	Investment activities
Neat Co., Ltd	2017.03.03	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	298	International Trades

Topo Technology (Suzhou) Co., Ltd.	2003.12.22	No 111, ChangYang St. Suzhou Industrial Park, Suzhou City, Jingsu Province, the PRC	2,527,853	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Topo Technology (Taizhou) Co., Ltd.	2012.06.12	Taizhou Economic Development Zone North of West Zhenxing Road, Economic Standard factory) West of South Wuling Road(Photoelectronic Industrial Park of Taizhou	6,360,302	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Meeca Technology (Taizhou) Co., Ltd.	2016.4.13	Taizhou Economic Development Zone North of West Zhenxing Road, Economic Standard factory) West of South Wuling Road(Photoelectronic Industrial Park of Taizhou	4,829,624	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Meeca Technology ( Suzhou ) Co., Ltd.	2006.03.14	No 107, ChangYang St. Suzhou Industrial Park, Suzhou City, Jingsu Province, the PRC	3,479,450	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Catcher Technology (Suqian) Co., Ltd.	2008.12.09	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	6,565,000	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
VITO Technology (Suqian) Co., Ltd.	2012.07.11	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	6,412,422	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Arcadia Technology (Suqian) Co., Ltd.	2014.10.23	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	2,435,615	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold
Aquila Technology (Suqian ) Co., Ltd.	2005.03.21	N0.439 Fengting avenue Industrial park,SUZHOU	45,955	Manufacturing and marketing of electronic parts and molds
EnvioTechnology (Suqian) Co., Ltd.	2017.05.18	No.21, Gucheng Road,SU-SU Industrial Park Suqian City, Jiangsu Province	1,740,960	Research and developing, manufacturing and marketing of aluminum and magnesium alloy parts/mold

### C. Information for Common Shareholders of Treated-as Controlled Companies and Affiliates

None.

### D. Business of Catcher's Affiliates and their relationship

Major Business	Name of Affiliated Enterprises	Relationship in between
Investment activities	Nanomag International Co., Ltd.	Invest in Castmate International Co., Ltd., Stella International Co., Ltd., Aquila International Co., Ltd., Uranus International Co., Limited, Grus international Co., Limited, Norma International Co., Limited
Investment activities	Gigamag Co., Ltd.	Invest in Saturn Trading Ltd.
Investment activities	Grus international Co., Limited	Invest in Sagitta International Co., Limited
Investment activities	Castmate International Co., Ltd.	Invest in Cygnus International Co., Limited

Investment activities	Stella International Co., Ltd.	Invest in Lyra International Co., Limited
Investment activities	Uranus International Co., Limited	Invest in Catcher Technology (Suqian) Co., Ltd., Vito Technology (Suqian) Co., Ltd.
Investment activities	Aquila International Co., Ltd.	Invest in Cepheus International Co., Limited
Investment activities	Neat Co., LTD.	International Trades
Investment activities	Cygnus International Co., Limited	Invest in Catcher Technology (Suzhou) Co., Ltd. and Meeca Technology (Suzhou) Co., Ltd.
Investment activities	Lyra International Co., Limited	Invest in Topo Technology (Suzhou) Co., Ltd., Topo Technology (Taizhou) Co., Ltd.
Investment activities	Cepheus International Co., Limited	Invest in Aquila Technology (Suzhou) Co., Ltd.
Investment activities	Nomra International Co., Limited	Invest in Arcadia Technology (Suqian) Co., Ltd.
Manufacturing and sales of electronics products	Catcher Technology (Suzhou) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Topo Technology (Suzhou) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Meeca Technology (Suzhou) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Aquila Technology (Suzhou) Co., Ltd.	Manufacturing and sales of alloying products and molds
Manufacturing and sales of electronics products	Catcher Technology (Suqian) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	VITO Technology (Suqian) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Arcadia Technology (Suqian) Co., Ltd.	Manufacturing and sales of alloying products
Manufacturing and sales of electronics products	Topo Technology (Taizhou) Co., Ltd.	Manufacturing and sales of alloying products

## E. Directors, Supervisors and General Manager of Affiliated Enterprises

Unit: Share; %

Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Nanomag International Co., Ltd.	Director & General Manager	Catcher Technology Co., Ltd. Representative: Shui-Shu Hung	—	—
	Director	Catcher Technology Co., Ltd. Representative: Tien Szu Hung	—	—
Gigamag Co., Ltd.	Director & General Manager	Catcher Technology Co., Ltd Representative: Shui-Shu Hung	—	—
	Director	Catcher Technology Co., Ltd Representative: Tien Szu Hung	—	—
Grus International Co., Ltd.	Director	Nanomag International Co., Ltd. Representative: Shui-Shu Hung	—	—
Castmate International Co., Ltd.	Director & General Manager	Nanomag International Co., Ltd. Representative: Shui-Shu Hung	—	—
	Director	Nanomag International Co., Ltd. Representative: Tien Szu Hung	—	—
Stella International Co., Ltd.	Director & General Manager	Nanomag International Co., Ltd. Representative: Shui-Shu Hung	—	—
	Director	Nanomag International Co., Ltd. Representative: Tien Szu Hung	—	—
Aquila International Co., Ltd.	Director & General Manager	Nanomag International Co., Ltd. Representative: Shui-Shu Hung	—	—
	Director	Nanomag International Co., Ltd. Representative: Tien Szu Hung	—	—
Uranus International Co., Ltd	Director	Mei-Hsing Chen	—	—
Cygnus International Co., Ltd	Director	Mei-Hsing Chen	—	—
Lyra International Co., Limited	Director	Mei-Hsing Chen	—	—
Cepheus International Co., Limited	Director	Mei-Hsing Chen	—	—
Norma International Co., Limited	Director	Mei-Hsing Chen	—	—
Neat Co., Ltd.	Director	Gigamag Co., Ltd. Representative: Vera Huang	—	—
Topo Technology (Suzhou) Co., Ltd.	Director & Chairman	Lyra International Co., Limited Representative: Lawrence Kuo	—	—
	Director	Lyra International Co., Limited Representative: Magic Liu	—	—
	Director	Lyra International Co., Limited Representative: Jay Tseng	—	—
	Supervisor	Lyra International Co., Limited Representative: Pi-Fen Huang	—	—
	CEO	Tien Szu Hung		
Meecca Technology (Suzhou) Co., Ltd.	Director & Chairman	Cygnus International Co., Limited Representative: Jeff Cheng	—	—
	Director	Cygnus International Co., Limited Representative: Magic Liu	—	—
	Director	Cygnus International Co., Limited Representative: Jay Tseng	—	—
	Supervisor	Cygnus International Co., Limited Representative: Pi-Fen Hung	—	—
	CEO	Tien Szu Hung		
Aquila Technology (Suqian) Co., Ltd.	Director & Chairman	Cepheus International Co., Limited Representative: ANG KAH KWEE	—	—
	Director	Cepheus International Co., Limited Representative: Lawerence Kuo	—	—
	Director	Cepheus International Co., Limited Representative: Jeff Cheng	—	—
	Supervisor	Cepheus International Co., Limited Representative: Pi-Fen Huang	—	—
	CEO	Ang Kah Kwee	—	—



Name of Corporation	Title	Name or Representative	Shareholding	
			Shares	%
Catcher Technology (Suqian) Co., Ltd.	Director & Chairman	Uranus International Co., Ltd. Representative: Jay Tseng	—	—
	Director	Uranus International Co., Ltd. Representative: Lawrence Kuo	—	—
	Director	Uranus International Co., Ltd. Representative: Jodan Yang	—	—
	Supervisor	Uranus International Co., Ltd. Representative: Pi-Fen Huang	—	—
	CEO	Tien Szu Hung	—	—
VITO Technology (Suqian) Co., Ltd.	Director & Chairman	Uranus International Co., Ltd. Representative: Jay Tseng	—	—
	Director	Uranus International Co., Ltd. Representative: Magic Liu	—	—
	Director	Uranus International Co., Ltd. Representative: Jodan Yang	—	—
	Supervisor	Uranus International Co., Ltd. Representative: Pi-Fen Huang	—	—
	CEO	Tien Szu Hung	—	—
ENVIO Technology (Suqian) Co., Ltd.	Director & Chairman	Norma International Co., Limited Representative: Jay Tseng	—	—
	Director	Norma International Co., Limited Representative: Lawrence Kuo	—	—
	Director	Norma International Co., Limited Representative: Jeff Cheng	—	—
	Supervisor	Norma International Co., Limited Representative: Pi-Fen Huang	—	—
	CEO	Tien Szu Hung	—	—
TOPO Technology (Taizhou) Co., Ltd.	Director & Chairman	Lyra International Co., Ltd. Representative: Jodan Yang	—	—
	Director	Lyra International Co., Ltd. Representative: Magic Liu	—	—
	Director	Lyra International Co., Ltd. Representative: Jeff Cheng	—	—
	Supervisor	Lyra International Co., Ltd. Representative: Pi-Fen Huang	—	—
	CEO	Tien Szu Hung	—	—
MEECA Technology (Taizhou) Co., Ltd.	Director & Chairman	Lyra International Co., Ltd. Representative: Jodan Yang	—	—
	Director	Lyra International Co., Ltd. Representative: Magic Liu	—	—
	Director	Lyra International Co., Ltd. Representative: Jeff Cheng	—	—
	Supervisor	Lyra International Co., Ltd. Representative: Pi-Fen Huang	—	—
	CEO	Tien Szu Hung	—	—
Arcadia Technology (Suqian) Co., Ltd.	Director & Chairman	Norma International Co., Limited Representative: Jay Tseng	—	—
	Director	Norma International Co., Limited Representative: Magic Liu	—	—
	Director	Norma International Co., Limited Representative: Jeff Cheng	—	—
	Supervisor	Norma International Co., Limited Representative: Pi-Fen Huang	—	—
	CEO	Ang Kah Kwee	—	—

## F. Summarized Operation Results of Affiliated Enterprises

2017/12/31; Unit: in thousand; NTD

Name of Corporation	Capital	Total Assets	Total Liabilities	Net Worth	Operating Revenues	Operating Income (Loss)	Net Income (Loss)	Earnings Per Share (\$)
Nanomag International Co.,Ltd.	1	102,697,435	1,012,016	101,685,418	0	-831	18,230,969	607,698,966.67
Gigamag Co.,Ltd.	484,941	28,158,198	5,047,977	23,110,221	1,625,400	1,670,368	3,114,432	216.62
Grus International Co.,Ltd.	18,815	18,165	0	18,165	0	-150	3,462	0.46
Sagitta International Co., Limited	0	0	0	0	0	-179	3,648	0.53
Castrmate International Co.,Ltd.	30,045	10,828,218	0	10,828,218	0	-55	-498,461	-493.73
Cygnus International Co., Limited	297,757	10,544,263	98	10,544,164	0	-84	-503,155	-11.88
Stella International Co.,Ltd.	9,882,675	29,787,178	0	29,787,178	0	-150	7,178,648	25.90
Lyra International Co., Limited	9,881,910	29,387,613	102	29,387,510	0	-96	7,172,805	25.88
Uranus International Co., Limited	11,874,519	51,264,715	0	51,264,715	0	0	11,202,763	28.08
Norma International Co., Limited	7,679,083	10,773,623	0	10,773,623	0	0	3,216,498	15.42
Aquila International Co.,Ltd.	41,664	336,951	20	336,931	0	-168	56,373	53.69
Cepheus International Co., Limited	41,664	335,813	86	335,727	0	-83	56,527	40.38
Neat Co., Ltd.	298	292	0	292	0	-8	-5	-0.68
Meeca Technology (Suzhou) Co., Ltd.	0	9,527,322	65,038	9,462,284	88,528	-471,553	-522,002	N/A
Topo Technology (Suzhou) Co., Ltd.	1,200,518	2,190,898	26,553	2,164,345	-425	-190,461	-149,587	N/A
Topo Technology (Taizhou) Co., Ltd.	0	33,857,047	14,006,210	19,850,837	21,416,857	6,713,262	5,247,351	N/A
Meeca Technology (Taizhou) Co., Ltd.	0	16,959,211	10,015,379	6,943,832	7,354,271	2,075,025	2,068,510	N/A
Catcher Technology (Suqian) Co., Ltd.	2,827,170	37,630,237	6,101,671	31,528,566	30,851,589	11,387,350	8,258,643	N/A

VITO Technology (Suqian) Co., Ltd.	0	27,939,155	8,203,022	19,736,134	18,730,742	3,816,850	2,944,120	N/A
Arcadia Technology (Suqian) Co., Ltd.	0	22,011,220	12,984,126	9,027,094	14,306,942	3,977,639	3,247,164	N/A
Aquilia Technology (Suqian) Co., Ltd.	33,331	398,086	63,426	334,660	499,595	73,698	56,592	N/A
Envio Technology (Suqian) Co., Ltd.	0	1,789,065	42,536	1,746,529	0	-3,051	-30,666	N/A

## **(2)Consolidated Financial Statements Covering Affiliated Enterprises**

### **Letter of Representation**

The Companies represented in the consolidated financial statements of “Catcher Technology Co., Ltd. and its Affiliated Enterprises” for the year ended December 31, 2017 made in accordance with “The Rules Governing Preparation of Affiliated Enterprises Consolidated Operating Report, Affiliated Enterprises Consolidated Financial Statements and Relationship Report” are the identical companies represented in the consolidated financial statements of Catcher Technology Co., Ltd. and Subsidiaries made in accordance with International Accounting Standards No. 10. The disclosures to the consolidated financial statements of affiliated enterprises are fully presented in the consolidated financial statements of “Catcher Technology Co., Ltd. and Subsidiaries”. Accordingly, we will not present separately consolidated financial statements of affiliated enterprises”.

**Catcher Technology Co., Ltd.**  
Chairman: Shui-Shu Hung  
2018/03/5

**(3) Report on Affiliations:**

None.

**2. Issuance of Private Placement Securities**

None.

**3. Acquisition or Disposal of Catcher's Shares by Subsidiaries**

None.

**4. Other Necessary Supplements**

None.

**Nine 、Disclosures of Events which may Have a Significant Influence on Stockholders Equity or Share Price, in Compliance with Item 2, Paragraph 2 In Article 35 of the Securities and Exchange Law of the R.O.C.**

None.

**Appendix 1 、 Consolidated Financial Statements audited by accountant  
during the most recent fiscal year**

**Catcher Technology Co., Ltd. and  
Subsidiaries**

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

**DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF  
AFFILIATES**

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

Very truly yours,

CATCHER TECHNOLOGY CO., LTD.

By

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SHUI-SHU HONG

Chairman

March 5, 2018



### INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders  
Catcher Technology Co., Ltd.

#### Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission (FSC) of Taiwan, the Republic of China (ROC).

#### Basis for Opinion

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The description of the key audit matters of the Group's consolidated financial statements for the year ended December 31, 2017 is as follows:



As stated in Notes 4(f), 5(b) and 10 of the accompanying consolidated financial statements, as of December 31, 2017, the Group's net inventory amounted to NT\$9,292,285 thousand (where obsolescence losses of NT\$1,992,101 thousand were deducted). Such inventory loss represents approximately 18% of the total inventory. The Group operates in a fast-changing industry whereby developments in product technology and market demand may result in slow moving or obsolete inventory. Because the evaluation of inventory impairment and obsolescence losses involves management's material estimations, we deemed such valuation to be a key audit matter.

Our main audit procedures performed in regard of this key audit matter include:

- Determining the appropriateness of the Group's methodology for the evaluation of its inventory impairment and obsolescence losses based on our understanding of the business and industry knowledge, coupled with our understanding of the nature and aging of its inventory.
- Obtaining the valuation report for the net realizable value of the inventory to assess the adequacy of the inventory valuation basis by sampling inventory and comparing the carrying amounts to the latest sales prices.
- Attending year-end inventory counts to inspect the condition of inventory to determine the appropriateness of the recognized inventory impairment and obsolescence losses.

