



SYSTEX

2016

ANNUAL REPORT

SYSTEX CORPORATION

Stock Code: 6214

Annual Report Website

Market Observation Post System: <http://mops.twse.com.tw>

Company Website: <http://www.systex.com>

Printing Date: May 16, 2017

The Informantion of Company

1.Spokesperson & Deputy Spokesperson

Spokesperson

Name: Chung, Chih-Chun

Title: CFO & Vice President

Tel:886 -2-77201888

E-mail: larryc@system.com

Deputy Spokesperson

Name: Cheng, Deng-Yuan

Title: Chief Strategy Officer & Senior Vice President

Tel: 886-2-77201888

E-mail: dycheng@system.com

2.Headquarters, Branches and Plant

Headquarters: 318, Rueiguang Rd., Neihu District, Taipei, Taiwan, R.O.C

Tel: 886-2- 77201888

Fuxing Branch: 12F. No.99, Guangfu N. Rd., Songshan Dist., Taipei City, Taiwan, R.O.C

Tel: 886-2- 25149191

Hsinchu Branch: 3F.-2, No.295, Sec. 2, Guangfu Rd., East Dist., Hsinchu City, Taiwan, R.O.C

Tel: 886-3- 5723322

Taichung Branch: 8F.-1, No.660, Sec. 3, Taiwan Blvd., Xitun Dist., Taichung City, Taiwan, R.O.C

Tel: 886-4-24529698

Kaohsiung Branch: 25F.-1, No.2, Zhongshan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan , R.O.C

Tel: 886-7-336-0680

3.Shares Transfer Agent

Yuanta Securities Registrar and Transfer Agency Department

Address: B1, No.210, Section3, Chengde Road, Taipei, Taiwan, R.O.C

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

Tel: 886-2-25865859

4.Auditors

Deloitte & Touche Accounting Firm

Auditors: Lin, Shu-Wan ; Shue, Shiow-Ming

Address: 12F, 156 Min Sheng East Road, Sec. 3 Taipei, Taiwan, R.O.C

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

Tel: 886-2-25459988

5.Overseas Securities Exchange: None.

6.Company Website: <http://www.system.com>

Contents

I. Letter to Shareholders	1
II. Company Profile.....	4
2.1 Date of Incorporation.....	4
2.2 Company History	4
III. Corporate Governance.....	9
3.1 Organization.....	9
3.2 Directors and Management Team.....	13
3.3 Remuneration of Directors and Management Team	25
3.4 Implementation of Corporate Governance	32
3.5 Information Regarding the Company's Audit Fee and Independence	63
3.6 Information Regarding the Replacement of CPA	64
3.7 Audit Independence.....	65
3.8 Changes in Shareholding of Directors, Managers and Major Shareholders.....	65
3.9 Relationship among the Top Ten Shareholders	67
3.10 Ownership of Shares in Affiliated Enterprises	68
IV. Capital Overview.....	69
4.1 Capital and Shares	69
4.2 Corporate Bonds.....	74
4.3 Preferred share	74
4.4 Global Depositary Receipts	74
4.5 Employee Stock Options.....	75
4.6 Issuance of New Restricted Employee Shares.....	78
4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions.....	78
4.8 Financing Plans and Implementation.....	78
V. Operational Highlights	79
5.1 Business Activities.....	79
5.2 Market, Production and Sales Outlook	93
5.3 Human Resources	99
5.4 Information on Environmental Protection Costs.....	100
5.5 Labor Relations	100
5.6 Material Contracts.....	103
VI. Financial Information	104
6.1 Five-Year Financial Summary	104
6.2 Five-Year Financial Analysis	109
6.3 Audit Committee's Report.....	113
6.4 Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report	114

VII. Review of Financial Conditions, Operating Results, and Risk Management.....	185
7.1 Analysis of Financial Status	185
7.2 Analysis of Operating Results	186
7.3 Analysis of Cash Flow.....	187
7.4 Major Capital Expenditure Items	188
7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year.....	188
7.6 Analysis of Risk Management.....	190
7.7 Other Major Risks.....	196
VIII. Special Disclosure	197
8.1 Summary of Affiliated Companies	197
8.2 Private Placement Securities in the Most Recent Years.....	206
8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years	207
8.4 Other Necessary Supplement	207
8.5 Any Events in 2016 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan	207

I. Letter to Shareholders

Dear Shareholders,

I. Foreword

The overall economy and domestic elections in 2016 resulted in a challenging year for SYSTEX. As the digital transformation of the new economy continues to accelerate, the hardware products become commodity, and software licensing procurement becomes increasingly cloud-based, it was inevitable that our profit margins in hardware and software procurement as well as maintenance services were affected. The overall financial market remains inactive as securities firms continue to consolidate their service locations. The deferral of public sector and telecommunication client budgets also pressured our business performance in 2016.

II. Summary of 2016 Operational Outcomes

In 2016, SYSTEX achieved an operating revenue of NT\$ (denomination) 5,733,038,000, a 6.03% decline from 2015. The net profit after tax in 2016 was \$1,108,268,000. The consolidated revenue in 2016 was \$16,210,380,000, a slight decrease of 0.63% from 2015. The consolidated net profit after tax in 2016 (excluding non-controlling interests) was \$1,108,268,000 and earnings per share were \$4.50.

III. Summary of 2016 Business Operations and Services

Despite mounting challenges, SYSTEX still achieved significant growth for the year 2016 in the new retail and multiple payment options market segments including one-stop services for e-commerce brands, government cloud services, digital voucher services, customer relationship management (CRM) for e-commerce platforms and multiple payment billing services etc. Intelligent financing, SYSTEX also helped clients in the financial industry such as online account opening platforms, online loan applications, Shenzhen-Hong Kong Stock Connect, FundRich Securities, cloud services for securities firms, cross-border foreign exchange platforms, and other projects acquire absolute leading positions in digital transformation and development. The Company moreover achieved substantial results in Telco Media Technology (TMT) market operations, including mobile video and audio services/e-commerce/payment, commercial platforms, and cybersecurity solutions. Other achievements include expansion in data processing for the insurance industry, insurance agencies, and financing operations. In the healthcare industry, the Company also expanded from public and veterans' hospital systems to private medical systems, whereas smart manufacturing and large scale cross-industry and cross-border APP projects in the Central and Southern Regions of Taiwan are also listed among our major achievements for 2016. In terms of business investment collaborations undertaken in 2016, SYSTEX invested in the leading electronic ticketing firm in Taiwan, intensified the Group's market share and influence in retail stores, and attained a leading position in the O2O electronic tickets market. In addition, the Company also continued to expand overseas collaboration and alliances including investment in Taiwan's first FinTech brand on the international market – INSTOMENT Inc., a service platform that provides C2C payment by installments, launched operations in the cross-border e-commerce market, and engaged in the development of cross-border APPs. All of these achievements demonstrate SYSTEX's success in advancing beyond traditional businesses and exploring new sectors of development.

In addition to Taiwan market, SYSTEX also achieved substantial progress in the Greater China market. Revenue from the China market already makes up 20% of SYSTEX Group's revenue. Among them, the strategic investment in shares of Shenzhen Forms Syntron Information began to bear fruit last year and has generated NT\$4 billion in profits for SYSTEX since the beginning of investment, a source of income that can be utilized as strong support for future business expansion. Investment in the smart hotel convergence platform has been gradually exhibiting positive outcomes and continues to grow at a steady pace. The number of partner hotels has reached 1,000, enabling our platform to become China's largest smart hotel services provider. The platform also obtained China's first video on demand (VOD) license and owns 30,000 hours of content, advantages that are

I. Letter to Shareholders

anticipated to widen the gap with competitors as revenue from advertisement show substantial growth. Continuous expansion to overseas markets including Taiwan and Japan will be the next steps taken. The Company teamed up with the founder of Splunk to establish Gemini, which had started out from the Silicon Valley and obtained international channels. It now has clients all over the world and succeeded in expansion into the European and American markets.

IV. The effect of external competition, the legal environment, and the overall business environment

Global political and economic changes have led to four major variables in the outlook of the 2017 global economy. These include US policy changes, Brexit developments, the rise of trade protectionism, and shifting political and economic trends in the European Union. In terms of domestic policies, lively discussions on the development of FinTech and third-party payment in 2016 continued as related strategies and solutions become major development operations for both public and private sectors in 2017. Rapid developments in the Internet of Things (IoT) and artificial intelligence (AI) will moreover become important factors in the driving of corporate growth. In conclusion, 2017 will be a year of both challenges and opportunities.

V. The summary of the business plan for 2017

SYSTEX's goal this year is to become the "optimal partner in corporate digital transformation." To this end, the Company will focus on three major sectors, including "new retail - omni-channel multiple payment options," "intelligent finance," and "TMT" The Company shall continue to engage in innovative applications and increase the value of its services, lead the integration of the digital ecosystem, endeavor to acquire maximum client budgets in digital transformation and data value-added services, and increase profitability in digital transformation leadership and integration. To accomplish the goal of becoming the "optimal partner in corporate digital transformation," SYSTEX plans to reorganize the Group in 2017 and redefine the strategies of its three major business units:

■ **FBI(Financial Business Integration):** As leader of FinTech, the Company shall develop intelligent financing centered on FinTech so as to accommodate the digital transformation plans of customers in the finance sector. It shall also adequately maintain relationships with large-scale FinTech customers and focus on major aspects of business such as mobile APP transition services, integrated investor services, and upgraded wealth management services etc.

■ **CBI(Consumer-Facing Business Integration):** As leader in omni-channel multiple payment options services, the Company shall focus on the new retail sector and the provision of omni-channel multiple payment options services. It shall also focus on digital e-commerce and offer clients assistance with O2O operations for the realization of digital transformation.

■ **DBI(Data Technology Business Integration):** As leader in data technologies, the Company shall provide comprehensive data technology product combinations and solutions and utilize data knowledge to play the role of the Data Enabler that drives corporate smart growth.