#### **Other Matter**

We did not audit the financial statements of the associate, Sinher Technology Co., Ltd., accounted for using the equity method for the years ended December 31, 2017 and 2016. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts for these associates was based solely on the reports of the other auditors. The amount of the equity method investment in the abovementioned associate was NT\$383,335 thousand and NT\$380,788 thousand, or 0.18% and 0.20% of the Group's consolidated total assets, as of December 31, 2017 and 2016, respectively. The Group's share of the comprehensive income recognized under the equity method was NT\$35,600 thousand and NT\$60,698 thousand, or 0.20% and 0.42% of the Group's consolidated comprehensive income, for the years ended December 31, 2017 and 2016, respectively.

We have also audited the parent company only financial statements of Catcher Technology Co., Ltd. as of and for the years ended December 31, 2017 and 2016 on which we have issued an unqualified opinion modified report.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by FSC of Taiwan, the ROC, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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



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

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2017 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Chi Chen Lee and Chun Chi Kung.



Deloitte & Touche  
Taipei, Taiwan  
Republic of China  
March 5, 2018

Notice to Readers

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

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

# CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

ASSETS	December 31, 2017		December 31, 2016		LIABILITIES AND EQUITY	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 4 and 6)	\$ 17,016,764	8	\$ 29,666,993	16	Short-term borrowings (Note 18)	\$ 48,025,172	22	\$ 38,474,388	21
Debt investments with no active market - current (Notes 4 and 8)	89,617,629	42	59,767,949	32	Notes payable (Note 19)	173,386	-	59,217	-
Accounts receivable (Notes 4 and 9)	32,128,919	15	33,434,215	18	Accounts payable (Note 19)	11,851,920	6	5,404,082	3
Other receivables (Note 4)	454,213	-	273,662	-	Other payables (Note 20)	9,496,564	4	7,395,038	4
Current tax assets (Note 25)	1,169	-	47,265	-	Current tax liabilities (Notes 4 and 25)	4,511,274	2	3,693,480	2
Inventories (Notes 4, 5 and 10)	9,292,285	4	3,455,707	2	Other current liabilities (Note 20)	<u>3,267,944</u>	<u>2</u>	<u>2,264,896</u>	<u>1</u>
Prepayments for leases (Note 16)	45,427	-	27,816	-					
Other current assets (Note 17)	<u>2,879,871</u>	<u>2</u>	<u>1,269,437</u>	<u>1</u>	Total current liabilities	<u>77,326,260</u>	<u>36</u>	<u>57,291,101</u>	<u>31</u>
Total current assets	<u>151,436,277</u>	<u>71</u>	<u>127,943,044</u>	<u>69</u>	NON-CURRENT LIABILITIES				
NON-CURRENT ASSETS					Long-term borrowings (Note 18)	-	-	145,000	-
Available-for-sale financial assets - non-current (Notes 4 and 7)	58,500	-	-	-	Deferred tax liabilities (Notes 4, 5 and 25)	54,879	-	184,127	-
Investments accounted for using the equity method (Notes 4 and 12)	539,922	-	539,634	-	Net defined benefit liabilities - non-current (Notes 4 and 21)	6,551	-	6,549	-
Property, plant and equipment (Notes 4, 13 and 32)	52,066,481	25	51,055,042	27	Other non-current liabilities (Note 20)	<u>3,341,593</u>	<u>2</u>	<u>5,890,755</u>	<u>3</u>
Investment properties (Notes 4, 14 and 32)	239,892	-	244,973	-	Total non-current liabilities	<u>3,403,023</u>	<u>2</u>	<u>6,226,431</u>	<u>3</u>
Other intangible assets (Notes 4 and 15)	81,700	-	109,393	-	Total liabilities	<u>80,729,283</u>	<u>38</u>	<u>63,517,532</u>	<u>34</u>
Deferred tax assets (Notes 4 and 25)	5,003,855	2	3,972,874	2	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Long-term prepayments for leases (Note 16)	1,978,980	1	1,165,302	1	(Note 22)				
Other non-current assets (Note 17)	<u>2,458,355</u>	<u>1</u>	<u>1,317,322</u>	<u>1</u>	Share capital - ordinary shares	<u>7,703,911</u>	<u>4</u>	<u>7,703,911</u>	<u>4</u>
Total non-current assets	<u>62,427,685</u>	<u>29</u>	<u>58,404,540</u>	<u>31</u>	Capital surplus	<u>20,270,956</u>	<u>9</u>	<u>20,269,657</u>	<u>11</u>
TOTAL	<u>\$ 213,863,962</u>	<u>100</u>	<u>\$ 186,347,584</u>	<u>100</u>	Retained earnings				
					Legal reserve	13,423,375	6	11,221,396	6
					Special reserve	2,487,529	1	2,377,902	1
					Unappropriated earnings	<u>95,371,730</u>	<u>45</u>	<u>83,543,989</u>	<u>45</u>
					Total retained earnings	<u>111,282,634</u>	<u>52</u>	<u>97,143,287</u>	<u>52</u>
					Other equity	<u>(6,207,055)</u>	<u>(3)</u>	<u>(2,487,529)</u>	<u>(1)</u>
					Total equity attributable to owners of the Company	133,050,446	62	122,629,326	66
					NON-CONTROLLING INTERESTS	<u>84,233</u>	<u>-</u>	<u>200,726</u>	<u>-</u>
					Total equity	<u>133,134,679</u>	<u>62</u>	<u>122,830,052</u>	<u>66</u>
					TOTAL	<u>\$ 213,863,962</u>	<u>100</u>	<u>\$ 186,347,584</u>	<u>100</u>

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

(With Deloitte & Touche auditors' report dated March 5, 2018)



# CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	%	Amount	%
OPERATING REVENUE (Notes 4 and 23)	\$ 93,295,960	100	\$ 79,113,653	100
OPERATING COSTS (Notes 10, 13, 21, 24 and 31)	<u>51,326,443</u>	<u>55</u>	<u>44,716,023</u>	<u>56</u>
GROSS PROFIT	<u>41,969,517</u>	<u>45</u>	<u>34,397,630</u>	<u>44</u>
OPERATING EXPENSES (Notes 21 and 24)				
Selling and marketing expenses	442,407	-	495,782	1
General and administrative expenses	6,433,956	7	5,122,412	6
Research and development expenses	<u>1,659,912</u>	<u>2</u>	<u>1,288,617</u>	<u>2</u>
Total operating expenses	<u>8,536,275</u>	<u>9</u>	<u>6,906,811</u>	<u>9</u>
PROFIT FROM OPERATIONS	<u>33,433,242</u>	<u>36</u>	<u>27,490,819</u>	<u>35</u>
NON-OPERATING INCOME AND EXPENSES (Note 24)				
Interest income	1,541,320	1	720,921	1
Other income	3,763,029	4	3,097,237	4
Foreign exchange gains (losses), net	(5,832,245)	(6)	1,322,754	1
Other gains and losses	111,218	-	143,820	-
Interest expenses	(317,104)	-	(236,985)	-
Share of profit of associates	<u>45,758</u>	<u>-</u>	<u>86,482</u>	<u>-</u>
Total non-operating income and expenses	<u>(688,024)</u>	<u>(1)</u>	<u>5,134,229</u>	<u>6</u>
PROFIT BEFORE INCOME TAX	32,745,218	35	32,625,048	41
INCOME TAX EXPENSE (Notes 4 and 25)	<u>10,887,619</u>	<u>12</u>	<u>10,556,770</u>	<u>13</u>
NET PROFIT	<u>21,857,599</u>	<u>23</u>	<u>22,068,278</u>	<u>28</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Share of the other comprehensive income (loss) of associates accounted for using the equity method	<u>8</u>	<u>-</u>	<u>(35)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				

(Continued)

# CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2017		2016	
	Amount	%	Amount	%
Exchange differences on translating foreign operations	\$ (3,714,162)	(4)	\$ (7,507,995)	(10)
Share of the other comprehensive loss of associates accounted for using the equity method	(12,426)	-	(4,651)	-
	<u>(3,726,588)</u>	<u>(4)</u>	<u>(7,512,646)</u>	<u>(10)</u>
Other comprehensive loss for the year, net of income tax	<u>(3,726,580)</u>	<u>(4)</u>	<u>(7,512,681)</u>	<u>(10)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 18,131,019</u>	<u>19</u>	<u>\$ 14,555,597</u>	<u>18</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	\$ 21,843,250	23	\$ 22,019,794	28
Non-controlling interests	<u>14,349</u>	<u>-</u>	<u>48,484</u>	<u>-</u>
	<u>\$ 21,857,599</u>	<u>23</u>	<u>\$ 22,068,278</u>	<u>28</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Company	\$ 18,123,732	19	\$ 14,575,286	18
Non-controlling interests	<u>7,287</u>	<u>-</u>	<u>(19,689)</u>	<u>-</u>
	<u>\$ 18,131,019</u>	<u>19</u>	<u>\$ 14,555,597</u>	<u>18</u>
EARNINGS PER SHARE (Note 26)				
Basic	\$ 28.35		\$ 28.58	
Diluted	<u>\$ 28.03</u>		<u>\$ 28.26</u>	

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

(With Deloitte & Touche auditors' report dated March 5, 2018)

(Concluded)

# CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translating Foreign Operations	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2016	\$ 7,703,911	\$ 20,274,286	\$ 8,709,310	\$ 2,377,902	\$ 71,740,227	\$ 4,956,944	\$ 115,762,580	\$ 202,882	\$ 115,965,462	
Appropriation of the 2015 earnings										
Legal reserve	-	-	2,512,086	-	(2,512,086)	-	-	-	-	
Cash dividends distributed by the Company - 100%	-	-	-	-	(7,703,911)	-	(7,703,911)	-	(7,703,911)	
Changes in capital surplus from investments in associates accounted for using the equity method	-	(9)	-	-	-	-	(9)	-	(9)	
Net profit for the year ended December 31, 2016	-	-	-	-	22,019,794	-	22,019,794	48,484	22,068,278	
Other comprehensive loss for the year ended December 31, 2016, net of income tax	-	-	-	-	(35)	(7,444,473)	(7,444,508)	(68,173)	(7,512,681)	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	22,019,759	(7,444,473)	14,575,286	(19,689)	14,555,597	
Disposals of investments accounted for using the equity method (Note 12)	-	(4,578)	-	-	-	-	(4,578)	-	(4,578)	
Actual disposals of interests in subsidiaries (Note 27)	-	(42)	-	-	-	-	(42)	17,533	17,491	
BALANCE, DECEMBER 31, 2016	7,703,911	20,269,657	11,221,396	2,377,902	83,543,989	(2,487,529)	122,629,326	200,726	122,830,052	
Appropriation of the 2016 earnings										
Legal reserve	-	-	2,201,979	-	(2,201,979)	-	-	-	-	
Special reserve	-	-	-	109,627	(109,627)	-	-	-	-	
Cash dividends distributed by the Company - 100%	-	-	-	-	(7,703,911)	-	(7,703,911)	-	(7,703,911)	
Changes in capital surplus from donations from shareholders	-	1,666	-	-	-	-	1,666	-	1,666	
Net profit for the year ended December 31, 2017	-	-	-	-	21,843,250	-	21,843,250	14,349	21,857,599	
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	8	(3,719,526)	(3,719,518)	(7,062)	(3,726,580)	
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	21,843,258	(3,719,526)	18,123,732	7,287	18,131,019	
Disposals of investments accounted for using the equity method (Note 12)	-	(367)	-	-	-	-	(367)	-	(367)	
Decrease in non-controlling interests	-	-	-	-	-	-	-	(123,780)	(123,780)	
BALANCE, DECEMBER 31, 2017	\$ 7,703,911	\$ 20,270,956	\$ 13,423,375	\$ 2,487,529	\$ 95,371,730	\$ (6,207,055)	\$ 133,050,446	\$ 84,233	\$ 133,134,679	

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

(With Deloitte & Touche audit report dated March 5, 2018)



# CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 32,745,218	\$ 32,625,048
Adjustments for:		
Depreciation expenses	10,624,391	11,121,079
Amortization expenses	41,689	45,848
Amortization of prepayments for leases	34,415	28,819
Impairment loss on accounts receivable	14,467	36,295
Interest expenses	317,104	236,985
Interest income	(1,541,320)	(720,921)
Share of profit of associates	(45,758)	(86,482)
Gain on disposals of property, plant and equipment	(11,051)	(28,048)
Loss on disposals of other intangible assets	11	910
Gain on disposals of investments	(2,232)	(96,341)
Write-down of inventories	881,928	670,242
Impairment loss recognized on property, plant and equipment	-	97,272
Unrealized (gain) loss on foreign currency exchange	1,871,394	(706,148)
Changes in operating assets and liabilities		
Accounts receivable	1,088,113	(6,058,021)
Other receivables	(42,785)	(55,540)
Inventories	(6,724,792)	2,542,462
Other current assets	(1,590,633)	1,027,811
Notes payable	114,169	13,903
Accounts payable	6,479,676	(440,911)
Other payables	1,486,753	459,917
Other current liabilities	921,372	(723,221)
Net defined benefit liabilities	2	5
Other non-current liabilities	(2,572,981)	(4,724,461)
Cash generated from operations	44,089,150	35,266,502
Dividends received	28,478	32,145
Income tax paid	(11,255,450)	(11,050,806)
Net cash generated from operating activities	<u>32,862,178</u>	<u>24,247,841</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of available-for-sale financial assets	(58,500)	-
Purchase of debt investments with no active market	(309,927,726)	(63,867,300)
Proceeds from disposals of debt investments with no active market	277,169,334	4,616,895
Acquisitions of associates	-	(20,000)
Net cash inflow on disposal of associates	6,439	1,101,751
Proceeds from the capital reduction of investments accounted for using the equity method	-	74
Acquisitions of property, plant and equipment	(13,192,238)	(8,523,896)
Proceeds from disposals of property, plant and equipment	251,778	101,217
Increase in refundable deposits	(192,030)	(3,188)
Decrease in refundable deposits	171,745	15,861

(Continued)

# CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

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

	2017	2016
Acquisitions of other intangible assets	\$ (15,509)	\$ (26,536)
Proceeds from disposals of other intangible assets	1,636	2,426
Acquisitions of investment properties	(800)	(347)
Increase in prepayments for leases	(887,152)	-
Interest received	<u>1,393,150</u>	<u>625,860</u>
Net cash used in investing activities	<u>(45,279,873)</u>	<u>(65,977,183)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	177,121,458	110,611,875
Repayments of short-term borrowings	(167,549,232)	(95,099,906)
Proceeds from long-term borrowings	1,355,000	1,971,000
Repayments of long-term borrowings	(1,500,000)	(1,826,000)
Proceeds from guarantee deposits received	556,617	354,441
Refunds of guarantee deposits received	(450,104)	(620,630)
Cash dividends paid	(7,703,911)	(7,703,911)
Proceeds from partial disposals of interests in subsidiaries	17,491	-
Interest paid	(320,873)	(230,235)
Decrease in non-controlling interests	<u>(123,780)</u>	<u>-</u>
Net cash generated from financing activities	<u>1,402,666</u>	<u>7,456,634</u>
<b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES</b>	<u>(1,635,200)</u>	<u>(1,738,947)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(12,650,229)</u>	<u>(36,011,655)</u>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>29,666,993</u>	<u>65,678,648</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<u>\$ 17,016,764</u>	<u>\$ 29,666,993</u>

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

(With Deloitte & Touche auditors' report dated March 5, 2018)

(Concluded)

# **CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

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### **1. GENERAL INFORMATION**

Catcher Technology Co., Ltd. (the Company) was incorporated in November 1984 under the laws of the Republic of China (ROC). The Company mainly manufactures and sells aluminum and magnesium extrusion and stamping products and molds. It also provides leasing services.

The Company's shares were listed and traded on the Taipei Exchange (formerly called the GreTai Securities Market) from November 1999 until September 2001, when the Company listed its shares on the Taiwan Stock Exchange (TWSE) under stock number "2474" and ceased listing and trading on the Taipei Exchange.

The Company increased its capital by listing its shares in the form of Global Depositary Receipts (GDRs) on the Luxembourg Stock Exchange (Euro MTF) in June 2011.

The consolidated financial statements of the Company and its subsidiaries, collectively referred to as the Group, are presented in the Company's functional currency, the New Taiwan dollar.

### **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were published after being approved by the Company's board of directors on March 5, 2018.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the FSC

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group's accounting policies.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendments to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40 “Transfers of Investment Property”	January 1, 2018
IFRIC 22 “Foreign Currency Transactions and Advance Consideration”	January 1, 2018

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

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

#### 1) IFRS 9 “Financial Instruments” and related amendments

##### Classification, measurement and impairment of financial assets

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

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

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

income is reclassified from equity to profit or loss.

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

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

- a) Unlisted shares classified as available-for-sale will be designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, unlisted shares measured at cost will be measured at fair value instead;
- b) Debt investments classified as debt investments with no active market and measured at amortized cost will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows.

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. A loss allowance is required for financial assets measured at amortized cost, certain written loan commitments and financial guarantee contracts. A loss allowance for 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full-lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full-lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

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

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

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

	<b>Carrying Amount as of December 31, 2017</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of January 1, 2018</b>
<u>Impact on assets</u>			
Financial assets at fair value through other comprehensive income - non-current	\$ -	\$ 58,500	\$ 58,500
Available-for-sale financial assets - non-current	58,500	(58,500)	-
Debt investments with no active market - current	89,617,629	(89,617,629)	-
Financial assets measured at amortized cost - current	<u>-</u>	<u>89,617,629</u>	<u>89,617,629</u>
Total effect on assets	<u>\$ 89,676,129</u>	<u>\$ -</u>	<u>\$ 89,676,129</u>

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

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

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

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

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

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

The retrospective application of IFRS 15 is not expected to have a material impact on the Group’s assets, liabilities and equity as of January 1, 2018.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations will not have any material impact on the Group’s financial position and financial performance.

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

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 16 “Leases”	January 1, 2019 (Note 3)
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 4)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty Over Income Tax Treatments”	January 1, 2019

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

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

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

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

1) IFRS 16 “Leases”

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

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

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

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

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

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

settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a. Statement of compliance**

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

##### **b. Basis of preparation**

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

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

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



d. Basis of consolidation

Principles for preparing consolidated financial statements

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, tables 8 and 9 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

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

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

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income attributed to the owners of the Company and non-controlling interests as appropriate.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss.

f. Inventories

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

g. Investment in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

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

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

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

h. Property, plant and equipment

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

Property, plant and equipment in the course of construction are carried at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such properties are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

i. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

j. Intangible assets

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

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

k. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

l. Financial instruments

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

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

## 1) Financial assets

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

### a) Measurement categories

Financial assets of the Group are classified as available-for-sale financial assets and loans and receivables.

#### i. Available-for-sale financial assets

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

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

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

#### ii. Loans and receivables

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

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

### b) Impairment of financial assets

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

For financial assets measured at amortized cost, such as accounts receivable, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with defaults on receivables.

For a financial asset measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future

cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss is not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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

#### c) Derecognition of financial assets

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

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

### 2) Equity instruments

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

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

### 3) Financial liabilities

#### a) Subsequent measurement

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

#### b) Derecognition of financial liabilities

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

### m. Revenue recognition

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

#### 1) Sale of goods

Revenue from the sale of goods is recognized when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, which is determined for export sales on the bases of the terms of the trade and for domestic sales on the bases of the acceptance date of the counterparty.

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

#### 2) Dividend and interest income

Dividend income is recognized when a shareholder's right to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### n. Leasing

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

#### 1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

#### 2) The Group as lessee

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

### 3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with their classification of lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case, the entire lease is classified as an operating lease.

#### o. Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

#### p. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

#### q. Employee benefits

##### 1) Short-term employee benefits

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

##### 2) Retirement benefits

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

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

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

r. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

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

3) Current and deferred taxes for the year

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



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

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

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

### a. Income taxes

As of December 31, 2017 and 2016, the Company's management resolved that the unappropriated retained earnings of overseas subsidiaries as of December 31, 2017 will be used for permanent investment; this was approved by the board of directors on March 5, 2018. Therefore, no deferred tax liabilities were recognized on the subsidiaries' unappropriated earnings. If the retained earnings of overseas subsidiaries will be appropriated in the future, a material recognition of deferred tax liabilities may arise, which would be recognized in profit or loss for the period in which such appropriation takes place.

### b. Write-down of inventories

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

## 6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash on hand	\$ 4,063	\$ 8,716
Deposits in banks	2,277,763	1,491,944
Cash equivalent (investments with original maturities of less than 3 months)		
Time deposits	14,154,997	27,548,056
Repurchase agreements	<u>579,941</u>	<u>618,277</u>
	<u>\$ 17,016,764</u>	<u>\$ 29,666,993</u>

The range of interest rates of time deposits and repurchase agreements was as follows:

	December 31	
	2017	2016
Time deposits	0.91%-3.19%	0.91%-2.62%
Repurchase agreements	1.70%-2.00%	1.50%

**7. AVAILABLE-FOR-SALE FINANCIAL ASSETS - NON-CURRENT - DECEMBER 31, 2017**

Unlisted shares	\$ <u>58,500</u>
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**8. DEBT INVESTMENTS WITH NO ACTIVE MARKET - CURRENT**

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Time deposits with original maturities of more than 3 months	\$ <u>89,617,629</u>	\$ <u>59,767,949</u>
Range of interest rates	1.51%-2.20%	1.00%-1.75%

**9. ACCOUNTS RECEIVABLE**

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Accounts receivable - operating	\$ 32,186,563	\$ 33,478,113
Less: Allowance for impairment loss	<u>57,644</u>	<u>43,898</u>
	<u>\$ 32,128,919</u>	<u>\$ 33,434,215</u>

The average credit period on sales of goods was 30 to 180 days. The allowance for impairment loss was based on estimated irrecoverable amounts individually determined by reference to an analysis of the customer's current financial position.

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

The aging analysis based on the invoice date of receivables was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Up to 90 days	\$ 16,604,987	\$ 25,326,795
91 - 120 days	10,470,734	5,361,914
121 - 150 days	3,676,175	1,574,030
151 - 180 days	1,374,632	1,041,826
181 - 240 days	9,605	117,919
More than 240 days	<u>50,430</u>	<u>55,629</u>
	<u>\$ 32,186,563</u>	<u>\$ 33,478,113</u>

The aging analysis based on the invoice date of receivables that were past due but not impaired was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
121 - 150 days	\$ 158	\$ -
151 - 180 days	251,259	93,856
181 - 240 days	9,605	117,919
More than 240 days	<u>1,224</u>	<u>20,169</u>
	<u>\$ 262,246</u>	<u>\$ 231,944</u>

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

	<b>Individually Assessed for Impairment</b>	<b>Collectively Assessed for Impairment</b>	<b>Total</b>
Balance at January 1, 2016	\$ 8,438	\$ -	\$ 8,438
Add: Amounts written off	36,295	-	36,295
Foreign exchange translation gains and losses	(835)	-	(835)
Balance at December 31, 2016	<u>43,898</u>	<u>-</u>	<u>43,898</u>
Add: Amounts written off	-	14,467	14,467
Foreign exchange translation gains and losses	(721)	-	(721)
Balance at December 31, 2017	<u>\$ 43,177</u>	<u>\$ 14,467</u>	<u>\$ 57,644</u>

## 10. INVENTORIES

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Merchandise	\$ 12,850	\$ 8,203
Finished goods	3,322,851	1,066,773
Work-in-process and semi-finished goods	3,913,305	1,513,024
Raw materials and supplies	<u>2,043,279</u>	<u>867,707</u>
	<u>\$ 9,292,285</u>	<u>\$ 3,455,707</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2017 and 2016 was NT\$51,329,734 thousand and NT\$44,735,685 thousand, respectively.

The cost of goods sold for the years ended December 31, 2017 and 2016 included inventory write-downs of NT\$881,928 thousand and NT\$670,242 thousand, respectively.

## 11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements were as follows:

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2017	2016	
Catcher Technology Co., Ltd.	Nanomag International Co., Ltd.	Investing activities	100	100	
Nanomag International Co., Ltd.	Gigamag Co., Ltd.	Investing activities	100	100	
	Castmate International Co., Ltd.	Investing activities	100	100	
	Stella International Co., Ltd.	Investing activities	100	100	
	Uranus International Co., Ltd.	Investing activities	100	100	
	Aquila International Co., Ltd.	Investing activities	75	75	
	Grus International Co., Ltd.	Investing activities	100	100	
	Norma International Co., Ltd.	Investing activities	100	100	
Castmate International Co., Ltd.	Cygnus International Co., Ltd.	Investing activities	100	100	
Cygnus International Co., Ltd.	Meecca Technology (Suzhou Industrial Park) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
Stella International Co., Ltd.	Lyra International Co., Ltd.	Investing activities	100	100	
Lyra International Co., Ltd.	Topo Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Topo Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Meecca Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
Uranus International Co., Ltd.	Catcher Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Vito Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
Aquila International Co., Ltd.	Cepheus International Co., Ltd.	Investing activities	100	100	
Cepheus International Co., Ltd.	Aquila Technology (Suqian) Co., Ltd.	Manufacturing and selling molds and electronic parts	100	100	
Norma International Co. Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	100	
	Envio Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	100	-	(a)
Grus International Co., Ltd.	Sagitta International Co., Ltd.	Investing activities	-	93	(b)
Gigamag Co., Ltd.	Neat Co., Ltd.	International trade	100	-	(c)

- Norma International Co., Ltd. incorporated its 100% owned subsidiary Envio Technology (Suqian) Co., Ltd. in June 2017 in China.
- Sagitta International Co., Ltd. was liquidated and dissolved in December 2017.
- Gigamag Co., Ltd. incorporated its 100% owned subsidiary Neat Co., Ltd. in March 2017 in Samoa.

## 12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2017	2016
Investments in associates		
Associates that are not individually material	\$ 539,922	\$ 539,634

Aggregate information of associates that are not individually material was as follows:

	December 31	
	2017	2016
The Group's share of:		
Net profit	\$ 45,758	\$ 86,482
Other comprehensive income (loss)	(12,418)	1,735
Total comprehensive income for the year	\$ 33,340	\$ 88,217

In 2017 and 2016, the Group disposed of shares of associates that were not material individually; thus, capital surplus as of December 31, 2017 and 2016 decreased by NT\$367 thousand and NT\$4,578 thousand, respectively, and the recognized gains on the disposal of investments for the years then ended was NT\$2,232 thousand and NT\$96,345 thousand, respectively.

The Group is able to exercise significant influence over some associates that are not individually material even if it holds less than 20% of the voting rights because the Company has appointed one or two out of the seven directors of the associates.

Except for the period from January 1 to June 30, 2016 of the financial statements of Kon-Cheng Accuracy Co., Ltd., all investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments were calculated based on financial statements which have been audited. Management believes that the financial statements of Kon-Cheng Accuracy Co., Ltd. which have not been audited will not have a material impact on the use of the equity method accounting or the calculation of the share of profit or loss and other comprehensive income for the years ended December 31, 2017 and 2016.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress and Equipment to be Inspected	Total
<b>Cost</b>									
Balance at January 1, 2016	\$ 2,179,324	\$ 15,289,197	\$ 63,171,857	\$ 101,914	\$ 2,445,608	\$ 1,358,754	\$ 11,787	\$ 5,306,489	\$ 89,864,930
Additions	-	492,983	3,359,428	22,383	398,841	489,541	308	2,776,381	7,539,865
Disposals	-	(128,085)	(389,161)	(5,066)	(11,272)	(118,195)	(11,012)	-	(662,791)
Reclassification	-	5,924,793	488,365	182	(868,927)	901,522	-	(5,887,612)	558,323
Effect of foreign currency exchange differences	-	(1,436,310)	(4,990,903)	(6,641)	(160,119)	(113,010)	(795)	(230,805)	(6,938,583)
Balance at December 31, 2016	<u>\$ 2,179,324</u>	<u>\$ 20,142,578</u>	<u>\$ 61,639,586</u>	<u>\$ 112,772</u>	<u>\$ 1,804,131</u>	<u>\$ 2,518,612</u>	<u>\$ 288</u>	<u>\$ 1,964,453</u>	<u>\$ 90,361,744</u>

(Continued)

	Land	Buildings	Machinery and Equipment	Transportation Equipment	Furniture and Fixtures	Miscellaneous Equipment	Leasehold Improvement	Construction in Progress and Equipment to be Inspected	Total
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2016	\$ -	\$ 3,676,939	\$ 25,596,696	\$ 63,286	\$ 1,087,313	\$ 693,104	\$ 9,986	\$ -	\$ 31,127,324
Depreciation	-	1,275,666	9,108,097	15,909	260,545	454,768	338	-	11,115,323
Disposals	-	(128,085)	(323,342)	(3,413)	(11,174)	(114,065)	(9,543)	-	(589,622)
Impairment losses recognized in profit or loss	-	-	97,249	-	-	23	-	-	97,272
Reclassification	-	-	-	-	(372,215)	372,215	-	-	-
Effect of foreign currency exchange differences	-	(324,216)	(2,007,734)	(3,576)	(65,646)	(41,676)	(747)	-	(2,443,595)
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 4,500,304</u>	<u>\$ 32,470,966</u>	<u>\$ 72,206</u>	<u>\$ 898,823</u>	<u>\$ 1,364,369</u>	<u>\$ 34</u>	<u>\$ -</u>	<u>\$ 39,306,702</u>
Carrying amounts at December 31, 2016	<u>\$ 2,179,324</u>	<u>\$ 15,642,274</u>	<u>\$ 29,168,620</u>	<u>\$ 40,566</u>	<u>\$ 905,308</u>	<u>\$ 1,154,243</u>	<u>\$ 254</u>	<u>\$ 1,964,453</u>	<u>\$ 51,055,042</u>
<u>Cost</u>									
Balance at January 1, 2017	\$ 2,179,324	\$ 20,142,578	\$ 61,639,586	\$ 112,772	\$ 1,804,131	\$ 2,518,612	\$ 288	\$ 1,964,453	\$ 90,361,744
Additions	-	444,319	7,154,913	46,225	811,271	962,134	-	1,909,443	11,328,305
Disposals	-	(238)	(666,122)	(6,713)	(20,504)	(135,924)	-	-	(829,501)
Reclassification	-	2,379,066	1,154,123	7,741	(44,071)	216,197	-	(2,386,286)	1,326,770
Effect of foreign currency exchange differences	-	(375,205)	(473,501)	(1,331)	(25,328)	(27,741)	(6)	(14,846)	(917,958)
Balance at December 31, 2017	<u>\$ 2,179,324</u>	<u>\$ 22,590,520</u>	<u>\$ 68,808,999</u>	<u>\$ 158,694</u>	<u>\$ 2,525,499</u>	<u>\$ 3,533,278</u>	<u>\$ 282</u>	<u>\$ 1,472,764</u>	<u>\$ 101,269,360</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2017	\$ -	\$ 4,500,304	\$ 32,470,966	\$ 72,206	\$ 898,823	\$ 1,364,369	\$ 34	\$ -	\$ 39,306,702
Depreciation	-	1,420,452	8,233,196	19,383	352,315	593,108	56	-	10,618,510
Disposals	-	(71)	(431,677)	(3,511)	(19,269)	(134,246)	-	-	(588,774)
Reclassification	-	-	-	-	(5,001)	5,001	-	-	-
Effect of foreign currency exchange differences	-	(70,765)	(40,102)	(781)	(10,206)	(11,704)	(1)	-	(133,559)
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 5,849,920</u>	<u>\$ 40,232,383</u>	<u>\$ 87,297</u>	<u>\$ 1,216,662</u>	<u>\$ 1,816,528</u>	<u>\$ 89</u>	<u>\$ -</u>	<u>\$ 49,202,879</u>
Carrying amounts at December 31, 2017	<u>\$ 2,179,324</u>	<u>\$ 16,740,600</u>	<u>\$ 28,576,616</u>	<u>\$ 71,397</u>	<u>\$ 1,308,837</u>	<u>\$ 1,716,750</u>	<u>\$ 193</u>	<u>\$ 1,472,764</u>	<u>\$ 52,066,481</u>

(Concluded)

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

Buildings	
Main buildings	20 - 50 years
Mechanical and electrical power equipment	5 years
Engineering systems	2 - 5 years
Machinery and equipment	2 - 10 years
Transportation equipment	5 years
Furniture and fixtures	2 - 5 years
Miscellaneous equipment	2 - 15 years
Leasehold improvements	3 - 5 years

For the year ended December 31, 2016, the Group's estimate of future cash flows from the use of equipment was lower than its past estimates. The Group carried out a review of the recoverable amount of the equipment and determined that the carrying amount exceeded the recoverable amount. The review led to the recognition of an impairment loss of NT\$97,272 thousand. The impairment loss was recognized in operating costs in the consolidated statements of comprehensive income.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 32.