In addition to obtaining stable profits in the China market, the Company shall also partner with local companies to expand independent operations. It shall also develop its own products by acquiring products and teams with forward-looking technologies that are compatible with market demands. The Company is also actively seeking investment opportunities in Internet +, IoT, and the cloud service sectors or participation in collaborative businesses with new industries in China to drive momentum for growth.

VI. Future development strategy

The world is undergoing changes at increasing speeds and intensities. With the prevalence of the new digital economy, all companies will require digital transformation because "data profits" can only be achieved through the continued accumulation of "data capital" and "data assets."

SYSTEX will remain committed to investments in the five major strategic capabilities of digital transformation:

I. Letter to Shareholders

Cloud, Mobile, Social, Analytics, and Cybersecurity. It shall also cultivate talents in related sectors, develop innovative applications, maintain leading positions among digital transformation competitors, and continue to extend its scopes of data-based alliances, investments, and acquisitions. SYSTEX will be increasing investments in FinTech (including RegTech, InsurTech, MarTech), Omni-channel, Social 2.0: Live Streaming, EC 2.0: AR/VR/MR, Retail 4.0: IoT + AI, Hybrid Cloud, Cybersecurity, AI, and other key growth sectors and leading the integration of the digital ecosystem through cross-sector collaboration. The Company shall also focus on the development of its three major core capabilities including software, data, and AI. With data technologies as its core capability and AI as the driving force for software application developments, SYSTEX will persist in creating new life experiences and increasing its value of services, thereby becoming the optimal partner for corporations seeking digital transformation.

Chairman	Huang, Tsong-Jen
President	Lin, Lung-Fen

II. Company Profile

2.1 Date of Incorporation: January 7, 1997.

2.2 Company History

- In 2001 Became exclusive distributor for the Found Scan Internet security scan service manufactured by renowned US information security service company Foundstone.
Launched the Security Operations Center (SOC) to provide Managed Security Services (MSS).
Systex acquired Ching-Chi and officially entered the finance and mobile commerce sectors.
- In 2002 Launched the Money Market System (MMS) securities and bonds transaction management system.
Launched the newly updated "Finance Workshop" Internet DynaQuote (iDQ).
Launched the mobile phone version of "Mobile Winner" finance services.
Launched Taiwan's first "M-Loan Smart system for Mobile Bank Operations."
Systex's SOC received Check Point MSP certification.
Hosted the "Ultimate Hacking Seminar."
Received the 2002 Software Industry Benchmark Enterprise Award from Commonwealth Magazine.
Received the 2002 MIS Best Choice Award from the Institute for Information Industry as best outsourced information security service provider.
- In 2003 Systex stocks are listed on the OTC market under stock code 6214.
Acquired distribution rights for Nokia's complete series of Internet security equipment.
Launched Taiwan's first interest rate exchange system denominated in NTD - the "Income Winner."
Became the exclusive distributor for the financial Internet order placement system with the highest market share in Korea "Road to the Future" (RTF).
The interest rate and futures version of Income Winner was launched and its official trading preceded the bond futures by two months.
Taiwan's first roadside parking Internet payment system was launched in Taoyuan County.
Became exclusive distributor for the AirDefense wireless Internet security equipment in the Asia Pacific Region.
Received the 2003 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider.
- In 2004 Launched Taiwan's first cross-strait Convertible Bond Pricing Analysis (CBPA).
Acquired 100% of shares in Ucom through stock conversion.
Hosted the "2004 Infosec Information Security Summit" across Mainland China, Taiwan, Hong Kong, and the Asia Pacific Region.
Obtained distribution rights for Softnext Technologies' "Spam SQR Mail Filter and Management Platform" in Taiwan and China.
Hosted the "2004 Fannie Mae Asset Securitization Summit" in Taipei and Shanghai.
Security Operations Center (SOC) received BS7799 certification.
Systex OSC consulting services launched outsourced management services for Oracle ERP systems.
Became the largest enterprise performance strategy and management consultant service partner in Asia Pacific for the world's largest business process management (BPM) brand Hyperion.
Received the 2004 MIS Best Choice Award from the Institute for Information Industry as best information security consultancy service provider for the third consecutive year.
- In 2005 Merged with the most professional domestic information education training company - Ucom Co., Ltd. on January 1, the baseline date of the merger.
Merged with the leading securities and bonds company in the domestic software market - Yu-Lung Co., Ltd. on June 1, the baseline date of the merger.

II. Company Profile

Acquired distribution rights for the Radware smart application switch solution in Taiwan.

Acquired distribution rights for the CP Secure Internet anti-virus solution.

Acquired exclusive distribution rights for the Business Objects (BO) Crystal Reports software in Taiwan.

In 2006 The shareholders' meeting held on June 15 passed the merger with Ching-Yeh Co., Ltd., and Systex was the surviving company. The baseline date of the merger is January 1, 2007.

Acquired the Business Intelligence (BI) team to integrate its capabilities in professional consulting and product sales, and to enter into the market for commercial intelligent software services.

Collaborated with MAN Financial (world's largest derivatives broker) in the development of international quotation and transaction services for futures and options. Launched two electronic transaction systems including SGTP (web version) and GPM (AP version).

Acquired exclusive distribution rights for world leading Business Intelligence (BI) software company Cognos.

In 2007 Acquired distribution rights for ArcSight in multiple nations throughout the Asia Pacific.

Became Taiwan's first model company for the management and regulation of intellectual property by passing the TIPS certification.

Acquired Taiwan Electronic Data Processing Corporation to formally enter the medical information sector as both companies create opportunities in the Asia Pacific medical information service market.

Collaborated with Farglory Land Development in the creation of the first "Farglory U-City Digital Service Platform" in Taiwan to help Farglory Land Development provide residents with all-new digitized lifestyle convenience.

Selected as "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan."

Formed a strategic alliance with CA as exclusive distributor for its entire IT management software product line.

In 2008 Merged with Da-Shih Technology Co., Ltd. on January 1, the baseline date of the merger.

Announced a strategic alliance with Splunk to acquire distribution rights for its enterprise grade IT search engine in the Asia Pacific Region.

Acquired distribution rights for the high-level institutional financial electronic transaction solution of RTS Realtime Systems Group of Germany as the only distributor partner in Greater China.

Acquired distribution rights for the BPM solution of internationally renowned business process management (BPM) software provider Ascentn AgilePoint.

Launched "Money Link www.money-link.com.tw," the only professional finance portal that integrated Taichung Port financial information.

Invested in Wealth Group and formally entered the media content industry.

Became Taiwan's first company to acquire the business continuity management standard (BS25999-2: 2007) certification and became one of the first 20 businesses to acquire the certification.

The "Systex Advanced Software Development and Integration Methodology" was awarded "Manufacturing Process Innovation" by the Ministry of Economic Affairs in 2008.

Awarded the Enterprise Group Award in the "2008 Human Resource Innovation Awards" by the Council of Labor Affairs, Executive Yuan.

Awarded the "2008 Industrial Excellence Award" by the Industrial Development Bureau, Ministry of Economic Affairs.

Obtained "Capability Maturity Model Integration Level 3" certification and became the only local

II. Company Profile

enterprise with multiple sites for software development in Greater China.

- In 2009 Created Taiwan's first smart analysis and prediction platform "First Winner" that offered research results and predictions on individual stocks of all major securities firms.
Launched the first domestic research database monitoring system Systex DB Watch, which provides corporate databases with comprehensive protection.
Acquired distribution rights for Tripwire's information change and auditing management solutions.
Became the first provider of total solutions with the "Warrant Information Platform" and optimal market maker of the warrants market.
The information security team and Kainan University forged academic-industrial collaboration and assisted the "Department of Information & Electronic Commerce" in establishing the "Information Security Laboratory."
Collaborated with Samsung Anycall on its official website and provided the "Stock Market Pocket App" download service.
Awarded "Enterprise with the Fourth Most Project Management Professional Certification (PMP) in Taiwan" and maintained its position as the local information service company with the most PMPs.
Awarded "Annual Digitized Education Material Quality Advancement Prize"; "Western Painting Analysis" education material received the highest AAA certification.
- In 2010 Collaborated with VMware in providing professional cloud technology consulting services for enterprises and became the first company in Mainland China, Taiwan, and Hong Kong to obtain VMware cloud service certification.
UCOM Information Technology Education Center was awarded the "Best Red Hat Training Center" in Greater China.
Collaborated with Shenzhen Forms Syntron Information and acquired 30% of its shares for entry into the outsourced financial service in China.
Acquired 98.93% of shares in system integrator Taifon Computer Co., Ltd. which became a subsidiary of the Company.
Systex subsidiary Taiwan Electronic Data Processing Corporation and U.S. Company Rimage established the joint venture Rimage Information Technology (Shanghai) Co., Ltd. to develop the healthcare market in China.
Established the CAS Systex Corporation with the Institute of Computing Technology, Chinese Academy of Sciences. This was the first collaboration between a Mainland Chinese government research institute and Taiwanese company as the two parties worked together to forge the next generation of financial information platforms for the financial information market in China.
Systex transferred its listing from the OTC market to the TWSE market; stocks began to be officially traded on December 30.
- In 2011 Established the "Microsoft Customer Immersion Experience Center" to provide corporate clients with a full demonstration of the benefits of Microsoft's integrated corporate productivity platform solution.
Formed a strategic partnership with GRG Banking, the leading ATM manufacturer in China, and acquired distribution rights for GRG Banking's ATMs in Taiwan.
Collaborated with international innovation software development company Splunk in establishing the Splunk Innovation Center.
Invested in Systemweb Technology to formulate one-stop services for financial asset management.
Became exclusive distributor for Veloxum's virtual reality performance optimization solution, which

II. Company Profile

provides companies with "active and continuous optimization" technologies and increases server performance by at least 50%.

Became Fujitsu's first licensed corporate IT product distributor in Taiwan and distributed ROR cloud-based management software, servers, and storage facilities.

Awarded "Enterprise Project Management Benchmarking Award" and "Best Practice on Project Management Award" by the International Project Management Association.