# 14. INVESTMENT PROPERTIES

	Land	Buildings	Total
<u>Cost</u>			
Balance at January 1, 2016	\$ 203,363	\$ 157,041	\$ 360,404
Additions	<u>-</u>	<u>347</u>	<u>347</u>
Balance at December 31, 2016	<u>\$ 203,363</u>	<u>\$ 157,388</u>	<u>\$ 360,751</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2016	\$ -	\$ 110,022	\$ 110,022
Depreciation	<u>-</u>	<u>5,756</u>	<u>5,756</u>
Balance at December 31, 2016	<u>\$ -</u>	<u>\$ 115,778</u>	<u>\$ 115,778</u>
Carrying amounts at December 31, 2016	<u>\$ 203,363</u>	<u>\$ 41,610</u>	<u>\$ 244,973</u>
<u>Cost</u>			
Balance at January 1, 2017	\$ 203,363	\$ 157,388	\$ 360,751
Additions	<u>-</u>	<u>800</u>	<u>800</u>
Balance at December 31, 2017	<u>\$ 203,363</u>	<u>\$ 158,188</u>	<u>\$ 361,551</u>
<u>Accumulated depreciation</u>			
Balance at January 1, 2017	\$ -	\$ 115,778	\$ 115,778
Depreciation	<u>-</u>	<u>5,881</u>	<u>5,881</u>
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 121,659</u>	<u>\$ 121,659</u>
Carrying amounts at December 31, 2017	<u>\$ 203,363</u>	<u>\$ 36,529</u>	<u>\$ 239,892</u>

The investment properties are depreciated by the straight-line method over their estimated useful lives as follows:

Main buildings	25 - 35 years
Elevators	15 years
Heat radiation systems	5 years

The fair values of the Group's investment properties as of December 31, 2017 and 2016 were NT\$428,544 thousand for both years. The fair values were arrived at on the basis of a valuation methodology carried out on December 23, 2015 by independent qualified professional appraisers of CCIS Real Estate Appraisers Firm, who are not connected to the Group. The fair value of land was measured using the sales comparison approach; the fair value of buildings was measured using the cost comparison approach. Because the valuation of land was measured by comparing the valuation with the market value of the last year and there was neither huge change in rentals nor in the usage of the buildings during this period, the fair value of the investment properties remained the same in 2017 and 2016.

All of the Group's investment properties were held under freehold interests. The investment properties pledged as collateral for bank borrowings are set out in Note 32.

## 15. OTHER INTANGIBLE ASSETS

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2016	\$ 287,947
Additions	26,536
Disposals	(36,365)
Effect of foreign currency exchange differences	<u>(20,005)</u>
Balance at December 31, 2016	<u>\$ 258,113</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2016	\$ 146,426
Amortization expense	44,804
Disposals	(33,029)
Effect of foreign currency exchange differences	<u>(9,481)</u>
Balance at December 31, 2016	<u>\$ 148,720</u>
Carrying amounts at December 31, 2016	<u>\$ 109,393</u>
<u>Cost</u>	
Balance at January 1, 2017	\$ 258,113
Additions	15,509
Disposals	(15,671)
Effect of foreign currency exchange differences	<u>(4,835)</u>
Balance at December 31, 2017	<u>\$ 253,116</u>
<u>Accumulated amortization</u>	
Balance at January 1, 2017	\$ 148,720
Amortization expense	38,995
Disposals	(14,024)
Effect of foreign currency exchange differences	<u>(2,275)</u>
Balance at December 31, 2017	<u>\$ 171,416</u>
Carrying amounts at December 31, 2017	<u>\$ 81,700</u>

The above other intangible assets are depreciated on a straight-line basis over their estimated useful lives ranging from 2 to 10 years.



## 16. PREPAYMENTS FOR LEASES

	December 31	
	2017	2016
Current assets	\$ 45,427	\$ 27,816
Non-current assets	<u>1,978,980</u>	<u>1,165,302</u>
	<u>\$ 2,024,407</u>	<u>\$ 1,193,118</u>

In April 2000, the Company obtained the usage rights to the land on which its buildings are situated under an agreement with Taiwan Sugar Corporation which will expire in 2050. As of December 31, 2017 and 2016, prepaid lease payments include land use right with carrying amounts of NT\$2,733 thousand and NT\$3,814 thousand, respectively.

Topo Suzhou and Meeca Suzhou obtained the usage rights to the land on which their buildings stand under agreements with the Suzhou Industrial Park; Catcher Suqian, Vito Suqian, Arcadia Suqian, and Envio Suqian obtained the usage rights to the land on which their buildings stand under agreements with the Suqian Industrial Park; and Topo Taizhou and Meeca Taizhou obtained the usage rights to the land on which their buildings stand under agreements with the Bureau of Land Resources Taizhou. The agreements thereof will expire in succession before 2067. The rights were paid in the years that the agreements were signed. As of December 31, 2017 and 2016, prepaid lease payments included the land use rights to the land in mainland China with carrying amounts of NT\$2,021,674 thousand and NT\$1,189,304 thousand, respectively.

## 17. OTHER ASSETS

	December 31	
	2017	2016
<u>Current</u>		
VAT retained	\$ 2,459,771	\$ 1,087,006
Prepaid expenses	192,176	79,067
Office supplies	156,364	74,922
Prepayments to suppliers	27,269	15,478
Refundable deposits	25,803	5,398
Others	<u>18,488</u>	<u>7,566</u>
	<u>\$ 2,879,871</u>	<u>\$ 1,269,437</u>
<u>Non-current</u>		
Prepaid equipment	\$ 2,455,774	\$ 1,312,644
Refundable deposits	975	982
Others	<u>1,606</u>	<u>3,696</u>
	<u>\$ 2,458,355</u>	<u>\$ 1,317,322</u>

## 18. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Unsecured borrowings</u>		
Bank unsecured loans	\$ 47,264,000	\$ 38,474,388
Bank letter of credit loans	<u>761,172</u>	<u>-</u>
	<u>\$ 48,025,172</u>	<u>\$ 38,474,388</u>

The range of interest rates of short-term borrowings was as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Bank unsecured loans	0.58%-0.80%	0.60%-4.35%
Bank letter of credit loans	0.48%	-

### b. Long-term borrowings - December 31, 2016

<u>Unsecured borrowings</u>	
Bank unsecured loans	<u>\$ 145,000</u>

In October 2016, the Group applied for a three-year unsecured loan of NT\$400,000 thousand from CTBC Bank Co., Ltd., with repayment upon maturity. The loan was repaid in February 2017. The annual interest rate was 0.8993% as of December 31, 2016.

## 19. NOTES PAYABLE AND ACCOUNTS PAYABLE

Both notes payable and accounts payable resulted from operating activities.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

## 20. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>Current</u>		
Other payables		
Payables for salaries or bonuses	\$ 2,659,911	\$ 2,848,101
Payables for employees' compensation	3,527,044	2,033,762
Payables for purchases of equipment	853,980	245,167
Payables for taxes	304,276	208,337
Payables for maintenance	208,014	84,013
		(Continued)

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Payables for meals	\$ 141,751	\$ 94,106
Payables for annual leave	123,633	100,483
Payables for benefits	116,508	32,946
Payables for utilities	51,282	36,723
Payables for shipping expenses and warehousing	45,320	38,944
Payables for labor and health insurance	31,734	33,614
Remuneration of directors	16,892	16,892
Payables for interest	11,674	14,357
Payables for professional service fees	5,787	14,366
Payables for warranties	5,412	3,981
Payables for commission fees	257	13,023
Others	<u>1,393,089</u>	<u>1,576,223</u>
	<u>\$ 9,496,564</u>	<u>\$ 7,395,038</u>
Other liabilities		
Deferred revenue	\$ 1,589,508	\$ 1,854,817
Advance sales receipts	247,782	83,876
Guarantee deposits received	181,201	99,525
Payables for value-added tax	8,456	185,745
Others	<u>1,240,997</u>	<u>40,933</u>
	<u>\$ 3,267,944</u>	<u>\$ 2,264,896</u>
<u>Non-current</u>		
Other liabilities		
Deferred revenue	\$ 3,311,474	\$ 5,884,415
Guarantee deposits received	30,029	6,210
Others	<u>90</u>	<u>130</u>
	<u>\$ 3,341,593</u>	<u>\$ 5,890,755</u>

(Concluded)

## 21. RETIREMENT BENEFIT PLANS

### a. Defined contribution plans

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

The employees of the Group's subsidiaries in China are members of a state-managed retirement benefit plan operated by the government of mainland China. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plans

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Present value of defined benefit obligation	\$ 70,851	\$ 70,098
Fair value of plan assets	<u>(64,300)</u>	<u>(63,549)</u>
Net defined benefit liabilities	<u>\$ 6,551</u>	<u>\$ 6,549</u>

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

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Balance at January 1, 2016	<u>\$ 69,979</u>	<u>\$ (63,435)</u>	<u>\$ 6,544</u>
Service cost			
Current service cost	1,822	-	1,822
Net interest expense (income)	<u>1,222</u>	<u>(1,123)</u>	<u>99</u>
Recognized in profit or loss	<u>3,044</u>	<u>(1,123)</u>	<u>1,921</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	1,124	1,124
Actuarial loss - changes in demographic assumptions	36	-	36
Actuarial loss - changes in financial assumptions	183	-	183
Actuarial gain - experience adjustments	<u>(1,343)</u>	<u>-</u>	<u>(1,343)</u>
Recognized in other comprehensive income	<u>(1,124)</u>	<u>1,124</u>	<u>-</u>
Contributions from the employer	-	(1,916)	(1,916)
Benefits paid	<u>(1,801)</u>	<u>1,801</u>	<u>-</u>
Balance at December 31, 2016	<u>70,098</u>	<u>(63,549)</u>	<u>6,549</u>
Service cost			
Current service cost	1,850	-	1,850
Net interest expense (income)	<u>970</u>	<u>(893)</u>	<u>77</u>
Recognized in profit or loss	<u>2,820</u>	<u>(893)</u>	<u>1,927</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liabilities (Assets)</b>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 230	\$ 230
Actuarial loss - changes in demographic assumptions	171	-	171
Actuarial loss - changes in financial assumptions	855	-	855
Actuarial gain - experience adjustments	(1,256)	-	(1,256)
Recognized in other comprehensive income	<u>(230)</u>	<u>230</u>	<u>-</u>
Contributions from the employer	-	(1,925)	(1,925)
Benefits paid	<u>(1,837)</u>	<u>1,837</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 70,851</u>	<u>\$ (64,300)</u>	<u>\$ 6,551</u> (Concluded)

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

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Operating costs	\$ 1,289	\$ 1,280
Selling and marketing expenses	83	92
General and administrative expenses	354	341
Research and development expenses	<u>201</u>	<u>208</u>
	<u>\$ 1,927</u>	<u>\$ 1,921</u>

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

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Discount rate	1.25%	1.375%
Expected rate of salary increase	2%	2%

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Discount rate		
0.25% increase	\$ (1,737)	\$ (1,835)
0.25% decrease	\$ 1,780	\$ 1,906
Expected rate of salary increase		
0.25% increase	\$ 1,727	\$ 1,836
0.25% decrease	\$ (1,675)	\$ (1,777)

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Expected contributions to the plan for the next year	\$ 1,700	\$ 1,916
Average duration of the defined benefit obligation	13 years	14 years

## 22. EQUITY

### a. Share capital

#### 1) Ordinary shares

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Number of shares authorized (in thousands)	1,000,000	1,000,000
Shares authorized	\$ 10,000,000	\$ 10,000,000
Number of shares issued and fully paid (in thousands)	770,391	770,391
Shares issued	\$ 7,703,911	\$ 7,703,911

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and carry a right to dividends.

A total of 23,000 thousand shares of the Company's authorized shares were reserved for the issuance of employee share options.

## 2) Global depositary receipts

In June 2011, the Company increased its capital by listing its shares in the form of Global Depositary Receipts (GDRs). Each GDR was issued at US\$32.84 and represented 5 ordinary shares. The Company issued 6,700 thousand units of GDRs, representing 33,500 thousand ordinary shares. The registration process has been completed.

As of December 31, 2017 and 2016, there were 497 thousand units and 856 thousand units of outstanding GDRs, equivalent to 2,485 thousand ordinary shares and 4,278 thousand ordinary shares, respectively.

### b. Capital surplus

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of ordinary shares	\$ 7,460,295	\$ 7,460,295
Arising from conversion of bonds	12,775,052	12,775,052
The difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	1,422	1,422
Donations from shareholders	1,666	-
<u>May be used to offset a deficit only (2)</u>		
Share of changes in capital surplus of associates	<u>32,521</u>	<u>32,888</u>
	<u>\$ 20,270,956</u>	<u>\$ 20,269,657</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interests in associates resulting from equity transactions other than actual disposals or acquisitions, or from changes in capital surplus of associates accounted for using the equity method.

### c. Retained earnings and dividends policy

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The shareholders held their regular meeting on May 19, 2016 and, in that meeting, resolved amendments to the Company's Articles of Incorporation (the Articles), particularly the amendment to the policy on dividends distribution and the addition of the policy on the distribution of compensation of employees and remuneration of directors.

Under the dividends policy as set forth in the amended Articles, when the Company makes profit in a fiscal year, the profit should be appropriated as follows:

- 1) Offset against deficit, if any;
- 2) Appropriate 10% of the remainder as legal reserve, until the accumulated amount equals the Company's paid-in capital;

- 3) Reverse a special reserve in accordance with the laws or operating needs; and
- 4) Use by the Company's board of directors any remaining profit together with any undistributed retained earnings as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting.

The Company is still in the growing stage and is continuing to expand its operating scale in consideration of the viability of the economic situation. The board of directors shall focus on growing dividends stably when proposing the appropriation of annual earnings. However, cash dividends shall not be less than 10% of the total dividends, and cash dividends shall not be distributed if the dividends per share is less than NT\$0.50.

For the policies on the distribution of the compensation of employees and remuneration of directors after the amendment, refer to "Compensation of employees and remuneration of directors" in Note 24(g).

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

Per Order No. 1010012865 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs," the Company should make provisions to or reversals from a special reserve.

Except for non-ROC resident shareholders, all shareholders receiving dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company. Refer to "Integrated income tax" in Note 25(f) for related information.

The appropriations of earnings for 2016 and 2015 were approved in the shareholders' meetings on June 19, 2017 and May 19, 2016, respectively. The appropriations and dividends per share were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended December 31 2016</b>	<b>2015</b>	<b>For the Year Ended December 31 2016</b>	<b>2015</b>
Legal reserve	\$ 2,201,979	\$ 2,512,086		
Special reserve	109,627	-		
Cash dividends	7,703,911	7,703,911	\$ 10	\$ 10

The appropriation of earnings for 2017 was proposed by the Company's board of directors on March 5, 2018. The appropriation and dividends per share were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 2,184,325	
Special reserve	3,719,526	
Cash dividends	9,244,692	\$ 12

The appropriation of earnings for 2017 are subject to resolution in the shareholders' meeting to be held on June 11, 2018.



d. Other equity items

Exchange differences on translating foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance as of January 1	\$ (2,487,529)	\$ 4,956,944
Exchange differences arising on translating foreign operations	(3,707,100)	(7,439,822)
Share of exchange difference of associates accounted for using the equity method	(12,429)	(3,323)
Share of exchange difference upon disposal of associates accounted for using the equity method	<u>3</u>	<u>(1,328)</u>
Balance as of December 31	<u>\$ (6,207,055)</u>	<u>\$ (2,487,529)</u>

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Balance as of January 1	\$ 200,726	\$ 202,882
Attributable to non-controlling interests:		
Share of profit for the year	14,349	48,484
Exchange differences on translating foreign operations	(7,062)	(68,173)
Partial disposal of interest in subsidiaries (Note 27)	-	17,533
Distribution of earnings of subsidiaries	(56,561)	-
Return of capital reduction and liquidation of subsidiaries	<u>(67,219)</u>	<u>-</u>
Balance as of December 31	<u>\$ 84,233</u>	<u>\$ 200,726</u>

## 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Revenue from the sale of goods	\$ 93,277,048	\$ 79,091,618
Other operating revenue	<u>18,912</u>	<u>22,035</u>
	<u>\$ 93,295,960</u>	<u>\$ 79,113,653</u>

## 24. NET PROFIT

a. Other income

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Government grants	\$ 3,629,664	\$ 2,972,746
Recycling income	127,165	90,331
Others	<u>6,200</u>	<u>34,160</u>
	<u>\$ 3,763,029</u>	<u>\$ 3,097,237</u>

b. Other gains and losses

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Gains on disposals of investments	\$ 2,232	\$ 61,183
Others	<u>108,986</u>	<u>82,637</u>
	<u>\$ 111,218</u>	<u>\$ 143,820</u>

c. Interest expense

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Interest on bank loans	<u>\$ 317,104</u>	<u>\$ 236,985</u>

d. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Property, plant and equipment	\$ 10,618,510	\$ 11,115,323
Investment properties	5,881	5,756
Intangible assets and other assets	<u>41,689</u>	<u>45,848</u>
	<u>\$ 10,666,080</u>	<u>\$ 11,166,927</u>
An analysis of depreciation by function		
Operating costs	\$ 9,336,302	\$ 10,287,330
Operating expenses	<u>1,288,089</u>	<u>833,749</u>
	<u>\$ 10,624,391</u>	<u>\$ 11,121,079</u>
An analysis of amortization by function		
Operating costs	\$ 7,503	\$ 8,031
Selling and marketing expenses	295	48
General and administrative expenses	33,340	36,831
Research and development expenses	<u>551</u>	<u>938</u>
	<u>\$ 41,689</u>	<u>\$ 45,848</u>

e. Operating expenses directly related to investment properties

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Direct operating expenses from investment properties generating rental income	\$ 7,749	\$ 7,476

f. Employee benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Short-term employee benefits		
Salaries	\$ 17,794,726	\$ 13,207,815
Labor and health insurance	174,671	169,534
Others	1,809,348	1,345,639
	<u>19,778,745</u>	<u>14,722,988</u>
Post-employment benefits		
Defined contribution plans	1,355,613	1,185,210
Defined benefit plans (Note 21)	1,927	1,921
	<u>1,357,540</u>	<u>1,187,131</u>
	<u>\$ 21,136,285</u>	<u>\$ 15,910,119</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 16,840,249	\$ 12,233,120
Operating expenses	4,296,036	3,676,999
	<u>\$ 21,136,285</u>	<u>\$ 15,910,119</u>

g. Compensation of employees and remuneration of directors

The Company accrued the compensation of employees and remuneration of directors at the rates of no less than 1% and no higher than 1%, respectively, of net profit before income tax, compensation of employees, and remuneration of directors. The compensation of employees and remuneration of directors for the years ended December 31, 2017 and 2016, which were approved by the Company's board of directors on March 5, 2018 and March 16, 2017, respectively, were as follows:

Accrual rate

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Compensation of employees	8.74%	7.00%
Remuneration of directors	based on previous experience	based on previous experience

Amount

	<b>For the Year Ended December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Cash</b>	<b>Shares</b>	<b>Cash</b>	<b>Shares</b>
Compensation of employees	\$ 2,421,231	\$ -	\$ 1,908,684	\$ -
Remuneration of directors	16,892	-	16,892	-

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

There was no difference between the actual amounts of compensation of employees and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2016 and 2015.

Information on the compensation of employees and remuneration of directors resolved by the Company's board of directors in 2018 and 2017 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

h. Gain or loss on foreign currency exchange

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Foreign exchange gains	\$ 12,709,683	\$ 13,725,729
Foreign exchange losses	<u>(18,541,928)</u>	<u>(12,402,975)</u>
	<u>\$ (5,832,245)</u>	<u>\$ 1,322,754</u>

## 25. INCOME TAXES

a. Income tax expense (benefit)

The major components of income tax expense (benefit) recognized in profit or loss were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Current tax		
In respect of the current year	\$ 10,904,201	\$ 8,882,893
Income tax on unappropriated earnings	1,200,427	1,490,486
Adjustment for prior years	<u>71,020</u>	<u>(427,829)</u>
	12,175,648	9,945,550
Deferred tax		
In respect of the current year	<u>(1,288,029)</u>	<u>611,220</u>
	<u>\$ 10,887,619</u>	<u>\$ 10,556,770</u>

A reconciliation of accounting profit and income tax expenses is as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Profit before income tax	\$ 32,745,218	\$ 32,625,048
Income tax expense calculated at the statutory rate	\$ 7,925,433	\$ 7,677,640
Unrecognized temporary differences		
Repatriation of subsidiaries' earnings	1,581,679	1,180,777
Deferred income	-	565,152
Others	-	(137,348)
Nondeductible expenses in determining taxable income		
Research and development tax credits from China	(77,144)	(56,757)
Nondeductible expenses in determining taxable income	55,680	13,167
Withholding tax on remittance of earnings	-	152,053
Tax-exempt income	(379)	(5,444)
Additional income tax on unappropriated earnings	1,200,427	1,490,486
5-year tax-exempt income	(69,330)	(38,881)
Unrecognized loss carryforwards	200,233	143,754
Adjustments for prior years' tax	71,020	(427,829)
	<u>\$ 10,887,619</u>	<u>\$ 10,556,770</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the group entities in the ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

In February 2018, it was announced that the Income Tax Act in the ROC was amended, and starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%. Deferred tax assets and deferred tax liabilities recognized as at December 31, 2017 are expected to be adjusted and would increase by NT\$91,335 thousand and NT\$7,462 thousand, respectively, in 2018.

As the status of the 2018 appropriation of earnings is uncertain, the potential income tax consequences of the 2017 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Current tax assets		
Tax refund receivable	\$ 1,169	\$ 47,265
Current tax liabilities		
Income tax payable	\$ 4,511,274	\$ 3,693,480

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2017

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions for losses on inventories	\$ 41,401	\$ 120,596	\$ (336)	\$ 161,661
Depreciation differences	2,294,286	651,212	(44,043)	2,901,455
Unrealized intercompany profit	1,270,234	543,464	(81,206)	1,732,492
Unrealized sales returns	1,687	(802)	-	885
Defined benefit obligation	1,113	-	-	1,113
Payables for annual leave	32,246	3,892	(485)	35,653
Impairment loss on property, plant and equipment	28,019	(17,509)	-	10,510
Deferred revenue	119,967	(119,967)	-	-
Other payables	109,821	(98,119)	-	11,702
Allowances for impaired receivables	8,865	-	(180)	8,685
Unrealized foreign exchange losses	-	100,836	-	100,836
Others	29,540	9,853	(530)	38,863
	3,937,179	1,193,456	(126,780)	5,003,855
Tax losses	35,695	(34,675)	(1,020)	-
	<u>\$ 3,972,874</u>	<u>\$ 1,158,781</u>	<u>\$ (127,800)</u>	<u>\$ 5,003,855</u>

Deferred tax liabilities

Temporary differences				
Depreciation differences	\$ 47,761	\$ (5,479)	\$ -	\$ 42,282
Unrealized foreign exchange gains	123,769	(123,769)	-	-
Reserves for land value increment tax	12,597	-	-	12,597
	<u>\$ 184,127</u>	<u>\$ (129,248)</u>	<u>\$ -</u>	<u>\$ 54,879</u>

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Provisions for losses on inventories	\$ 54,900	\$ (13,200)	\$ (299)	\$ 41,401
Depreciation differences	1,550,807	912,391	(168,912)	2,294,286
Unrealized intercompany profit	2,303,147	(1,016,406)	(16,507)	1,270,234
Unrealized sales returns	2,998	(1,311)	-	1,687
Defined benefit obligation	1,113	-	-	1,113
Payables for annual leave	35,646	(1,159)	(2,241)	32,246
Impairment loss on property, plant and equipment	27,138	881	-	28,019
Deferred revenue	700,115	(580,148)	-	119,967
Other payables	-	109,821	-	109,821
Allowances for impaired receivables	-	9,074	(209)	8,865
Others	26,164	4,848	(1,472)	29,540
	4,702,028	(575,209)	(189,640)	3,937,179
Tax losses	-	37,626	(1,931)	35,695
	<u>\$ 4,702,028</u>	<u>\$ (537,583)</u>	<u>\$ (191,571)</u>	<u>\$ 3,972,874</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Depreciation differences	\$ 64,815	\$ (17,054)	\$ -	\$ 47,761
Unrealized foreign exchange gains	33,078	90,691	-	123,769
Reserves for land value increment tax	<u>12,597</u>	<u>-</u>	<u>-</u>	<u>12,597</u>
	<u>\$ 110,490</u>	<u>\$ 73,637</u>	<u>\$ -</u>	<u>\$ 184,127</u>
				(Concluded)

d. Information about unused loss carryforwards and tax exemptions

Loss carryforwards as of December 31, 2017 comprised:

Unused Amount	Expiry Year
\$ 999,676	2020
380,277	2021
<u>816,286</u>	2022
<u>\$ 2,196,239</u>	

As of December 31, 2017, profits attributable to the following expansion projects were exempted from income tax for a five-year period:

<u>Expansion of Construction Project</u>	<u>Tax-exemption Period</u>
Five years tax-exempt expansion project approved under the Official Letter, No. 1020163631, issued by Tainan City Government	From January 1, 2016 to December 31, 2020

e. The aggregate amount of temporary difference associated with investments for which deferred tax liabilities have not been recognized

The taxable temporary differences associated with investments in subsidiaries for which no deferred tax liabilities have been recognized amounted to NT\$124,310,697 thousand and NT\$113,812,747 thousand as of December 31, 2017 and 2016, respectively.

f. Integrated income tax

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Unappropriated earnings		
Generated before January 1, 1998	\$ 11,609	\$ 11,609
Generated on and after January 1, 1998	<u>95,360,121</u>	<u>83,532,380</u>
	<u>\$ 95,371,730</u>	<u>\$ 83,543,989</u>
Shareholder - imputed credits account	<u>\$ 9,058,619</u>	<u>\$ 6,537,128</u>

The creditable ratio for the distribution of earnings of 2016 was 9.77%. Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable.

g. Income tax assessments

The tax returns of the Company through 2015 have been assessed by the tax authorities.

## 26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

Net profit for the year

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Profit for the year attributable to owners of the Company	\$ <u>21,843,250</u>	\$ <u>22,019,794</u>

Weighted average number of ordinary shares outstanding (in thousand shares)

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Weighted average number of ordinary shares in computation of basic earnings per share	770,391	770,391
Effect of potentially dilutive ordinary shares:		
Compensation of employees	<u>8,853</u>	<u>8,931</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>779,244</u>	<u>779,322</u>

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

## 27. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

In December 2016, the Group disposed of part of its interest in Sagitta International Co., Ltd., reducing its continuing interest from 94.72% to 93%.

The above transaction was accounted for as an equity transaction since the Group did not cease to have control over this subsidiary.

	<b>Amount</b>
Cash consideration received	\$ 17,491
The proportionate share of the carrying amount of the net assets of the subsidiary transferred from non-controlling interests	<u>(17,533)</u>
Differences recognized from equity transactions	<u>\$ (42)</u>

(Continued)



**Amount**Line items adjusted for equity transactions

Capital surplus - difference between consideration received or paid and the carrying amount of the subsidiaries' net assets during actual disposals or acquisitions	\$ (42)
	(Concluded)

**28. OPERATING LEASE ARRANGEMENTS**

## a. The Group as lessee

Catcher Technology Co., Ltd. entered into an agreement to lease land from Taiwan Sugar Corporation. The lease period is from April 1990 to April 2050. Aquila Technology (Suqian) Co., Ltd. entered into an agreement to lease buildings with lease terms from May 2016 to April 2018.

The future minimum lease payments of operating lease commitments were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not later than 1 year	\$ 8,613	\$ 12,432
Later than 1 year and not later than 5 years	28,656	33,455
Later than 5 years	<u>172,785</u>	<u>196,588</u>
	<u>\$ 210,054</u>	<u>\$ 242,475</u>

## b. The Group as lessor

Operating leases relate to the investment properties owned by the Group with lease terms from July 2016 to April 2022. The lessee does not have a bargain purchase option to acquire the properties at the expiry of the lease period.

The future minimum lease payments of operating leases were as follows:

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Not later than 1 year	\$ 21,214	\$ 12,930
Later than 1 year and not later than 5 years	<u>22,635</u>	<u>9,825</u>
	<u>\$ 43,849</u>	<u>\$ 22,755</u>

**29. CAPITAL MANAGEMENT**

The Group requires significant amounts of capital to build and expand its production facilities and equipment. The Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, research and development activities, dividends payments, debt service requirements and other business requirements associated with its existing operations over the next 12 months.

### 30. FINANCIAL INSTRUMENTS

#### a. Fair value of financial instruments not measured at fair value

The carrying amounts of financial instruments that are not measured at fair value approximate their fair value recognized in the consolidated financial statements; these financial instruments include cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables, refundable deposits, short-term loans, accounts payable, long-term borrowings, other payables, and guarantee deposits received.

#### b. Fair value of financial instruments measured at fair value on a recurring basis

##### 1) Fair value hierarchy

December 31, 2017

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Unlisted securities - ROC equity securities	\$ -	\$ -	\$ 58,500	\$ 58,500

##### 2) Reconciliation of Level 3 fair value measurements of financial instruments

For the year ended December 31, 2017

	Available-for-sale Financial Assets Equity Instruments
Balance at January 1, 2017	\$ -
Purchases	58,500
Balance at December 31, 2017	\$ 58,500

##### 3) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of unlisted equity securities in the ROC were estimated based on recent net equity.

#### c. Categories of financial instruments

	December 31	
	2017	2016
<u>Financial assets</u>		
Loans and receivables (i)	\$ 139,244,303	\$ 123,149,199
Available-for-sale financial assets	58,500	-
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost (ii)	69,758,272	51,583,460

(i) The balance includes loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, accounts receivable, other receivables and refundable deposits.

- (ii) The balance includes financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, other payables, long-term borrowings, and guarantee deposits received.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, accounts receivable, accounts payable, and borrowings. The Group's Corporate Treasury function provides services to the business departments, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The plans for material treasury activities are reviewed by board of directors in accordance with procedures required by relevant regulations or internal controls. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (1) below), interest rates (see (2) below) and other prices (see (3) below).

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

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 34.

Sensitivity analysis

The Group was mainly exposed to the United States dollars (USD).

The following table details the Group's sensitivity to a 1% increase and decrease in the New Taiwan dollar (NTD, the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign-currency denominated monetary items. A positive number below indicates an increase in profit before income tax that would result when the NTD weakens by 1% against the relevant currency. For a 1% strengthening of the NTD against the relevant currency, there would be an equal and opposite impact on profit before income tax and the balances below would be negative.

	USD Impact	
	For the Year Ended December 31	
	2017	2016
Profit or loss	\$ 742,013	\$ 766,277

The above foreign-currency denominated monetary assets or liabilities were mainly attributable to the exposure to outstanding USD-denominated cash and cash equivalents, debt investments with no active market, and receivables and payables which were not hedged at the end of the

reporting period.

The Group's sensitivity to the USD decreased during the current period mainly due to the increase in net liabilities denominated in USD. In management's opinion, the sensitivity analysis was unrepresentative of inherent foreign exchange risk because the exposure at the end of the reporting period did not reflect the exposure during the period. In addition, USD-denominated sales would increase or decrease with customers' orders and the amounts of investments.

b) Interest rate risk

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

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

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Fair value interest rate risk		
Financial assets	\$ 104,352,567	\$ 87,934,282
Cash flow interest rate risk		
Financial assets	2,277,763	1,491,944
Financial liabilities	48,025,172	38,619,388

Sensitivity analysis

The sensitivity analysis below was based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming that the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's profit before tax for the years ended December 31, 2017 and 2016 would have decreased/increased by NT\$45,747 thousand and NT\$37,127 thousand, respectively; the change would have been mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings of cash flow.