Conducted simplified merger with subsidiaries Ching-Ho Information Co., Ltd. and Ching-Feng Information Co., Ltd.; the baseline date of the merger was June 1.

In 2012 The Information Management and Integration Service Department led the industry in acquiring Taiwan's first British Standards Institution (BSI) BS 10012 Personal Information Management System certification.

Acquired distribution rights for the MobileIron mobile application security solution.

Became the first Managed Mobility Services (MMS) partner certified by SAP.

Became exclusive distributor for BlueCat Networks IP management solution, which helps enterprises painlessly integrate IPv4 and IPv6 and manage IP with ease.

Developed the mobile payment market by acquiring 100% of shares in Nexsys Corporation.

The Etu innovative big data platform product Etu Appliance was awarded the 2012 TAITRONICS Technology Innovation Quality Award.

Systex's own brand Etu Appliance was awarded "Excellent Information Application and Product Award" in the 2012 IT Month and was the first big data processing platform to win the IT Month selection.

Systex became the only company in the IT service industry to receive the "Enterprise Employment of Disabled Individual Exceeding Required Amount Certification" issued by the Bureau of Labor of Taipei City Government.

Following Systex's collaboration with international big data firm Splunk in establishing the first Splunk Lab in Asia Pacific, the parties worked together again in establishing the first "Licensed Splunk Training Center" in Greater China.

Systex became Apple's authorized corporate distributor and acquired the complete series of products from the global mobile device leader to provide enterprises with one-stop software and hardware services.

In 2013 Systex's UCOM Information Technology Education Center became the exclusive distributor for all international information security certification courses offered by EC-Council.

Systex's own brand Etu was recognized by the Chinese media as the "Big Data Innovation Enterprise in 2012" and was the only original big data solution brand from Asia.

Syspower Corporation of Systex Group established a distribution agreement with Yonyou Network, the largest management software company in China, for exclusive distribution rights in Taiwan's finance sector so as to forge definitive advantages for Taiwanese finance businesses in the Mainland China market.

Etu received the "2013 Big Data Excellent Product Award" in China, the sixth award since its launch.

Systex Software & Service Corporation of Systex Group became authorized reseller of Microsoft Surface for Business and teams up with Microsoft to develop the tablet market.

Etu Recommender received the highest honor of Golden Award at the 2013 IT Month against hundreds of innovative new products. Systex became the only company who won awards at IT Month with different big data products in two consecutive years.

II. Company Profile

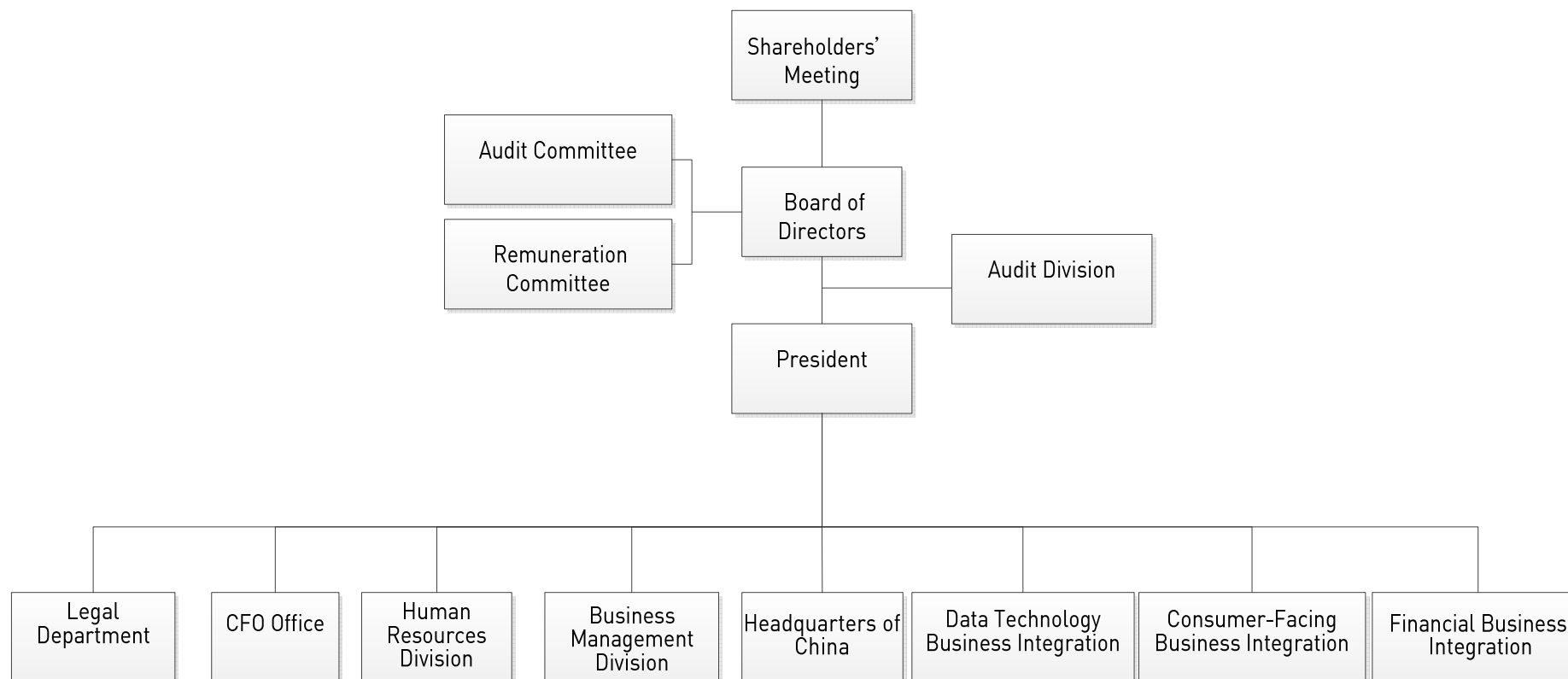
- In 2014 Systex provided exclusive sponsorship for Taiwan's first "information science program" as Etu joined forces with Code for Tomorrow to form Taiwan's first formal data science program team in. Systex allied with global application network technology leader A10 Networks to provide comprehensive corporate network information security products. Systex teamed up with Amiya, a Japanese company that specializes in corporate information security and audit management, to embrace the dynamic and high-security network and IT management services for "concurrent backup with 4G and cable transmission" made possible through 4G transmission. Syspower Corporation of Systex Group teamed up with international Business Intelligence (BI) firm Qlik to train big data management talent and established the first "Qlik Authorized Training Center" in Taiwan. UCOM Information Technology Education Center of Systex Group partnered with Cloudera, leading provider of Hadoop solutions for analyzing big data, and introduced Hadoop training courses. Systex worked with global data visualization leader Tableau to provide visualization analysis solutions.
- In 2015 Systex and Chunghwa Telecom joined forces in the development of the corporate information security product "EyeQuila," which became a leading product on the market. Systex established the App Center and Mobile Creativity Incubation Center in Taichung. Systex Software & Service Corporation of Systex Group teamed up with Gridow for development of the evPlay corporate cloud video service. Systex teamed up with Sunlight Technology, China's largest smart hotel cloud service platform, to build a brand new hotel cloud service platform for hotels with four or more stars. Systex launched the "securities online account opening platform," Taiwan's first online securities account opening solution that integrated "video certification" and "CA certification."
- In 2016 UCOM Information Technology Education Center launched the Amazon Web Services (AWS) series courses and became Taiwan's only AWS authorized training center. Systex subsidiary Medincom Technology launched the "External Hospital Information Upload Workstation" to simplify the procedures for integrating information between hospitals, effectively reducing 80% of tasks previously required for importing images from external hospitals. Systex launched the "FundRich Securities" fund platform which became Taiwan's first successful real-world FinTech application. Systex partnered with Far Eastern Group to construct an O2O retail ecosphere and launched the "Market Shopping" platform on the friDay Wallet app. Systex Software & Service Corporation of Systex Group maintained its leading position in providing Microsoft services to large corporate clients; the Company won the Microsoft Partner Hero Award for the 12th consecutive year.
- In 2017 Launched the Starbucks electronic coupon service.

III. Corporate Governance

3.1 Organization

3.1.1 Organizational Chart

As of April 1, 2017



III. Corporate Governance

3.1.2 Major Corporate Functions

Department	Functions
Audit Division	Audit Division conducts independent and objective assessment of the effectiveness of the Company's internal control system, follows up on improvement of irregularities, reviews the self-assessment procedures in the internal control system, and reasonably ensures compliance with company policies and regulations.
Legal Department	Legal Department is responsible for reviewing various commercial contracts, providing recommendations and control items for contract formulation/amendment, processing litigation/non-litigation, managing intellectual property rights affairs, providing the management team and managerial officers with necessary legal consultation, and conducting training on related legal knowledge.
CFO Office	CFO Office is responsible for financial accounting, management accounting, budget planning, investment management, fund management, Board of Directors meetings, shareholder services, and ensuring compliance with regulations stipulated by competent authorities. The CFO Office is also in charge of supervising the financial accounting departments of domestic and overseas business units for the purpose of establishing a consistent domestic and overseas financial accounting management system and institution.
Human Resources Division	Human Resources Division is responsible for planning human resource policies, regulations, and operating procedures including: human resources planning, organizational design and planning, recruitment and appointment, training and development, salary and benefits, performance management, promotion of employee relations and corporate culture etc. It is also responsible for the supervision of departments that oversee human resource management in affiliate enterprises as well as the planning and management of property security, cleaning, catering, electrical and mechanical appliances, air conditioning, machinery and equipment, and telecommunications systems.
Business Management Division	Business Management Division is responsible for related services in support of commercial operations including: trading, procurement, material control and warehousing, accounts, sales support, planning and execution of information procedures, and establishment of finance related information systems. It also supervises receivables in sales, inventory, daily tasks in shipment preparation and borrowing, and risk management of material and irregular transactions. The Commerce Department also supports the strategic plans, performance management and follow-up, investment performance analysis, public relations, and marketing events for the entire Group.
Financial Business Integration (Note 1)	Financial Business Integration provides comprehensive, cross-border financial content and information services for multiple markets including securities, futures, warrants, bonds, bills, foreign exchange, and funds as well as secure information transaction platforms for multiple financial products in order to satisfy the business application software and solution requirements of financial institution clients and investors, including information, trading, operations and management, finance, wealth management, risk management, asset management, and IT management.