The Group's sensitivity to interest rates increased during the current period mainly due to the increase in variable rate debt instruments.

c) Other price risk

The Group was exposed to equity price risk through its investments in unlisted equity securities in the ROC. Since there is no open market for the equity price of the investees, the price risk is not material.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk, which could cause a financial loss to the Group due to the failure of a counterparty to discharge an obligation, could at most amount to the carrying amount of the respective recognized financial assets as stated in the balance sheets.

The counterparties to the foregoing financial instruments are reputable business organizations. Management does not expect the Group's exposure to default by those parties to be material; ongoing credit evaluation is also performed on the financial condition of customers with whom the Group has accounts receivable.

Information on credit risk concentration as of December 31, 2017 and 2016 was as follows:

	<b>December 31</b>			
	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Customer A	\$ 17,482,359	54	\$ 19,928,234	60
Customer B	8,585,276	27	8,216,315	25

### 3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

The Group's operating funds and bank loan credit line are deemed sufficient to meet cash flow demands; therefore, liquidity risk is not considered to be significant.

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

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table was drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

To the extent that interest flows are at floating rates, the undiscounted amount was derived from the interest rate curve at the end of the reporting period.

#### December 31, 2017

	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 14,757,685	\$ 6,945,135	\$ 30,280
Variable interest rate liabilities	<u>33,596,810</u>	<u>14,519,213</u>	<u>-</u>
	<u>\$ 48,354,495</u>	<u>\$ 21,464,348</u>	<u>\$ 30,280</u>

#### December 31, 2016

	<b>Less than 3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>
<u>Non-derivative financial liabilities</u>			
Non-interest bearing	\$ 10,256,749	\$ 2,701,113	\$ 6,210
Variable interest rate liabilities	<u>21,225,315</u>	<u>17,363,563</u>	<u>146,667</u>
	<u>\$ 31,482,064</u>	<u>\$ 20,064,676</u>	<u>\$ 152,877</u>

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

b) Financing facilities

	<b>December 31</b>	
	<b>2017</b>	<b>2016</b>
Unsecured bank loan facilities reviewed annually and payable at call:		
Amount used	\$ 48,952,163	\$ 38,854,948
Amount unused	<u>12,670,039</u>	<u>9,270,421</u>
	<u>\$ 61,622,202</u>	<u>\$ 48,125,369</u>

### 31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Names of related parties and relationships with the Group

<b>Name of Related Party</b>	<b>Relationship with the Group</b>
Chaohu Yunhai Magnesium Co., Ltd.	Associates

b. Purchases of goods - For the year ended December 31, 2016

**Related Party Category**

Associates	<u>\$ 42,397</u>
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The purchase prices were not significantly different from those with third parties, and the payment terms are 60 days after the month's closing.

c. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Short-term employee benefits	\$ 751,454	\$ 404,033
Post-employment benefits	<u>21,241</u>	<u>20,180</u>
	<u>\$ 772,695</u>	<u>\$ 424,213</u>

The remuneration of directors and key executives are determined by the remuneration committee with regard to the performance of individuals, the performance of the Group, and future risk.

### 32. ASSETS PLEDGED AS COLLATERAL - DECEMBER 31, 2016

The following are the carrying amounts of assets provided as collateral for long-term bank borrowings:

	Amount
Land	\$ 1,547,865
Buildings	423,685
Investment properties	<u>183,678</u>
	<u>\$ 2,155,228</u>

### 33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2017 and 2016 were as follows:

- a. As of December 31, 2017 and 2016, the unused letters of credit of the Group for purchasing raw materials and equipment were NT\$682,747 thousand and NT\$42,650 thousand, respectively.
- b. Unrecognized commitments are as follows:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Acquisition of property, plant and equipment	<u>\$ 9,221,898</u>	<u>\$ 2,486,940</u>
Acquisition of inventories	<u>\$ 114,218</u>	<u>\$ 24,995</u>

### 34. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information is an aggregation of foreign currencies other than the functional currencies of the group entities and disclosure of the exchange rates between the foreign currencies and the respective functional currencies. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2017

	Foreign Currencies (In Thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,867,282	29.71 (USD:NTD)	\$ 85,186,933
USD	1,909,666	6.5342 (USD:RMB)	56,831,668
			(Continued)

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 1,013,934	29.81 (USD:NTD)	\$ 30,225,368
USD	1,263,169	6.5342 (USD:RMB)	37,591,897
			(Concluded)

December 31, 2016

	<b>Foreign Currencies (In Thousands)</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,033,385	32.2 (USD:NTD)	\$ 65,474,988
USD	1,340,747	6.937 (USD:RMB)	43,239,085

Financial liabilities

Monetary items			
USD	576,507	32.3 (USD:NTD)	18,621,174
USD	417,525	6.937 (USD:RMB)	13,465,182

The Group is mainly exposed to the USD. The following information is an aggregation of the functional currencies of the group entities and disclosures of the exchange rates between the respective functional currencies and the presentation currency. The significant realized and unrealized foreign exchange gains (losses) were as follows:

<b>For the Year Ended December 31</b>				
<b>2017</b>		<b>2016</b>		
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gain (Loss)</b>
USD	30.432(USD:NTD)	\$ 5,046	32.263(USD:NTD)	\$ (14,257)
NTD	1(NTD:NTD)	(3,514,539)	1(NTD:NTD)	(200,674)
RMB	4.5059(RMB:NTD)	<u>(2,322,752)</u>	4.8617(RMB:NTD)	<u>1,537,685</u>
		<u>\$ (5,832,245)</u>		<u>\$ 1,322,754</u>



### **35. SEPARATELY DISCLOSED ITEMS**

#### **a. Information about significant transactions and investees**

- 1) Financing provided to others (Table 1)
- 2) Endorsements/guarantees provided (Table 2)
- 3) Marketable securities held (excluding investments in subsidiaries and associates) (Table 3)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital (Table 4)
- 5) Acquisitions of individual real estate at cost of at least NT\$300 million or 20% of the paid-in capital (Table 5)
- 6) Disposals of individual real estate at a price of at least NT\$300 million or 20% of the paid-in capital (N/A)
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 6)
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 7)
- 9) Trading in derivative instruments (N/A)
- 10) Intercompany relationships and significant intercompany transactions (Table 10)
- 11) Information on investees (Table 8)

#### **b. Information on investments in mainland China**

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income or loss of investee, investment income or loss, carrying amount of the investment at the end of the period, and repatriations of investment from the mainland China area (Table 9)
- 2) Significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses as follows (Tables 1, 2, 6, 7 and 10):
  - a) Purchases - the amount and percentage of purchases and the balance and percentage of the related payables at the end of the period
  - b) Sales - the amount and percentage of sales and the balance and percentage of the related receivables at the end of the period
  - c) Property transactions - the amount of property transactions and the amount of the resultant gains or losses
  - d) Endorsements and guarantees - the balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

- e) Financing - the highest balance during the period, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds
- f) Other - the transactions with material effect on profit or loss for the period or on the financial position, such as the rendering or receipt of services

### 36. SEGMENT INFORMATION

For the purpose of resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a plant by plant basis with a focus on the operating results of each plant. As each plant shares similar economic characteristics, produces similar products using similar production process and all products are distributed and sold to same-level customers through a central sales function, the Group's operating segments are aggregated into a single reportable segment. The Group's chief operating decision maker reviews segment information measured on the same basis as the consolidated financial statements. Information about reportable segment sales and profit or loss is referenced from the consolidated statements of comprehensive income for the years ended December 31, 2017 and 2016 and information on assets is referenced from the consolidated balance sheets as of December 31, 2017 and 2016.

#### a. Geographical information

The Group operates in two principal geographical areas - Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	<b>Revenue from External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
China	\$ 32,268,444	\$ 20,884,650
United States	55,569,705	51,757,369
Taiwan	967,563	2,646,469
Singapore	4,320,424	3,332,792
Sweden	84,712	457,663
Others	<u>85,112</u>	<u>34,710</u>
	<u>\$ 93,295,960</u>	<u>\$ 79,113,653</u>
	<b>Non-current Assets</b>	
	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Taiwan	\$ 8,104,042	\$ 7,243,782
China	<u>49,261,288</u>	<u>47,187,884</u>
	<u>\$ 57,365,330</u>	<u>\$ 54,431,666</u>

Non-current assets excluded those classified as available-for-sale financial assets and deferred tax assets.

b. Information about major customers

Single customers who contributed 10% or more to the Group's revenue were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
Customer A	\$ 55,481,717	\$ 51,714,117
Customer B	<u>20,575,315</u>	<u>12,864,341</u>
	<u>\$ 76,057,032</u>	<u>\$ 64,578,458</u>

TABLE 1

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Parties	Highest Balance for the Period	Ending Balance	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing	Business Transaction Amounts	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 1)	Aggregate Financing Limits (Note 2)
													Item	Value		
1	Cygnus International Co., Ltd.	Topo Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	\$ 1,032,000	<u>\$ -</u>	\$ -	-	For short-term financing	\$ -	Operating capital	\$ -	-	\$ -	\$ 133,050,446	<u>\$ 133,050,446</u>
2	Gigamag Co., Ltd.	Nanomag International Co., Ltd.	Other receivables - related parties	Yes	2,580,000	<u>\$ 1,488,000</u>	1,011,840	-	For short-term financing	-	Operating capital	-	-	-	133,050,446	<u>\$ 133,050,446</u>
3	Topo Technology (Suzhou) Co., Ltd.	Vito Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	232,450	\$ -	-	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	<u>\$ 133,050,446</u>
		Meeeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	81,981	81,981	81,981	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	
		Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	683,910	683,175	683,175	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	
						<u>\$ 765,156</u>										
4	Meeeca Technology (Suzhou Industrial Park) Co., Ltd.	Catcher Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	1,208,740	\$ -	-	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	<u>\$ 133,050,446</u>
		Meeeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	1,185,444	1,184,170	1,184,170	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	
		Topo Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	3,999,000	2,547,456	2,547,456	2.99428-3.64203	For short-term financing	-	Operating capital	-	-	-	133,050,446	
		Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	3,625,382	3,625,382	3,625,382	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	
						<u>\$ 7,357,008</u>										
5	Catcher Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	1,318,830	\$ 455,450	455,450	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	<u>\$ 133,050,446</u>
		Vito Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	4,282,800	2,166,528	2,166,528	2.6401-3.2225	For short-term financing	-	Operating capital	-	-	-	133,050,446	
		Meeeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	2,441,330	2,441,330	2,441,330	1.5-3.64203	For short-term financing	-	Operating capital	-	-	-	133,050,446	
		Topo Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	4,577,237	4,541,376	4,541,376	2.99428-3.64203	For short-term financing	-	Operating capital	-	-	-	133,050,446	
						<u>\$ 9,604,684</u>										
6	Topo Technology (Taizhou) Co., Ltd.	Meeeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	1,181,414	<u>\$ 956,445</u>	956,445	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	<u>\$ 133,050,446</u>
7	Vito Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Other receivables - related parties	Yes	1,070,725	\$ -	-	1.5-3.02317	For short-term financing	-	Operating capital	-	-	-	133,050,446	<u>\$ 133,050,446</u>
		Meeeca Technology (Taizhou) Co., Ltd.	Other receivables - related parties	Yes	457,200	455,450	455,450	1.5	For short-term financing	-	Operating capital	-	-	-	133,050,446	
						<u>\$ 455,450</u>										

Note 1: The upper limit of the 100% owned subsidiaries held directly or indirectly by the Company is equivalent to 100% of the net asset value as of December 31, 2017 of the financier, but the upper limit of those with business transactions is no more than the needed amount for operations.

Note 2: The upper limit of the 100% owned subsidiaries held directly or indirectly by the Company is equivalent to 100% of the net asset value as of December 31, 2017 of the financier.

Note 3: The net asset value mentioned in Notes 1 and 2 above is the equity attributable to owners of the Company on the consolidated balance sheets.

TABLE 2

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ENDORSEMENTS/GUARANTEES PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Endorser/ Guarantor	Endorsee/Guarantee		Limits on Endorsement/ Guarantee Given on Behalf of Each Party (Note 1)	Maximum Amount Endorsed/ Guaranteed During the Period	Outstanding Endorsement/ Guarantee at the End of the Period	Actual Borrowing Amount	Amount Endorsed/ Guaranteed by Collaterals	Ratio of Accumulated Endorsement/ Guarantee to Net Equity in Latest Financial Statements (%)	Aggregate Endorsement/ Guarantee Limit (Note 2)	Endorsement /Guarantee Given by Parent on Behalf of Subsidiaries	Endorsement /Guarantee Given by Subsidiaries on Behalf of Parent	Endorsement /Guarantee Given On Behalf of Companies in Mainland China
		Name	Relationship										
1	Meecca Technology (Suzhou Industrial Park) Co., Ltd.	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	\$ 66,525,223	\$ 64,500	\$ -	\$ -	\$ -	-	\$ 133,050,446	No	No	Yes

Note 1: The upper limit for the Company is equivalent to 50% of its net asset value as of December 31, 2017.

Note 2: The upper limit for the Company is equivalent to 100% of its net asset value as of December 31, 2017.

Note 3: The net asset value mentioned in Notes 1 and 2 above is the equity attributable to owners of the Company on the consolidated balance sheets.

TABLE 3

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD (EXCLUDING INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES)  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Catcher Technology Co., Ltd.	Alpha Information Systems, Inc.	None	Available-for-sale financial assets - non-current	1,500,000	\$ 43,500	10	\$ 23,848	Note 3
	CDIB Capital Innovation Accelerator Co., Ltd.	None	Available-for-sale financial assets - non-current	1,500,000	15,000	3.57	14,425	Note 3
					<u>\$ 58,500</u>		<u>\$ 38,273</u>	

Note 1: Securities in this table are shares, bonds, beneficiary certificates and those derived from the above-mentioned items which are within the scope of IAS 39 “Financial Instrument: Recognition and Measurement”.

Note 2: Refer to Tables 8 and 9 for information on subsidiaries and associates.

Note 3: Net equity of the investees is calculated and disclosed based on unaudited financial statements as of December 31, 2017.

TABLE 4

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Number of Shares	Amount
Topo Technology (Taizhou) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	\$ -	448,000,000	\$ 2,018,374 (RMB 448,000,000)	448,000,000	\$ 2,019,370 (RMB 448,220,925)	\$ 2,018,374 (RMB 448,000,000)	\$ 996 (RMB 220,925)	-	\$ -
Catcher Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	470,000,000	2,117,491 (RMB 470,000,000)	470,000,000	2,118,448 (RMB 470,212,448)	2,117,491 (RMB 470,000,000)	957 (RMB 212,448)	-	-
Arcadia Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	1,801,500,000	8,116,298 (RMB 1,801,500,000)	1,801,500,000	8,122,221 (RMB 1,802,814,766)	8,116,298 (RMB 1,801,500,000)	5,923 (RMB 1,314,766)	-	-
Vito Technology (Suqian) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	493,500,000	2,223,366 (RMB 493,500,000)	493,500,000	2,224,680 (RMB 493,791,724)	2,223,366 (RMB 493,500,000)	1,314 (RMB 291,724)	-	-
Meeca Technology (Suzhou Industrial Park) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	92,500,000	416,740 (RMB 92,500,000)	92,500,000	417,891 (RMB 92,755,502)	416,740 (RMB 92,500,000)	1,151 (RMB 255,502)	-	-
	RMB Financial Products	Other financial assets		-	-	-	115,500,000	520,362 (RMB 115,500,000)	115,500,000	521,310 (RMB 115,710,305)	520,362 (RMB 115,500,000)	948 (RMB 210,305)	-	-
Meeca Technology (Taizhou) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	145,000,000	653,269 (RMB 145,000,000)	145,000,000	653,560 (RMB 145,064,616)	653,269 (RMB 145,000,000)	291 (RMB 64,616)	-	-
Topo Technology (Suzhou) Co., Ltd.	RMB Financial Products	Other financial assets		-	-	-	74,100,000	333,843 (RMB 74,100,000)	74,100,000	334,797 (RMB 74,311,886)	333,843 (RMB 74,100,000)	954 (RMB 211,886)	-	-
Nanomag International Co., Ltd.	Stella International Co., Ltd.	Investments accounted for using the equity method	Note 7	100% owned subsidiary	239,895,233	24,986,168 (USD 774,764,896)	92,183,911	2,499,746 (USD 148,820,919)	-	-	-	-	332,079,144	27,485,914 (USD 923,585,815)
	Norma International Co., Ltd.	Investments accounted for using the equity method	Note 7	100% owned subsidiary	178,032,525	5,161,407 (USD 160,043,615)	80,001,166	5,598,643 (USD 201,517,218)	-	-	-	-	258,033,691	10,760,050 (USD 361,560,833)
Stella International Co., Ltd.	Lyra International Co., Ltd.	Investments accounted for using the equity method	Note 7	100% owned subsidiary	239,869,501	24,706,936 (USD 766,106,553)	92,183,911	4,680,574 (USD 221,376,997)	-	-	-	-	332,053,412	29,387,510 (USD 987,483,550)
Lyra International Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Investments accounted for using the equity method	Note 7	100% owned subsidiary	-	2,087,310 (USD 64,722,787)	-	4,856,522 (USD 168,604,910)	-	-	-	-	-	6,943,832 (USD 233,327,697)
Norma International Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Investments accounted for using the equity method	Note 7	100% owned subsidiary	-	5,161,425 (USD 160,044,189)	-	3,865,669 (USD 143,285,590)	-	-	-	-	-	9,027,094 (USD 303,329,779)
	Envio Technology (Suqian) Co., Ltd.	Investments accounted for using the equity method	Note 7	100% owned subsidiary	-	-	-	1,746,529 (USD 58,687,137)	-	-	-	-	-	1,746,529 (USD 58,687,137)

Note 1: Includes incremental investments of US\$92,183,911, the share of profit of subsidiaries accounted for using the equity method of US\$164,820,367, repatriation of earnings of US\$182,596,648, capital surplus - changes in ownership interests in subsidiaries of US\$21,067,936, and foreign exchange gains on translating foreign operations of US\$53,345,353.

Note 2: Includes incremental investments of US\$80,001,166, the share of profit of subsidiaries accounted for using the equity method of US\$105,142,370, and foreign exchange gains on translating foreign operations of US\$16,373,682.

Note 3: Includes incremental investments of US\$92,183,911, the share of profit of subsidiaries accounted for using the equity method of US\$237,376,445, repatriation of earnings of US\$182,596,648, capital surplus - changes in ownership interests in subsidiaries of US\$21,067,936, and foreign exchange gains on translating foreign operations of US\$53,345,353.

Note 4: Includes incremental investments of US\$92,183,911, the share of profit of subsidiaries accounted for using the equity method of US\$68,429,154, and foreign exchange gains on translating foreign operations of US\$7,991,845.

Note 5: Includes incremental investments of US\$21,501,166, the share of profit of subsidiaries accounted for using the equity method of US\$106,614,328, and foreign exchange gains on translating foreign operations of US\$15,170,096.

Note 6: Includes incremental investments of US\$58,500,000, the share of loss of subsidiaries accounted for using the equity method of US\$1,016,449, and foreign exchange gains on translating foreign operations of US\$1,203,586.

Note 7: Issue of ordinary shares of subsidiaries.

TABLE 5

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

ACQUISITIONS OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty/ Acquisition Item	Relationship	Information on Previous Title Transfer If Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Catcher Technology Co., Ltd.	Manufacturing plant in Yongkang Technology Industrial Park	2017.03.31	\$ 1,544,031	In accordance with rules of contracts and progress	Self-built assets	-	-	-	-	\$ -	Price comparison or negotiation	Operating production starting from 2017.03.31	-
Meecca Technology (Taizhou) Co., Ltd.	Manufacturing plant	2017.06.16-2018.03.14	Contract price is NT\$1,561,237 thousand (RMB 342,790 thousand); NT\$498,659 thousand has been put into construction	In accordance with rules of contracts and progress	Self-built assets (The main contractor is The Industrial Construction Engineering Group Co., Ltd.)	-	-	-	-	-	Price comparison or negotiation	Operating production	-
Envio Technology (Suqian) Co., Ltd.	Manufacturing plant	2017.08.18-2018.02.15	Contract price is NT\$726,443 thousand (RMB 159,500 thousand); NT\$184,002 thousand has been put into construction	In accordance with rules of contracts and progress	Self-built assets (The main Contractor is Zhongxing Construction Co., Ltd.)	-	-	-	-	-	Price comparison or negotiation	Operating production	-



TABLE 6

## CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

## TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

FOR THE YEAR ENDED DECEMBER 31, 2017

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Catcher Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	\$ (5,951,887)	19	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	\$ 2,219,796	18	
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	256,806	3	Net 30 to 90 days after month end close	Equivalent	Equivalent	(108,585)	3	
Topo Technology (Taizhou) Co., Ltd.	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	645,423	7	Net 30 to 90 days after month end close	Equivalent	Equivalent	(318,534)	9	
			Sales	(3,946,849)	18	Net 30 to 90 days after month end close	Equivalent	Equivalent	2,413,177	16	
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	176,279	2	Net 30 to 90 days after month end close	Equivalent	Equivalent	(87,372)	2	
	Aquila Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	100,599	1	Net 120 days after month end close	Equivalent	Equivalent	(11,947)	-	
	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(16,754,128)	78	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	8,773,771	60	
Vito Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(14,115,804)	75	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	7,469,051	77	
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	Sales	(434,608)	2	Net 30 to 90 days after month end close	Equivalent	Equivalent	428,652	4	
			Purchases	234,350	2	Net 30 to 90 days after month end close	Equivalent	Equivalent	(70,174)	2	
	Aquila Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	178,765	2	Net 120 days after month end close	Equivalent	Equivalent	(5,188)	-	
	Meecca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	Sales	(150,348)	1	Net 30 to 90 days after month end close	Equivalent	Equivalent	250,688	3	
Arcadia Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(13,844,467)	97	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	6,631,927	97	
	Aquila Technology (Suqian) Co., Ltd.	Same ultimate parent company	Purchases	159,752	2	Net 120 days after month end close	Equivalent	Equivalent	(34,853)	1	
	Meecca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	Purchases	2,219,018	25	Net 30 to 90 days after month end close	Equivalent	Equivalent	(2,103,781)	34	
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	Purchases	2,595,975	29	Net 30 to 90 days after month end close	Equivalent	Equivalent	2,173,941	35	
Meecca Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	Sales	(5,062,924)	68	Net 30 to 120 days after month end close	No comparable sales prices for general customers	Equivalent	4,693,784	69	

**TABLE 7****CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 2017****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Catcher Technology Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Subsidiary	\$ 433,373	- (Note 3)	\$ -	Not applicable	\$ 774	\$ -
	Topo Technology (Taizhou) Co., Ltd.	Subsidiary	794,397	- (Note 3)	-	Not applicable	1,440	-
	Vito Technology (Suqian) Co., Ltd.	Subsidiary	261,557	- (Note 3)	-	Not applicable	9,066	-
Topo Technology (Suzhou) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	683,175	- (Note 1)	-	Not applicable	-	-
Meeca Technology (Suzhou Industrial Park) Co., Ltd.	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	2,547,456	- (Note 1)	-	Not applicable	-	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	1,184,170	- (Note 1)	-	Not applicable	-	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	3,625,382	- (Note 1)	-	Not applicable	-	-
Catcher Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	2,219,796	3.99	-	Not applicable	483,955	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	2,166,528	- (Note 1)	-	Not applicable	-	-
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	4,541,376	- (Note 1)	-	Not applicable	-	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	455,450	- (Note 1)	-	Not applicable	-	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	2,441,330	- (Note 1)	-	Not applicable	-	-
Topo Technology (Taizhou) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	8,773,771	1.93	-	Not applicable	2,404,577	-
	Vito Technology (Suqian) Co., Ltd.	Same ultimate parent company	2,413,177	4.01	-	Not applicable	1,142,539	-
	Catcher Technology (Suqian) Co., Ltd.	Same ultimate parent company	127,708	- (Note 2)	-	Not applicable	-	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	441,054	- (Note 2)	-	Not applicable	-	-
			2,173,941	2.33	-	Not applicable	250,497	-
	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	956,445	- (Note 1)	-	Not applicable	-	-
			667,227	- (Note 2)	-	Not applicable	286,275	-
			1,384,944	1.81	-	Not applicable	92,910	-

(Continued)

Company Name	Related Party	Relationship	Ending Balance	Turnover Ratio	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Vito Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	\$ 7,469,051	2.17	\$ -	Not applicable	\$ 2,261,004	\$ -
	Topo Technology (Taizhou) Co., Ltd.	Same ultimate parent company	318,534	1.80	-	Not applicable	-	-
			180,541	-	-	Not applicable	-	-
				(Note 2)				
	Catcher Technology (Suqian) Co., Ltd.	Same ultimate parent company	108,585	3.49	-	Not applicable	47,975	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	428,652	3.62	-	Not applicable	81,227	-
Meeca Technology (Taizhou) Co., Ltd.	Meeca Technology (Taizhou) Co., Ltd.	Same ultimate parent company	250,688	2.09	-	Not applicable	19,150	-
			455,450	-	-	Not applicable	-	-
				(Note 1)				
	Catcher Technology Co., Ltd.	Ultimate parent company	4,693,784	2.16	-	Not applicable	1,131,200	-
	Arcadia Technology (Suqian) Co., Ltd.	Same ultimate parent company	2,103,781	2.15	-	Not applicable	-	-
Arcadia Technology (Suqian) Co., Ltd.	Catcher Technology Co., Ltd.	Ultimate parent company	6,631,927	3.55	-	Not applicable	208,320	-
Gigamag Co., Ltd.	Nanomag International Co., Ltd.	Same ultimate parent company	1,011,840	-	-	Not applicable	1,011,840	-
				(Note 1)				

(Concluded)

Note 1: The ending balance of financing provided is not applicable for the calculation of the turnover rate.

Note 2: The ending balance of receivables from disposals of property, plant and equipment is not applicable for the calculation of the turnover rate.

Note 3: The ending balance of receivables from purchases of property, plant and equipment on behalf of subsidiaries is not applicable for the calculation of the turnover rate.

**TABLE 8**

**CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES**

**INFORMATION ON INVESTEEES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2017			Net Income (Loss) of the Investee	Share of Profits (Loss) (Note 1)	Note
				December 31, 2017	December 31, 2016	Number of Shares	%	Carrying Amount			
Catcher Technology Co., Ltd.	Gigamag Co., Ltd.	Offshore Chambers, P.O. Box 217, Apia, Samoa	Investing activities	\$ 484,941	\$ 484,941	14,377,642	100	\$ 22,515,552	\$ 3,114,432	\$ 3,321,935	
	Nanomag International Co., Ltd.	4F, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands	Investing activities	1	1	30	100	99,173,308	18,230,969	18,164,517	
	Sinher Technology Co., Ltd.	10F-1, No. 29-1, Ln. 169, Kangning St., Xizhi Dist. New Taipei City 221, Taiwan (ROC)	Manufacturing electronic parts	65,949	66,760	9,186,917	12.5	383,335	384,032	48,009	
	Epileds Technology Inc.	5F, No. 2, Chuangye Rd., Xinshi Dist. Tainan City 744, Taiwan (ROC)	Manufacturing and selling LED wafer and chip	100,115	100,115	7,347,144	7.3	151,054	62,717	4,649	
	Yue-Kang Health Control Technology Inc.	1F, No. 10, Ln. 138, Renai St., Yongkang Dist., Tainan City 710, Taiwan (ROC)	Health and medical treatment consultant	40,000	40,000	4,000,000	40	5,533	(17,249)	(6,900)	
Gigamag Co., Ltd.	Neat Co., Ltd.	Vistra Corporate Services Centre, Ground Floor NPF Building, Beach Road, Apia, Samoa	International trading	298 (USD 10,000)	-	10,000	100	292	(5)		
Nanomag International Co., Ltd.	Castmate International Co., Ltd.	Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands	Investing activities	30,045 (USD 1,009,591)	30,045 (USD 1,009,591)	1,009,591	100	10,499,811	(498,461)		
	Stella International Co., Ltd.	4F, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands	Investing activities	9,882,675 (USD 332,079,144)	7,139,282 (USD 239,895,233)	332,079,144	100	27,485,914	7,178,648		
	Aquila International Co., Ltd.	4F, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands	Investing activities	33,331 (USD 1,120,000)	33,331 (USD 1,120,000)	1,050,000	75	252,698	56,373		
	Uranus International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	11,874,519 (USD 399,009,383)	11,874,519 (USD 399,009,383)	399,009,383	100	50,337,967	11,202,763		
	Grus International Co., Ltd.	4F, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands	Investing activities	18,815 (USD 632,214)	892,908 (USD 30,003,618)	632,214	100	18,165	3,462		
	Norma International Co., Ltd.	Room 1902, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	7,679,083 (USD 258,033,691)	5,298,248 (USD 178,032,525)	258,033,691	100	10,760,050	3,216,498		
	Cygnus International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	297,757 (USD 10,005,259)	2,202,397 (USD 74,005,259)	10,005,259	100	10,544,164	(503,155)		
Stella International Co., Ltd.	Lyra International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	9,881,910 (USD 332,053,412)	7,138,516 (USD 239,869,501)	332,053,412	100	29,387,510	7,172,805		
Aquila International Co., Ltd.	Cepheus International Co., Ltd.	Room 1907, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	41,664 (USD 1,400,000)	41,664 (USD 1,400,000)	1,400,000	100	335,727	56,527		
Grus International Co., Ltd.	Sagitta International Co., Ltd.	Room 1902, 19F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong	Investing activities	-	874,093 (USD 29,371,404)	-	-	-	3,648		

Note 1: Share of profit (loss) is only reflected for the subsidiaries invested in directly and the investments accounted for by using the equity method.

Note 2: Information on investments in mainland China is provided in Table 9.

TABLE 9

CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 13)	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2017 (Note 13)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2017 (Note 13)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2017	Accumulated Repatriation of Investment Income as of December 31, 2017
					Outward	Inward						
Catcher Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	\$ -	2. Cygnus International Co., Ltd. (Note 8)	\$ 992,198 (USD 33,340,000)	\$ -	\$ -	\$ 992,198 (USD 33,340,000)	\$ -	100	\$ -	\$ -	\$ -
Topo Technology (Suzhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	297,898 (USD 10,010,000)	2. Lyra International Co., Ltd. (Notes 4 and 5)	1,200,518 (USD 40,340,000)	-	-	1,200,518 (USD 40,340,000)	(149,587)	100	(149,587)	2,164,345	-
Topo Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,742,771 (RMB 829,779,072) (USD 65,979,240)	2. Lyra International Co., Ltd. (Note 9)	-	-	-	-	5,247,351	100	5,247,351 (Note 2.(1)) (Note 2.(1))	19,850,837	5,482,243
Meecca Technology (Taizhou) Co., Ltd.	Manufacturing, selling and developing varied metal products	4,829,624 (USD 37,610,861) (RMB 814,650,196)	2. Lyra International Co., Ltd. (Note 12)	-	-	-	-	2,068,510	100	2,068,510 (Note 2.(1))	6,943,832	-
Meecca Technology (Suzhou Industrial Park) Co., Ltd.	Manufacturing, selling and developing varied metal products	297,600 (USD 10,000,000)	2. Cygnus International Co. Ltd. (Note 6)	-	-	-	-	(522,002)	100	(522,002) (Note 2.(1))	9,462,284	-
Catcher Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,952,000 (USD 200,000,000)	2. Uranus International Co., Ltd. (Note 7)	2,827,170 (USD 94,999,000)	-	-	2,827,170 (USD 94,999,000)	8,258,643	100	8,258,643 (Note 2.(1)) (Note 2.(1))	31,528,566	10,597,814
Vito Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,802,003 (RMB 409,431,280) (USD 132,300,000)	2. Uranus International Co., Ltd. (Note 10)	-	-	-	-	2,944,120	100	2,944,120 (Note 2.(1)) (Note 2.(1))	19,736,134	-
Arcadia Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	5,945,758 (USD 138,803,527) (RMB 398,499,193)	2. Norma International Co., Ltd. (Note 11)	-	-	-	-	3,247,164	100	3,247,164 (Note 2.(1))	9,027,094	-
Envio Technology (Suqian) Co., Ltd.	Manufacturing, selling and developing varied metal products	1,740,960 (USD 58,500,000)	2. Norma International Co., Ltd. (Note 16)	-	-	-	-	(30,666)	100	(30,666) (Note 2.(1))	1,746,529	-
Aquila Technology (Suqian) Co., Ltd.	Manufacturing and selling molds and electronic parts	41,664 (USD 1,400,000)	2. Cepheus International Co., Ltd.	33,331 (USD 1,120,000)	-	-	33,331 (USD 1,120,000)	56,592	75	56,592 (Note 2.(1))	334,660	169,684
WIT Technology (Taizhou) Co., Ltd. (Note 14)	Researching, developing and manufacturing communication electronic products	-	2. Cetus International Co., Ltd.	-	-	-	-	-	70	-	-	-
Chaohu Yunhai Magnesium Co., Ltd. (Note 15)	Manufacturing and selling dolomite, aluminum, magnesium alloy and other alkaline-earth metals	-	2. Sagitta International Co., Ltd.	657,158 (USD 22,081,923)	-	-	657,158 (USD 22,081,923)	-	46	-	-	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2017 (Note 13)	Investment Amounts Authorized by Investment Commission, MOEA (Notes 13 and 14)	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
\$ 5,710,375 (USD 191,880,923)	\$ 41,898,753 (USD 985,415,387) (RMB 2,760,520,504)	\$ 79,830,268

Note 1: The investing methods are categorized as follows:  
1: Direct investment in companies in mainland China  
2: Investment in companies in mainland China, which is made by a company incorporated via a third region  
3: Others

Note 2: In the column:  
1: This means the investee is under initial preparation and there were no gains or losses on investment.  
2: The recognition of gains or losses on investment is based on:  
(1) The financial statements audited by global accounting firms, which are affiliated with the accounting firms in the Republic of China  
(2) The financial statements audited by the certified public accountant of the parent company in Taiwan  
(3) Others

Note 3: The upper limit on investment in mainland China is calculated as \$133,050,446×60%=\$79,830,268.