III. Corporate Governance

Department	Functions
	In response to trends in cloud, mobility, and artificial intelligence, Financial Business Integration also uses the professional finance transaction network as the basic cloud development model to provide the finance industry with quick selections in the formulation of finance information and professional transaction services. At the same time, it also creates and develops mobile services with leading clients in various industries to successfully forge new applications in portal sites, financial holding, securities and futures, investment consulting, insurance, telecommunications, logistics and transportation, and medical facilities etc. and create new standards for corporate services.
Consumer-Facing Business Integration (Note 2)	Consumer-Facing Business Integration provides products and services for the consumer market and helps industrial clients in retail, banking, insurance, and the government adopt the latest IT technologies to face challenges in the dynamic environment. It also integrates innovative business philosophies to develop various daily life and financial services for consumers and actively creates advantages in corporate competition so as to enhance service quality and increase operating profits. Its main services include development and operation services for e-commerce platforms, smart finance solutions, all-payment services, electronic ticketing customer guidance services, smart retail, integrated insurance policy printing services, interactive electronic billing, and e-government.
Data Technology Business Integration (Note 3)	Data Technology Business Integration continues to operate in the digital ecosphere and serves as agent/distributor of world-class DT software/hardware product combinations and solutions. It also provides end-to-end solutions required for clients' business operations through added-value services, thus helping companies use innovative applications for advancing digital transformation and increasing company profits. The Digital Technology Business Unit uses the latest technologies to connect to the world and develops data-based products and intelligent services to help companies carry out their digital transformation and accumulate data capital.
Headquarters of China (Note 4)	Headquarters of China distributes world-class software, added-value technologies, capabilities and professional services. It also employs intensified system integration capabilities to provide large-scale clients with customized services and become their long-term partners. The team also seeks out investment opportunities in new sectors in the Chinese market to develop products and services native to the finance sector on both sides of the strait. It is also responsible for integrating the related administrative and management affairs of subsidiaries in China.

Note1: Financial Business Integration is covering subsidiaries, including : Softmobile Technology Corp., Syspower Corp., Naturint Ltd., Concord System Management Corp., Taiwan Electronic Data Processing Corp. and Mendincom Technology Corp.

Note 2: Consumer-Facing Business Integration is covering subsidiaries, including : Nexsys Corp. and Systex Solutions Corp.

Note 3: Data Technology Business Integration is covering subsidiaries, including : Systex Software & Service Corp. , ETU Corp. , Taifon Computer Co., Ltd. and Sysware Singapore Pte. Ltd.

Note 4: Headquarters of China is covering subsidiaries in China(Hong Kong) , including : Ucom Information Ltd. (Shanghai), Systek Information (Shanghai) Ltd. , Sysware Shenglong Information Systems Co., Ltd., Systex Group(China) Ltd., Systex Rainbow Tech Inc., Systex Ucom(Shanghai) Information

III. Corporate Governance

Ltd.Co.,Systemex Information(H.K.) Ltd. and Ranibow Tech Information (HK) Limited.

3.1.3 Information of Subsidiaries: Please refer to pages 197-206.

III. Corporate Governance

3.2 Directors and Management Team

3.2.1 Directors

As of April 18, 2017

Title/Name (Note1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman/ Huang, Tsong-Jen	R. O. C.	Male	June 17, 2016	3	June 15, 2006	20,755,750	7.70	20,755,750	7.70	2,008,634	0.75	-	-	Ph.D. in Computer Science, University of Wisconsin	Chairman of Ching Pu Investment Corp. (Note3) Asiavest Capital Co., Ltd Director of Kimo.com (BVI) Corp. (Note 3) System Capital Group, Inc. (Note 3) Taiwan Hopax Chems. Mfg. Co., Ltd.,	Director	Huang, Ting-Rong Huang, Chi-Rong	Within one degree of kinship

III. Corporate Governance

As of April 18, 2017

Title/Name (Note 1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director/ Lin, Lung-Fen	R. O. C.	Male	June 17, 2016	3	March 28, 2002	1,374,762	0.51	1,374,762	0.51	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Chairman of Golden Bridge Information Corp. (Note 3) Systex Software & Service Corp. (Note 3) Etu Corp. (Note 3) Taiwan Electronic Data Processing Corp. (Note 3) Mendincom Technology Corp. (Note 3) Sysware Singapore Pte. Ltd. (Note 3) Director of Ching Pu Investment Corp. (Note 3) Concord System Management Corp. (Note 3) SoftMobile Technology Corp. (Note 3) Systex Solutions Corp. (Note 3) Syspower Corp. (Note 3) Nexsys Corp. (Note 3) Naturint Ltd. (Note 3) Systex Information (Shanghai) Ltd. (Note 3) Ucom Information Ltd. (Shanghai) (Note 3) Sysware Shenglong Information Systems Co., Ltd. (Note 3) Systex Group (China) Ltd. (Note 3) Shenzhen Forms Syntron Information Co Ltd (Note 3) Forms Syntron Information (HK) Limited (Note 3) Kimo.com (BVI) Corp.(Note 3) Systex Capital Group, Inc. (Note 3) Systex Solutions (HK) Ltd. (Note 3)	-	-	-

III. Corporate Governance

As of April 18, 2017

Title/Name (Note 1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director/ Cheng, Deng-Yuan	R. O. C.	Male	June 17, 2016	3	March 28, 2002	263,152	0.10	223,152	0.08	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Chairman of Systex Information (H.K.) Ltd. (Note 3) Systex Information (Shanghai) Ltd. (Note 3) Ucom Information Ltd. (Shanghai) (Note 3) Systex Group (China) Ltd. (Note 3) Systex Rainbow Tech Inc. (Note 3) Director of Sysware Shenglong Information Systems Co., Ltd. (Note 3) Rainbow Tech Information (HK) Limited (Note 3) Shenzhen Sunlight Technology Co., Ltd. Supervisor of Forms Syntron Information (HK) Limited (Note 3) Suntex Technology (Shenzhen) Co., Ltd. (Note 3)	-	-	-
Director/ Lu, Ta-Wei	R. O. C.	Male	June 17, 2016	3	June 13, 2007	765,656	0.28	765,656	0.28	1,700,390	0.63	-	-	Tunghai University, Dept. of Chemistry	Chairman of Firstweb Limited	-	-	-
Director/ Shaw, Shung-Ho	R. O. C.	Male	June 17, 2016	3	March 28, 2002	861,475	0.32	921,475	0.34	229,201	0.09	-	-	MBA, National Chengchi University	Chairman of Liang Hsin Finance Corp. Director of Scientech Corp. WPG Holdings Limited. GENUINE C&C INC. GCS Holdings, Inc.	-	-	-

III. Corporate Governance

As of April 18, 2017

Title/Name (Note 1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director/ Hsieh, Chin-Ho	R. O. C.	Male	June 17, 2016	3	June 18, 2010	20,000	0.01	20,000	0.01	-	-	-	-	Master Degree in Graduate of East Asian Studies, NCCU	Chairman of Wealth Media Corp. (Note 3) Investment Media Ltd. (Note 3) Genetinfo Inc. (Note 3) Wealth Magazine Co., Ltd. (Note 3) Business Today Publisher (Note 3) Business Today Co., Ltd. Director of Cashbox Partyworld Co., Ltd. (Note 3) Business Today Marketing Corp. (Note 3) Diancan Art & Collection Ltd.	-	-	-
Director/ Huang, Ting-Rong	R. O. C.	Female	June 17, 2016	3	June 17, 2016	242,152	0.09	242,152	0.09	-	-	-	-	MBA, Waseda University	Independent Director of Chipbond Technology Corp. Executive Director of Asiavest Capital Co., Ltd	Chairman	Huang, Tsong-Jen	Within one degree of kinship
Director/ Huang, Chi-Rong	R. O. C.	Female	June 17, 2016	3	June 17, 2016	633,780	0.24	633,780	0.24	-	-	-	-	Wharton School of the University of Pennsylvania, Dept. of Economics	Executive Director of Asiavest Capital Co., Ltd Director of Sundia Meditech Group (Note 3) Supervisor of Taiwan Hopax Chems. Mfg. Co., Ltd. (Note 3)	Chairman	Huang, Tsong-Jen	Within one degree of kinship
Director/ Huang, Yi-Shiung (Representative of Joway Investment Co., Ltd)	R. O. C.	Male	June 17, 2016	3	June 13, 2007	482,309	0.18	482,309	0.18	-	-	-	-	Soochow University, Dept. of Accounting	CPA, Grand H&C CPAs Firm Independent Director of Taiwan Hopax Chems. Mfg. Co., Ltd.	-	-	-
Director/ Lin, Chih-Min (Representative of Joway Investment Co., Ltd)	R. O. C.	Male	June 17, 2016	3	June 13, 2007	482,309	0.18	482,309	0.18	-	-	-	-	National Taiwan University, Dept. of Law	Director of Hanmore Investment Corp. (Note 3)	-	-	-

III. Corporate Governance

As of April 18, 2017

Title/Name (Note 1)	Nationality / Country of Origin	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangemen		Experience (Education)	Other Position (Note 2)	Executives, Directors who are spouses or within two degrees of kinship		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director/ Huang, Jih-Tsan	R. O. C.	Male	June 17, 2016	3	June 13, 2007	-	-	-	-	122,017	0.05	-	-	Ph.D. in Law, Harvard University	Partner lawyer, Jones Day Independent Director of WPG Holdings Limited. Taiwan Mobile Co., Ltd. CTCI Corporation Director, Yulon Motor Co., Ltd.(Note 3)	-	-	-
Independent Director/ Cheng, Huang-Yen	R. O. C.	Male	June 17, 2016	3	June 13, 2007	-	-	-	-	-	-	-	-	Tamkang University, Dept. of Accounting	CPA, FORMOSA AND CO. Independent Director of Tung Ho Textile Co., Ltd.	-	-	-
Independent Director/ Cheng, Wen-Feng	R. O. C.	Male	June 17, 2016	3	June 21, 2013	-	-	-	-	845	-	-	-	Master Degree in Chemical Engineering, National Tsing Hua University	Chairman & President of Boardtek Electronics Corp. Chairman of Chipboard Technology Corp. (Note 3)	-	-	-

Note 1: Institutional representatives shall indicate the names of the institutional shareholders and fill in the information specified in Table 1 below.