Note 4: The paid-in capital of US\$6,670,000, which is self-funding of Nanomag International Co., Ltd., is invested in Topo Technology (Suzhou) Co., Ltd. through Stella International Co., Ltd., and the paid-in capital of US\$33,300,000 is earnings distributed in the third quarter of 2011. Thereafter, the amount of US\$33,000,000 is returned by capital reduction in the fourth quarter of 2014.

Note 5: The paid-in capital of US\$30,000,000 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were then reinvested in Topo Technology (Suzhou) Co., Ltd. Thereafter, the amount of US\$67,000,000 was returned by capital reduction in the first quarter of 2016.

Note 6: The paid-in capital of US\$106,000,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Castmate International Co., Ltd., which were then invested in Meecca Technology (Suzhou Industrial Park) Co., Ltd., and the paid-in capital of US\$16,670,000 is earnings distributed in the third quarter of 2011. The amount of US\$16,670,000 was returned by capital reduction in the fourth quarter of 2014 and the amount of US\$32,000,000 in the third quarter of 2016. Thereafter, the amount of US\$32,000,000 was returned by capital reduction in the second quarter of 2017, and the amount of US\$32,000,000 was returned by capital reduction in the third quarter of 2017.

Note 7: The paid-in capital of US\$5,001,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Castmate International Co., Ltd., which were then invested in Catcher Technology (Suqian) Co., Ltd. The paid-in capital of US\$100,000,000 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were invested in Catcher Technology (Suqian) Co., Ltd. through Uranus International Co., Ltd.

Note 8: The paid-in capital of US\$16,670,000 is earnings distributed in the third quarter of 2011. Thereafter, the amount of US\$40,000,000 was returned by capital reduction in the second quarter of 2014, and due to dissolution, US\$10,010,000 of capital were returned in August 2016; the remaining amount of capital has not been wired back to Taiwan.

Note 9: The paid-in capital of RMB227,510,746 is earnings distributed from Topo Technology (Suzhou) Co., Ltd. to Stella International Co., Ltd., which were then invested in Topo Technology (Taizhou) Co., Ltd. On the other hand, US\$65,979,240 and RMB602,268,326 are earnings distributed from investees in mainland China to Nanomag International Co., Ltd., which were then invested in Topo Technology (Taizhou) Co., Ltd. via Lyra International Co., Ltd.

Note 10: The paid-in capital of US\$99,000,000 is earnings distributed from Catcher Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Vito Technology (Suqian) Co., Ltd. via Uranus International Co., Ltd. The paid-in capital of US\$33,300,000 and RMB409,431,280 is earning distributed from Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Vito Technology (Suqian) Co., Ltd. through Uranus International Co., Ltd.

Note 11: The paid-in capital of US\$27,332,360 and RMB398,499,193 are earnings distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd. The paid-in capital of US\$89,970,000, which is the proceeds arising from the capital reduction of Catcher Technology (Suzhou) Co., Ltd., Topo Technology (Suzhou) Co., Ltd., and Meecca Technology (Suzhou Industrial Park) Co., Ltd., was invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd. The paid-in capital of US\$21,501,167 is earning distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Arcadia Technology (Suqian) Co., Ltd. through Norma International Co., Ltd.

Note 12: The paid-in capital of US\$17,610,861 and RMB529,989,796 are earnings distributed from Catcher Technology (Suzhou) Co., Ltd. and Topo Technology (Suzhou) Co., Ltd. to Nanomag International Co., which were then invested in Meecca Technology (Taizhou) Co., Ltd. through Lyra International Co., Ltd. The paid-in capital of US\$20,000,000 and RMB284,660,400 are earnings and liquidation income distributed from Catcher Technology (Suzhou) Co., Ltd. and earnings distributed from Topo Technology (Suzhou) Co., Ltd. and Meecca Technology (Suzhou Industrial Park) Co., Ltd. to Nanomag International Co., Ltd., which were then invested in Meecca Technology (Taizhou) Co., Ltd. through Lyra International Co., Ltd.

Note 13: The exchange rate on December 31, 2017 was US\$1:NT\$29.76.  
The exchange rate on December 31, 2017 was RMB1:NT\$4.5545.

Note 14: WIT Technology (Taizhou) Co., Ltd. was dissolved in June 2012, and the remaining amount of capital has not been wired back to Taiwan.

Note 15: Sagitta International Co., Ltd. sold all of its shares of Chaohu Yunhai Magnesium Co., Ltd. in June 2016, and the remaining amount of capital has not been wired back to Taiwan.

Note 16: The paid-in capital of US\$58,500,000, which is the proceeds arising from returned capital of the liquidation from Catcher Technology (Suzhou) Co., Ltd. and the returned capital reduction from Topo Technology (Suzhou) Co., Ltd. and Meecca Technology (Suzhou Industrial Park) Co., Ltd., is invested in Envio Technology (Suqian) Co., Ltd. through Norma International Co., Ltd.

TABLE 10

## CATCHER TECHNOLOGY CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017

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

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets
0	Catcher Technology Co., Ltd.	Catcher Technology (Suqian) Co., Ltd.	1	Payables to related parties	\$ 2,219,796		1.04
				Purchases	5,951,887	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	6.38
				Purchases of property, plant and equipment on behalf of subsidiaries	1,125,901	The purchase prices were negotiated, net 90 days after month end close.	1.21
		Meecca Technology (Taizhou) Co., Ltd.	1	Payables to related parties	4,693,784		2.19
				Purchases of property, plant and equipment on behalf of subsidiaries	852,947	The purchase prices were negotiated, net 90 days after month end close.	0.91
				Purchases	5,062,924	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	5.43
				Sales	24,291	The sales prices have no comparison with those from third parties, net 90 days after month end close.	0.03
		Vito Technology (Suqian) Co., Ltd.	1	Payables to related parties	7,469,051		3.49
				Purchases	14,115,804	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	15.13
				Purchases of property, plant and equipment on behalf of subsidiaries	471,191	The purchase prices were negotiated, net 90 days after month end close.	0.51
		Topo Technology (Taizhou) Co., Ltd.	1	Other receivables from related parties	261,557		0.12
				Payables to related parties	8,773,771		4.10
				Purchases	16,754,128	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	17.96
				Purchases of property, plant and equipment on behalf of subsidiaries	962,524	The purchase prices were negotiated, net 90 days after month end close.	1.03
		Arcadia Technology (Suqian) Co., Ltd.	1	Other receivables from related parties	794,397		0.37
				Purchases of property, plant and equipment on behalf of subsidiaries	811,409	The purchase prices were negotiated, net 90 days after month end close.	0.87
				Payables to related parties	6,631,927		3.10
				Purchases	13,844,467	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	14.84
		Meecca Technology (Suzhou Industrial Park) Co., Ltd.	1	Other receivables from related parties	433,373		0.20
				Payables to related parties	28,483		0.01
				Purchases	36,567	The purchase prices have no comparison with those from third parties, net 30 to 120 days after month end close.	0.04
1	Topo Technology (Suzhou) Co., Ltd.	Meecca Technology (Taizhou) Co., Ltd.	3	Disposals of property, plant and equipment	75,062	The sales prices were negotiated, net 120 days after acceptance.	0.08
		Topo Technology (Taizhou) Co., Ltd.	3	Other receivables from related parties	81,981		0.04
				Disposals of property, plant and equipment	55,988	The sales prices were negotiated, net 120 days after acceptance.	0.06
		Arcadia Technology (Suqian) Co., Ltd.	3	Other income	25,803		0.03
				Disposals of property, plant and equipment	163,534	The sales prices were negotiated, net 120 days after acceptance.	0.18
				Other receivables from related parties	683,175		0.32

(Continued)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets
2	Meecca Technology (Suzhou Industrial Park) Co., Ltd.	Catcher Technology (Suqian) Co., Ltd.	3	Other income	\$ 27,933		0.03
		Topo Technology (Taizhou) Co., Ltd.	3	Other income	76,388		0.08
				Interest income	105,393		0.11
				Other receivables from related parties	30,409		0.01
				Other receivables from related parties	2,547,456		1.19
		Meecca Technology (Taizhou) Co., Ltd.	3	Sales	29,827	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.03
				Disposals of property, plant and equipment	257,743	The sales prices were negotiated, net 120 days after acceptance.	0.28
				Other income	63,602		0.07
				Other receivables from related parties	38,289		0.02
				Other receivables from related parties	1,184,170		0.55
				Disposals of property, plant and equipment	828,214	The sales prices were negotiated, net 120 days after acceptance.	0.89
		Arcadia Technology (Suqian) Co., Ltd.	3	Interest income	28,064		0.03
				Other receivables from related parties	20,927		0.01
				Other receivables from related parties	3,625,382		1.70
				Other receivables from related parties	2,166,528		1.01
				Receivables from related parties	22,112		0.01
				Payables to related parties	108,585		0.05
				Other payables to related parties	34,248		0.02
3	Catcher Technology (Suqian) Co., Ltd.	Vito Technology (Suqian) Co., Ltd.	3	Purchases	256,806	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.28
				Purchases of property, plant and equipment	123,851	The purchase prices were negotiated, net 120 days after acceptance.	0.13
				Other income	29,343		0.03
				Interest income	105,766		0.11
				Other payables to related parties	127,708		0.06
				Other receivables from related parties	4,541,376		2.12
				Receivables from related parties	62,479		0.03
				Purchases of property, plant and equipment	744,439	The purchase prices were negotiated, net 120 days after acceptance.	0.80
				Other income	62,289		0.07
				Interest income	64,192		0.07
		Arcadia Technology (Suqian) Co., Ltd.	3	Other receivables from related parties	455,450		0.21
				Other receivables from related parties	39,710		0.02
				Receivables from related parties	24,082		0.01
				Payables to related parties	36,973		0.02
				Purchases	50,752	The purchase prices were net different from third parties, net 30 to 90 days after month end close.	0.05
				Other income	31,735		0.03
				Disposals of property, plant and equipment	33,768	The sales prices were negotiated, net 120 days after acceptance.	0.04
				Payables to related parties	28,288		0.01
		Aquila Technology (Suqian) Co., Ltd.	3	Purchases	23,952	The purchase prices were not different from third parties, net 120 days after month end close.	0.03
				Receivables from related parties	61,806		0.03
				Other receivables from related parties	2,441,330		1.14
				Sales	38,088	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.04
4	Aquila Technology (Suqian) Co., Ltd.	Vito Technology (Suqian) Co., Ltd.	3	Other income	34,749		0.04
				Sales	178,765	The sales prices were not different from third parties, net 120 days after month end close.	0.19
		Topo Technology (Taizhou) Co., Ltd.	3	Sales	100,599	The sales prices were not different from third parties, net 120 days after month end close.	0.11
				Receivables from related parties	34,853		0.02
		Arcadia Technology (Suqian) Co., Ltd.	3	Sales	159,752	The sales prices were not different from third parties, net 120 days after month end close.	0.17

(Continued)

No.	Investee Company	Counterparty	Relationship (Note)	Transaction Details			
				Financial Statement Account	Amount	Payment Terms	% of Total Sales Or Assets
5	Topo Technology (Taizhou) Co., Ltd.	Vito Technology (Suqian) Co., Ltd.	3	Purchases	\$ 645,423	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.69
				Sales	3,946,849	The sales prices were not different from third parties, net 30 to 90 days after month end close.	4.23
				Other income	1,372,559		1.47
				Other payables to related parities	180,541		0.08
				Other payables to related parities	81,365		0.04
				Payables to related parties	318,534		0.15
				Receivables from related parties	2,413,177		1.13
				Purchases of property, plant and equipment	154,948	The purchase prices were negotiated, net 120 days after acceptance.	0.17
				Disposals of property, plant and equipment	622,977	The sales prices were negotiated, net 120 days after acceptance.	0.67
				Processing expenses	127,428		0.14
		Arcadia Technology (Suqian) Co., Ltd.	3	Other receivables from related parities	441,054		0.21
				Payables to related parties	87,372		0.04
				Other receivables from related parities	27,677		0.01
				Purchases	176,279	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.19
				Disposals of property, plant and equipment	761,926	The sales prices were negotiated, net 120 days after acceptance.	0.82
				Processing expenses	34,467		0.04
		Meeca Technology (Taizhou) Co., Ltd.	3	Other receivables from related parities	956,445		0.45
				Other receivables from related parities	667,227		0.31
				Receivables from related parties	1,384,944		0.65
				Other income	1,212,946		1.30
				Disposals of property, plant and equipment	2,057,511	The sales prices were negotiated, net 120 days after acceptance.	2.21
				Sales	36,455	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.04
6	Vito Technology (Suqian) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	3	Payables to related parties	70,174		0.03
				Purchases	234,350	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.25
				Other receivables from related parities	89,570		0.04
				Receivables from related parties	428,652		0.20
				Other income	651,433		0.70
		Meeca Technology (Taizhou) Co., Ltd.	3	Sales	434,608	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.47
				Disposals of property, plant and equipment	76,569	The sales prices were negotiated, net 120 days after acceptance.	0.08
				Receivables from related parties	250,688		0.12
				Other receivables from related parities	455,450		0.21
				Other receivables from related parities	48,088		0.02
7	Meeca Technology (Taizhou) Co., Ltd.	Arcadia Technology (Suqian) Co., Ltd.	3	Other income	109,460		0.12
				Sales	150,348	The sales prices were not different from third parties, net 30 to 90 days after month end close.	0.16
				Disposals of property, plant and equipment	37,850	The sales prices were negotiated, net 120 days after acceptance.	0.04
				Receivables from related parties	2,103,781		0.98
				Other payables to related parities	79,150		0.04
				Purchases	46,501	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	0.05
				Sales	2,219,018	The sales prices were not different from third parties, net 30 to 90 days after month end close.	2.38
				Other income	37,723		0.04
				Processing expenses	59,805		0.06
				Purchases	2,595,975	The purchase prices were not different from third parties, net 30 to 90 days after month end close.	2.78
8	Arcadia Technology (Suqian) Co., Ltd.	Topo Technology (Taizhou) Co., Ltd.	3	Payables to related parties	2,173,941		1.02
9	Gigamag Co., Ltd.	Nanomag International Co., Ltd.	3	Other receivables from related parities	1,011,840		0.47

(Concluded)

Note: No. 1 represents transactions from parent company to subsidiaries.  
No. 2 represents transactions from subsidiaries to parent company.  
No. 3 represents transactions among subsidiaries.