Note 2: Concurrent positions as of the date of publication of the annual report.

Note 3: Institutional representative.

Table1- Major shareholders of the institutional shareholders

As of April 18, 2017

Name	Major Shareholders
Joway Investment Co.,Ltd	Ho, Mei-Yii (25.72%) 、Huang, Ting-Rong (25.32%) 、 Huang, Chi-Rong (25.32%) 、Huang, Tsong-Jen (22.91%) 、 Joray CO., LTD (0.73%)

Table2- Major shareholders of the Company's major institutional shareholders

As of April 18, 2017

Name	Major Shareholders
Joray CO.,LTD	Ho, Mei-Yii (34.97%) 、Huang, Ting-Rong (29.84%) 、 Huang, Chi-Rong (29.47%) 、Huang, Tsong-Jen (5.35%) 、 Lai Hsueh, Fen-Fang (0.37%)

III. Corporate Governance

As of April 18, 2017

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Huang, Tsong-Jen			V										V	V	0
Lin, Lung-Fen			V				V	V	V	V	V	V	V	V	0
Cheng, Deng-Yuan			V				V	V	V	V	V	V	V	V	0
Lu, Ta-Wei			V		V	V	V	V	V	V	V	V	V	V	0
Shaw, Shung-Ho			V		V	V	V	V	V	V	V	V	V	V	0
Hsieh, Chin-Ho			V		V	V	V	V	V		V	V	V	V	0
Huang, Ting-Rong			V		V	V	V		V	V	V		V	V	1
Huang, Chi-Rong			V			V	V		V	V	V		V	V	0
Huang, Yi-Shiung (Representative of Joway Investment Co.,Ltd)		V	V		V	V	V	V				V	V		1
Lin, Chih-Min (Representative of Joway Investment Co.,Ltd)			V		V		V	V				V	V		0
Independent Director Huang, Jih-Tsan		V	V		V	V	V	V	V	V	V	V	V	V	3
Independent Director Cheng, Huang-Yen		V	V		V	V	V	V	V	V	V	V	V	V	1
Independent Director Cheng, Wen-Feng			V		V	V	V	V	V	V	V	V	V	V	0

III. Corporate Governance

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. Not applicable in cases where the person is an independent director of the Company, its parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

III. Corporate Governance

3.2.2 Management Team

As of April 18, 2017

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within two degrees of kinship		
				Shares	%	Shares	%	Share s	%			Title	Name	Relation
President/ Lin, Lung-Fen	R.O.C.	Male	2009.10	1,374,762	0.51	263	-	-	-	EMBA, CEIBS Master's degree in Computer Science, University of the Pacific	Chairman of Golden Bridge Information Corp. (Note 2) Systex Software & Service Corp. (Note 2) Etu Corp. (Note 2) Taiwan Electronic Data Processing Corp. (Note 2) Mendincom Technology Corp. (Note 2) Director of Ching Pu Investment Corp. (Note 2) Concord System Management Corp. (Note 2) SoftMobile Technology Corp. (Note 2) Systex Solutions Corp. (Note 2) Syspower Corp. (Note 2) Nexsys Corp. (Note 2) Naturint Ltd. (Note 2) Systex Information (Shanghai) Ltd. (Note 2) Ucom Information Ltd. (Shanghai) (Note 2) Sysware Shenglong Information Systems Co., Ltd. (Note 2) Systex Group (China) Ltd. (Note 2) Shenzhen Forms Syntron Information Co Ltd (Note 2) Forms Syntron Information (HK) Limited (Note 2) Kimo.com (BVI) Corp. (Note 2) Systex Capital Group, Inc. (Note 2) Systex Solutions (HK) Ltd. (Note 2) Sysware Singapore Pte. Ltd. (Note 2)	-	-	-

III. Corporate Governance

As of April 18, 2017

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within two degrees of kinship		
				Shares	%	Shares	%	Share s	%			Title	Name	Relation
Chief Strategy Officer & Senior Vice President / Cheng, Deng-Yuan	R.O.C.	Male	2001.08	223,152	0.09	-	-	-	-	EMBA, Fudan University Fu Jen University, Dept. of Accounting	Chairman of Systex Information(H.K.) Ltd. (Note 2) Systex Information (Shanghai) Ltd. (Note 2) Ucom Information Ltd. (Shanghai) (Note 2) Systex Group (China) Ltd. (Note 2) Systex Rainbow Tech Inc. (Note 2) Director of Sysware Shenglong Information Systems Co., Ltd. (Note 2) Ranibow Tech Information (HK) Limited (Note 2) Shenzhen Sunlight Technology Co., Ltd. Supervisor of Shenzhen Forms Syntron Information Co Ltd (Note 2) Suntex Technology (Shenzhen) Co., Ltd (Note 2)	-	-	-

III. Corporate Governance

As of April 18, 2017

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within two degrees of kinship		
				Shares	%	Shares	%	Share s	%			Title	Name	Relation
CFO & Vice President/ Chung, Chih-Chun	R.O.C.	Male	2014.05	-	-	-	-	-	-	Master's degree in Banking and Finance, Tamkang University	Director of Ching Pu Investment Corp. (Note 2) Golden Bridge Information Corp. (Note 2) Mendincom Technology Corp. (Note 2) Systemweb Technologies Co., Ltd (Note 2) Enova Technology Corp. (Note 2) Systex Group (China) Ltd. (Note 2) Systex Infopro Corp. Ltd. (Note 2) Systex Solutions (HK) Ltd. (Note 2) Supervisor of Concord System Management Corp. (Note 2) Taifon Computer Co.,Ltd. (Note 2) Systex Solutions Corp. (Note 2) SoftMobile Technology Corp. (Note 2) Nexsys Corp. (Note 2) Naturint Ltd. (Note 2) Far Eastern Electronic Toll Collection Corp. (Note 2) Eastern Integrated Marketing,Inc. (Note 2) Etu Corp. Investment Media Ltd. Taiwan Electronic Data Processing Corp. Hanmore Investment Corp.	-	-	-
CHO & Vice President / Huang, Yu-Jen	R.O.C.	Male	2017.03	-	-	-	-	-	-	Master's degree in Graduate Institute of Human Resource Management, National Central University	None	-	-	-

III. Corporate Governance

As of April 18, 2017

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within two degrees of kinship		
				Shares	%	Shares	%	Share s	%			Title	Name	Relation
Senior Vice President/ Yang, Shih-Chung	R.O.C.	Male	2007.01	1,225	-	-	-	-	-	National Cheng Kung University Dept. of Mathematics	Director of Nexsys Corp. (Note 2) Eastern Integrated Marketing, Inc. (Note 2) Far Eastern Electronic Toll Collection Corp. (Note 2) Mohist web technology Co.,Ltd. (Note 2)	-	-	-
Senior Vice President/ Fan, Jee-Der	R.O.C.	Male	2007.01	200,743	0.07	952	-	-	-	Soochow University, Dept. of Business Mathematics	Chairman of SoftMobile Technology Corp. (Note 2) Naturint Ltd. (Note 2) Syspower Corp. (Note 2) Sysware Shenglong Information Systems Co., Ltd. (Note 2) Director of Taiwan Electronic Data Processing Corp. (Note 2) Mendincom Technology Corp. (Note 2) Investment Media Ltd. (Note 2) Systemweb Technologies Co., Ltd (Note 2) Sanfran Technology Inc (Note 2) ICT- Systex Information Systems Corporation Ltd (Note 2)	-	-	-
Senior Vice President/ Su, Kou-Lin	R.O.C.	Male	2005.01	-	-	-	-	-	-	Master's degree in, Environmental Engineering, National Chung Hsing University	None	-	-	-
Vice President/ Chang, Huang-Yu	R.O.C.	Male	2005.06	72,312	0.03	-	-	-	-	Feng Chia University, Dept. of Information	None	-	-	-
Vice President/ Yeh, Chen-Min	R.O.C.	Male	2007.01	289,000	0.11	-	-	-	-	Nanya Engineering College Dept. of Mechanical	None	-	-	-

III. Corporate Governance

As of April 18, 2017

Title/ Name	Nationality / Country of Origin	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Position	Managers who are Spouses or Within two degrees of kinship		
				Shares	%	Shares	%	Share s	%			Title	Name	Relation
Vice President/ Chang, Ying-Chin	R.O.C.	Female	2007.01	75,599	0.03	2,023	-	-	-	National Taichun College Dept. of Banking and Insurance	Director of Investment Media Ltd. (Note 2)	-	-	-
Vice President/ Lin, Wen-Kuei	R.O.C.	Male	2007.01	275,221	0.10	-	-	-	-	Lunghwa Engineering College Dept. of Electronic Engineering	None	-	-	-
Vice President/ Lee, Su-Yue	R.O.C.	Female	2012.01	-	-	-	-	-	-	Hsing Wu Business College Dept. of Accounting	Director of Systex Software & Service Corp. (Note 2)	-	-	-
Vice President/ Hsiao, Wei-Chun	R.O.C.	Male	2017.03	-	-	-	-	-	-	Fu Jen University, Dept. of Information Management	None			
Vice President/ Tang, Yin-Soon	R.O.C.	Male	2012.01	26,031	0.01	4,000	-	-	-	Master's degree in Computer, The City University of New York	None	-	-	-
Accounting Manager/ Cheng, Yuan-Yih	R.O.C.	Male	2008.12	32,144	0.01	-	-	-	-	National Chung Hsing University, Dept. of Accounting	Director of Hanmore Investment Corp. (Note 2) Taiwan Electronic Data Processing Corp. (Note 2) Supervisor of Ching Pu Investment Corp. (Note 2) Golden Bridge Information Corp. (Note 2) Systex Software & Service Corp. (Note 2) Mendincom Technology Corp. (Note 2) Syspower Corp. (Note 2)	-	-	-
Audit Manager/ Tsai, Chun-Hsiung	R.O.C.	Male	2007.01	8,285	-	-	-	-	-	Tunghai University, Dept. of Business Administeration	None	-	-	-

Note 1: Concurrent positions as of the date of publication of the annual report.

Note 2: Institutional representative.

III. Corporate Governance

3.3 Remuneration of Directors and Management Team

3.3.1 Remuneration of Directors

Unit: NT\$ thousands As of December 31, 2016

Title	Name	Remuneration								Ratio of Total Remuneration (A+B+C+D) to Net Income (%)		Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary
		Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C)		Allowances (D)				Salary, Bonuses, and Allowances (E)		Severance Pay (F)		Profit Sharing-Employee Bonus (G) (Note 2)						
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
																Cash	Stock	Cash	Stock			
Chairman	Huang, Tsong-Jen	735	735	-	-	22,035	22,035	705	705	2.12	2.12	25,602	26,073	320	320	114	-	114	-	4.47	4.51	-
Director	Lin, Lung-Fen																					
Director	Cheng, Deng-Yuan																					
Director	Lu, Ta-Wei																					
Director	Shaw, Shung-Ho																					
Director	Hsieh, Chin-Ho																					
Director	Huang, Ting-Rong (Note 4)																					
Director	Huang, Chi-Rong (Note 4)																					
Director	Huang, Yi-Shiung (Note 4)																					
Director	Lin, Chih-Min (Note 4)																					
Independent Director	Huang, Jih-Tsan																					
Independent Director	Cheng, Huang-Yen																					
Independent Director	Cheng, Wen-Feng																					

Other than disclosure in the above table, Directors remunerations earned by providing services (i.e. non-employee consulting services) to companies which are listed in financial reports in 2016: None.

Note 1: The amount of remuneration received by Directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations; general remuneration standards within the domestic and international industries are also duly referenced. The acquisition cost of vehicles allocated to Directors was NT\$10,169 thousands, and the annual salary of drivers amounted to NT\$1,731 thousands.

Note 2: The 2016 Directors' and Employees' remuneration distribution plan is NT\$22,035 thousands and NT\$1,102 thousands had been approved by Board of Director.

Note 3: The consolidated net profit after tax in 2016 (excluding non-controlling interests) was NT\$1,108,268 thousands.

Note 4: Representative of Joway Investment Co., Ltd., The comprehensive election of Directors was held on June 17, 2016 Huang, Ting-Rong and Huang, Chi-Rong (term expired on June 16, 2016), originally representatives of institutional director Joway Investment Co., Ltd., were elected under their own names (their terms started on June 17, 2016).

III. Corporate Governance

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Under NT\$ 2,000,000	Lin, Lung-Fen, Cheng, Deng-Yuan, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong (Note), Huang, Chi-Rong (Note), Huang, Yi-Shiung (Note), Lin, Chih-Min (Note)	Lin, Lung-Fen, Cheng, Deng-Yuan, Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong (Note), Huang, Chi-Rong (Note), Huang, Yi-Shiung (Note), Lin, Chih-Min (Note)	Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong (Note), Huang, Chi-Rong (Note), Huang, Yi-Shiung (Note), Lin, Chih-Min (Note)	Hsieh, Chin-Ho, Shaw, Shung-Ho, Lu, Ta-Wei, Huang, Ting-Rong (Note), Huang, Chi-Rong (Note), Huang, Yi-Shiung (Note), Lin, Chih-Min (Note)
NT\$2,000,000 ~ NT\$5,000,000	Huang, Tsong-Jen, Huang, Jih-Tsan, Cheng, Huang-Yen, Cheng, Wen-Feng	Huang, Tsong-Jen, Huang, Jih-Tsan, Cheng, Huang-Yen, Cheng, Wen-Feng	Huang, Tsong-Jen, Huang, Jih-Tsan, Cheng, Huang-Yen, Cheng, Wen-Feng	Huang, Tsong-Jen, Huang, Jih-Tsan, Cheng, Huang-Yen, Cheng, Wen-Feng
NT\$5,000,000 ~ NT\$10,000,000			Cheng, Deng-Yuan	Cheng, Deng-Yuan
NT\$10,000,000 ~ NT\$15,000,000				
NT\$15,000,000 ~ NT\$30,000,000			Lin, Lung-Fen	Lin, Lung-Fen
NT\$30,000,000~ NT\$50,000,000				
NT\$50,000,000 ~ NT\$100,000,000				
Over NT\$100,000,000				
Total	13	13	13	13

Note: Representative of Joway Investment Co.,Ltd.,.The comprehensive election of Directors was held on June 17, 2016 Huang, Ting-Rong and Huang, Chi-Rong(term expired on June 16, 2016), originally representatives of institutional director Joway Investment Co.,Ltd., were elected under their own names (their terms started on June 17, 2016).

III. Corporate Governance

3.3.2 Remuneration of Management Team

Unit: NT\$ thousands As of December 31, 2016

Title	Name	Salary (A)		Severance Pay (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Other Compensations from non-subsidiary affiliates
		The Company	Consolidated Entities	The Company	Consolidated Entities	The Company	Consolidated Entities	The Company		Consolidated Entities		The Company	Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Lin, Lung-Fen	33,237	35,647	10,698	10,982	42,423	50,186	119	-	119	-	7.80	8.75	444
Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan													
CFO & Vice President	Chung, Chih-Chun													
Senior Vice President	Yang, Shih-Chung													
Senior Vice President	Fan, Jee-Der													
Senior Vice President	Su, Kou-Lin													
Vice President	Chang, Huang-Yu													
Vice President	Yeh, Chen-Min													
Vice President	Chang, Ying-Chin													
Vice President	Lin, Wen-Kuei													
Vice President	Lee, Su-Yue													
Vice President	Tang, Yin-Soon													
Vice President	Fu, Hsiao-Chi (Note3)													
Vice President	Hsieh, Shu-Heng (Note 3)													
Vice President	Huang, Chun-Chieh (Note 3)													

III. Corporate Governance

Note 1: The 2016 Employees' remuneration distribution plan is NT\$1,102 thousands had been approved by Borad of Director.

Note 2: The consolidated net profit after tax in 2016 (excluding non-controlling interests) was NT\$1,108,268 thousands.

Note 3: Remuneration for the President and Vice Presidents is determined by their personal performance and their contribution to the Company's overall operations; general remuneration standards within the domestic and international industries are also duly referenced. The acquisition cost of vehicles allocated to Managers was NT\$5,084 thousands, and the annual salary of drivers amounted to NT\$831 thousands. Fu, Hsiao-Chi left in 2016.10, Hsieh, Shu-Heng retired in 2016.12, Huang, Chun-Chieh left in 2017.02.

Range of Remuneration	Name of President and Vice Presidents	
	The Company	Consolidated Entities
Under NT\$ 2,000,000	Chang, Ying-Chin, Lee, Su-Yue	Chang, Ying-Chin
NT\$2,000,000 ~ NT\$5,000,000	Su, Kou-Lin, Chang, Huang-Yu, Yeh, Chen-Min, Lin, Wen-Kuei, Tang, Yin-Soon, Fu, Hsiao-Chi (Note), Huang, Chun-Chieh (Note)	Su, Kou-Lin, Chang, Huang-Yu, Yeh, Chen-Min, Lin, Wen-Kuei, Tang, Yin-Soon, Fu, Hsiao-Chi (Note), Huang, Chun-Chieh (Note)
NT\$5,000,000 ~ NT\$10,000,000	Cheng, Deng-Yuan, Chung, Chih-Chun, Yang, Shih-Chung, Fan, Jee-Der	Cheng, Deng-Yuan, Chung, Chih-Chun, Yang, Shih-Chung, Fan, Jee-Der, Lee, Su-Yue
NT\$10,000,000 ~ NT\$15,000,000	Hsieh, Shu-Heng (Note)	Hsieh, Shu-Heng (Note)
NT\$15,000,000 ~ NT\$30,000,000	Lin, Lung-Fen	Lin, Lung-Fen
NT\$30,000,000 ~ NT\$50,000,000		
NT\$50,000,000 ~ NT\$100,000,000		
Over NT\$100,000,000		
Total	15	15

Note: Fu, Hsiao-Chi left in 2016.10, Hsieh, Shu-Heng retired in 2016.12, Huang, Chun-Chieh left in 2017.02.

III. Corporate Governance

3.3.3 Employees' remuneration

Unit: NT\$ thousands As of January 1, 2017

	Title	Name	Stock (Note1)	Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%) (Note 2)
Management Team	President	Lin, Lung-Fen	-	120	120	0.01
	Chief Strategy Officer & Senior Vice President	Cheng, Deng-Yuan				
	CFO & Vice Presidents	Chung, Chih-Chun				
	Senior Vice President	Yang, Shih-Chung				
	Senior Vice President	Fan, Jee-Der				
	Senior Vice President	Su, Kou-Lin				
	Vice Presidents	Chang, Huang-Yu				
	Vice Presidents	Yeh, Chen-Min				
	Vice Presidents	Chang, Ying-Chin				
	Vice Presidents	Lin, Wen-Kuei				
	Vice Presidents	Lee, Su-Yue				
	Vice Presidents	Tang, Yin-Soon				
	Accounting Manager	Cheng, Yuan-Yih				
	Vice Presidents	Huang, Chun-Chieh (Note3)				

Note 1: The 2016 Employees' remuneration distribution plan is NT\$1,102 thousands had been approved by Borad of Director.

Note 2: The consolidated net profit after tax in 2016 (excluding non-controlling interests) was NT\$1,108,268 thousands.

Note 3: Huang, Chun-Chieh left in 2017.02.

III. Corporate Governance

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

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

Title	Ratio of total remuneration paid to directors, presidents and vice presidents to net income (%)			
	2015		2016	
	The Company	Consolidated Entities	The Company	Consolidated Entities
Directors	6.68	6.77	4.47	4.51
President and Vice Presidents	13.68	15.38	7.80	8.75

- B. Policies, standards, and combination of remuneration payment to firectors, President, and Vice President, the remuneration determination procedure, and the relationship between operation performance and future risk.

- (a) The Directors are remunerated in accordance with the Company's current Articles of Incorporation. The Company has also established the Regulations on Director Remuneration to calculate their remuneration in accordance with the base numbers established by their contribution to the Company and whether they are Independent Directors.

Director remuneration includes remuneration, salary, and travel expenses etc. Independent Directors are paid fixed amounts of remuneration every quarter in accordance with the resolutions of Board of Directors meetings. Travel expenses are paid each time Directors attend Board of Directors or functional committee meetings in person. The Company's remuneration for employees and Directors shall be no lower than 0.1% and under 2% of the earnings before tax of the year and before deducting remuneration for employees and Directors.

- (b) Remuneration for the President and Vice Presidents are paid in accordance with the Company's related human resources policies. The remuneration mainly includes basic salary, rewards, and employee remuneration. Rewards and bonuses are distributed based on the overall operating performance of the Company and in accordance with the Regulations on the Distribution of Year-End Bonus, Regulations on the Distribution of Performance Bonus, Regulations on the Distribution of Group Performance Bonus and Employee Bonus, and Regulations on Employee Share Subscription Certification.

- C. Methods of remuneration payment to the President and Vice President of the Company and relationship between operation performance and future risk are stipulated as follows:

- (a) The Company's Director remuneration payment policy is established in the Articles of Incorporation. The distribution is carried out after approval from the Board of Directors and the distribution status is reported to the shareholders' meeting. In addition, the Board of Directors may resolve to pay remuneration for Directors in each quarter in accordance with the Articles of Incorporation. The amount of remuneration received by Directors shall be determined by the Board of Directors according to the contribution of the individual and extent of involvement in the Company's operations, taking into account the general remuneration standards within the domestic and international industry.

- (b) The Company has established a Remuneration Committee to be in charge of the performance evaluation of Directors and managerial officers, set and reviewing the remuneration policy, system standards and structure, and conduct periodic review on the accomplishment of performance targets in order to build a comprehensive remuneration system for the Company's Directors and managerial officers.

III. Corporate Governance

D. Procedures for payment and relevance with operation performance and future risk exposure.

- (a) Director remuneration shall be determined by the business performance of the Company and its profitability, while taking into account existing affairs that may cause risks in the Company's future liabilities, obligations, or debt. According to the Company's Articles of Incorporation, director remuneration may only be distributed when the Company generates profits. The remuneration shall be in positive correlation to the Company's business performance while taking into account its future operating risks.
- (b) Remuneration for the President and Vice Presidents are distributed based on the achievement rate of their personal targets, performance, and their contribution to the Company's overall operations. Rewards and bonuses are distributed based on the overall operating performance of the Company and in accordance with the Regulations on the Distribution of Year-End Bonus, Regulations on the Distribution of Performance Bonus, Regulations on the Distribution of Group Performance Bonus and Employee Bonus, and Regulations on Employee Share Subscription Certification. The distribution of remuneration shall be in positive correlation to the operating performance.

III. Corporate Governance

3.4 Implementation of Corporate Governance

3.4.1 Board of Directors

A total of 2 [A] meetings of the Board of Directors (Seventh) were held in the previous period. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Huang, Tsong-Jen	2	0	100%	
Director	Lin, Lung-Fen	2	0	100%	
Director	Cheng, Deng-Yuan	2	0	100%	
Director	Lu, Ta-Wei	2	0	100%	
Director	Shaw, Shung-Ho	2	0	100%	
Director	Hsieh, Chin-Ho	2	0	100%	
Director	Huang, Yi-Shiung (Representative of Joway Investment Co.,Ltd)	2	0	100%	
Director	Lin, Chih-Min (Representative of Joway Investment Co.,Ltd)	2	0	100%	
Director	Huang, Ting-Rong (Representative of Joway Investment Co.,Ltd)	2	0	100%	
Director	Huang, Chi-Rong (Representative of Joway Investment Co.,Ltd)	2	0	100%	
Independent Director	Huang, Jih-Tsan	2	0	100%	
Independent Director	Cheng, Wen-Feng	2	0	100%	
Independent Director	Cheng, Huang-Yen	2	0	100%	

III. Corporate Governance

A total of 6 (A) meetings of the Board of Directors (Eighth) were held in the previous period. The attendance of director were as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Chairman	Huang, Tsong-Jen	6	0	100%	
Director	Lin, Lung-Fen	6	0	100%	
Director	Cheng, Deng-Yuan	6	0	100%	
Director	Lu, Ta-Wei	6	0	100%	
Director	Shaw, Shung-Ho	6	0	100%	
Director	Hsieh, Chin-Ho	5	1	83%	
Director	Huang, Ting-Rong	6	0	100%	
Director	Huang, Chi-Rong	6	0	100%	
Director	Huang, Yi-Shiung (Representative of Joway Investment Co.,Ltd)	6	0	100%	
Director	Lin, Chih-Min (Representative of Joway Investment Co.,Ltd)	6	0	100%	
Independent Director	Huang, Jih-Tsan	6	0	100%	
Independent Director	Cheng, Wen-Feng	6	0	100%	
Independent Director	Cheng, Huang-Yen	6	0	100%	

III. Corporate Governance

Other mentionable items:

1. The date of the Board meeting, the term, contents of the proposals, opinions of all Independent Directors, and the Company's handling of opinions of Independent Directors shall be recorded under the following circumstances in the operations of the Board of Directors meeting:
 - (1) Items listed in Article 14-3 of the Securities and Exchange Act: Not applicable, since the Company has already established the Audit Committee.
 - (2) With the exception of the aforementioned items, resolutions adopted by the Board of Directors, to which an Independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: Not applicable.
2. Directors abstaining in certain proposals for being a stakeholder (the name of the Director(s), the content of the proposal, reasons for abstentions and the results of voting counts shall be stated):
 - (1) The results of the performance review of the Company's managerial officers in the second half of 2015, the distribution of non-financial indicator bonus, the year-end bonus of the Company's managerial officers for 2015, and the first group performance reward and annual remuneration were discussed in the Board meeting on March 22, 2016. As Directors Lin, Lung-Fen and Cheng, Deng-Yuan serve concurrently as the Company's managerial officers, they recused themselves when the discussion involved their interest and the other Directors in attendance passed the proposal unanimously.
 - (2) The results of the performance review of the Company's managerial officers in the first half of 2016, the distribution of non-financial indicator bonus, the group performance reward of the Company's managerial officers for 2015, and the second employee bonus distribution were discussed in the Board meeting on August 11, 2016. As Directors Lin, Lung-Fen and Cheng, Deng-Yuan serve concurrently as the Company's managerial officers, they recused themselves when the discussion involved their interest and the other Directors in attendance passed the proposal unanimously.
3. Measures taken to strengthen the functionality of the board:
 - (1) The Company reelected three Independent Directors in the election of the 8th-term Board of Directors in the general shareholders' meeting on June 17, 2016 and established the Audit Committee on the same day.

The Audit Committee held 5 meetings in 2016 to review related proposals.
 - (2) The Company conducted the election of the 8th-term Board of Directors in the general shareholders' meeting on June 17, 2016 and established the Remuneration Committee on the same day. The Committee is composed of three Independent Directors and is vested with the purpose to professionally and objectively evaluate the salary and remuneration policy of the Directors and managerial officers and then provide its recommendation to the Board of Directors.

The current term Remuneration Committee held 2 meetings in 2016 to review related proposals.

III. Corporate Governance

3.4.2 Audit Committee

A total of 3 (A) meetings of Audit Committee of the Seventh Board of Directors were held in the previous period.

The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Huang, Jih-Tsan	3	0	100%	
Independent director	Cheng, Wen-Feng	3	0	100%	
Independent director	Cheng, Huang-Yen	3	0	100%	

A total of 5 (A) meetings of Audit Committee of the Eighth Board of Directors were held in the previous period.

The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) 【B/A】	Remarks
Independent director	Huang, Jih-Tsan	5	0	100%	
Independent director	Cheng, Wen-Feng	5	0	100%	
Independent director	Cheng, Huang-Yen	5	0	100%	

III. Corporate Governance

Other mentionable items:

1. The date of the Board meeting, the term, contents of the proposals, resolutions of the Audit Committee, and the Company's handling of the resolutions of the Audit Committee shall be recorded under the following circumstances in the operations of the Audit Committee meeting:

(1) Items specified in Article 14-5 of the Securities and Exchange Act:

Meeting Dates	Contents Proposed	Resolutions of the Audit Committee	Any Independent Director had a Dissenting Opinion or Qualified Opinion
March 22, 2016	Amended the Company's "Operating Procedures for Fund Lending."	Approved	N/A
May 5, 2016	The proposed endorsement guarantee for Systex Group (China) Ltd.	Approved	N/A
	The proposed endorsement guarantee for Systex Ucom (Shanghai) Information Technology Co., Ltd.	Approved	N/A
August 11, 2016	The proposed endorsement guarantee for Systex Group (China) Ltd. by Systex Information (Shanghai) Ltd. and Systex Ucom Software Co., Ltd.	Approved	N/A
December 22, 2016	The proposed endorsement guarantee for Systex Software & Service Corporation.	Approved	N/A
	The proposed endorsement guarantee for Systex Solutions Corporation.		

(2) With the exception of the aforementioned items, any issues that are not agreed by the Audit Committee but passed by more than two-thirds of all Directors: No such occurrences.

2. If there are independent directors' avoidance of motions in conflict of interest, the directors' names, contents of motion, causes for avoidance and voting should be specified: None.

3. Communications between the independent directors, the Company's chief internal auditor and CPAs (e.g. the items, methods and results of audits of corporate finance or operations, etc.)

(1) The Company's Audit Committee shall be solely composed of Independent Directors and meetings shall be convened at least once a quarter. Ad-hoc meetings shall be held whenever necessary.

(2) Communication between the chief internal auditor and the Audit Committee:

a. Periodic: Report the findings in audits and the status of improvement on irregularities to the Audit Committee; respond to all questions submitted by the Independent Directors, and enhance the contents of auditing tasks in accordance with their instructions to ensure the effectiveness of the internal control system. Specific items include:

Item	Communication Content	Results
Exercise supervisory functions	Reports to the Audit Committee on irregularities in the audit.	Reassess internal regulations and enhance management of inventory, information security, and personnel attendance. Apply appropriate amendments to related regulations to continue the optimization of operating procedures.

III. Corporate Governance

b. Non-periodic: Use telephone, email, or face-to-face communication to communicate discoveries in the audits and how to continuously increase the value of audits. In the event of material violation, the Independent Directors shall be notified immediately.

c. Summaries of communication in 2016:

Date	Communication Content	Results
March 22, 2016	The implementation of audit program for January to March, 2016. The 2015 "Statement on Internal Control."	The independent directors of the Company have a good communication situation in the implementation of the audit business and the results.
May 5, 2016	The implementation of audit program for April, 2016.	
August 11, 2016	The implementation of audit program for May to July, 2016.	
December 22, 2016	The implementation of audit program for November to December, 2016. The 2017 Internal Control Plan.	

(3) Communication between the CPAs and the Audit Committee:

a. Periodic: The CPAs shall communicate with the Audit Committee on the audit plan, execution status, and results in the periods before and after the semi-annual and annual audit reports.

b. Non-periodic: Meetings may be arranged in the event that operations or internal controls require immediate communication on related cases.

c. Summaries of communication in 2016:

Date	Item	Communication Content	Results
March 22, 2016	Financial Statement for Year 2015	Consolidated and Separate Financial Statements for Year 2015	Report the audited adjustments of Year 2015 Financial Statement. We discuss and communicate the applicability of certain accounting principles.
	Mobile Commerce service - Line Gift Shop	New Service in year 2016-Whether the recognition of Revenue in the mobile commerce service is complied with the accounting principle?	Systex is willing to take responsibility for the risk of operation, legal, financial and tax. In order to comply with the accounting principle, we use gross sales and gross cost as Revenue and Cost.
	Impairment of cost method	Some certain investments of Systex Group recognized by cost method have been impaired to a balance figure of 0. Does the Company have any plan for disposal of these investments?	Some investments recognized by cost method have been impaired because of the poor management. However, we don't get any document of liquidation or capital deduction for taxation, that's why the investments still remain on the accounts. We will remove the

III. Corporate Governance

			accounts in accordance with the circumstances of liquidation or capital deduction.
August 11, 2016	Financial Statements for the Second Quarter Ended June 30, 2016	Consolidated Financial Statements for the Second Quarter Ended June 30, 2016	Report the adjustments of financial statements for the Second Quarter Ended June 30, 2016. We discuss and communicate the newly-announced "Statements on Auditing Standards" and the amendment of decree.
	impact of the Anti-Avoidance Rule	The Legislative Yuan passed the amendment of "Income Tax Act" on July 12, 2016 and added the Anti-Avoidance Rule. The Rule stipulates that the earnings from controlled foreign companies (CFC), which the shareholders holds 50% or more of shares, shall be incorporate with "the profit-seeking enterprise income tax". So we need to prepare in advance.	The Anti-Avoidance Rule will influence the CFC that place of Effective Management(PEM)in Taiwan primarily. We need to keep noticing the change of interrelated decree and sub-decree and to lessen the impact of taxation since the Anti-Avoidance Rule Implements.
	impact of newly-announced audit report on financial statements	Since Year 2016, the preparation of the financial statement has adopted No. 57, "audit reporting on financial statements", of the Statement on Auditing Standards.	The disclosure in financial reports is complied with the regulation of No.57 and CPA's audit report.

III. Corporate Governance

3.4.3 Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies"

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
1. If the Company established and disclosed Corporate Governance Principles in accordance with Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies?	V		The Company's "Corporate Governance Best Practice Principles" have been established and disclosed on the company website in accordance with regulations.	None
2. Shareholding Structure & Shareholders' Rights				
(1) If the Company established internal procedures to handle shareholder suggestions, proposals, complaints and litigation and execute accordingly?	V		(1) The Company has established the "Rules and Procedures for Shareholders' Meetings" in accordance with regulations and shareholders may file suggestions in the shareholders' meeting. The Company also established a spokesperson and acting spokesperson system to process shareholder suggestions or disputes.	None
(2) If the Company maintained of a list of major shareholders and a list of ultimate owners of these major shareholders?	V		(2) The Company's shareholder agency institute can provide a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders in a timely manner for the Company to understand its shareholding structure.	
(3) If risk management mechanism and "firewall" between the Company and its affiliates are in place?	V		(3) The Company has established the "Rules Governing Operations, Business and Financial Matters with Specific Companies, Group Enterprises, and Related Parties" to strictly control and monitor subsidiaries' rights to conduct loans, endorsements, guarantees, and operations in derivatives in order to ensure the enforcement of internal controls and internal auditing for the purpose of risk management and maintenance of a firewall system.	
(4) If the Company established internal policies that forbid insiders from trading based on non-disclosed information?	V		(4) The Company has established "Procedures for Handling Material Internal Information" and educated the internal staff on the restriction of trading securities based on information that has not been disclosed on the market.	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
3. Structure of Board of Directors and its responsibility				
(1) Does the Board of Directors set and implement a diversification policy?	V		(1) The members of the Company's Board of Directors shall be selected for their knowledge, skills, and competencies required for executing their duties based on existing operations and actual requirements in order to enhance the capabilities of the Board of Directors.	However, the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and related regulations shall apply where there are regulatory or actual requirements.
(2) If the Company established any other functional committee in addition to Compensation Committee, Audit Committee as required by law?		V	(2) The Company has established the Remuneration Committee and Audit Committee but no other functional committees.	
(3) If the Company established methods and procedures to assess the performance of the Board and conduct assessment on annual basis?		V	(3) Although the Company has not yet established guidelines for evaluating board performance, it nevertheless conducts periodic follow-up and maintains records of the attendance rate of Directors, the required number of hours in continued studies, communication with the CPA and Company management, audits of the Company's finances and audit reports.	
(4) If the Company assess the independence of CPA periodically?	V		(4) The Audit Committee shall regularly evaluate the independence of the certifying accountant in accordance with its organization regulations. The Company is assessed by the CFO Office in December each year for the independence of the CPA. Inspections have shown that the appointment of the CPA is not involved in financial interests, financing, guarantees, and close business relations with the Company, non-auditing businesses, or violation of independence of the CPA. In addition, the CPA does not hold any of the Company's stocks, nor is the CPA hired by the Company or serves in the Company or a violation of the Certified Public Accountant Act or Article 37 of the Securities and Exchange Act those results in penalty by the Financial Supervisory Commission. After inspections, the Company's certifying accountant has been verified to be in compliance with requirements for independence as specified in the Certified Public Accountant Act and related regulations.	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
4. Should the listed company establish a department dedicated to corporate governance on a part-time basis, or assign the responsibility of monitoring corporate governance and related affairs to a person (including but not limited to providing directors and supervisors with the necessary materials for executing their business responsibilities, handling of matters related to the Board of Directors Meeting and the Shareholders' Meeting pursuant to the relevant laws and regulations, handling of company registration and changes in registration status, and Preparation of the meeting minutes of the Board of Directors Meeting and the Shareholders' Meeting etc.)?	V		The CFO Office is in charge of related affairs regarding corporate governance in the Company including changes in company registration, shareholders' meeting, Board meeting affairs, formulation of meeting minutes, providing Directors with business information etc.	None
5. If the Company established communication channel with interested parties (Including but not limited to shareholders, employees, customers and suppliers, etc.) and disclosed key corporate social responsibility issues frequently enquired by stakeholders on the designated area of the corporate website?	V		The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time.	None
6. If the Company engaged professional transfer agent to host	V		The Company has appointed the Department of Stock Affairs at Yuanta Securities Co., Ltd. to process affairs related to shareholders' meetings.	None

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
annual general shareholders' meeting?				
7. Information Disclosure (1) If the Company set up a corporate website to disclose information regarding the Company's finance, business and corporate governance? (2) If the Company adopted any other information disclosure channels (e.g., maintaining an English-language website, appointing designated personnel to handle information collection and disclosure, appointing spokespersons, webcasting investors conference, etc)?	V V		(1) The Company has established a corporate website. Disclosed information can also be found on the Market Observation Post System. (2) The Company's website is available in Traditional Chinese and English. The Company has designated a unit responsible for the collection and disclosure of company information and implemented a spokesperson system.	None
8. If the Company had other important information to facilitate better understanding of the Company's corporate governance practices (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	V		(1) Employee benefits and care: In addition to following the regulations in the Labor Standards Act and related laws, the Company also established an Employee Welfare Committee to provide various subsidies and organize events. Please refer to pages 99-103. (2) Investor relations: The Company has established a spokesperson and shareholder service department to announce information on behalf of the Company. The Company also established an investor service area on the company website for shareholders to find information on the Company's operating status at any time. (3) Supplier relations and stakeholder rights: The Company maintains good relations as well as open and effective communication channels with suppliers, financial institutions, other creditors, and clients. The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights. (4) Directors' continued studies:	None

III. Corporate Governance

Item	Implementation Status					Reason for Non-implement	
	Yes	No	Summary Description				
supervisors)?			Title	Name	Course	Hours	
			Chairman	Huang, Tsong-Jen	Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
			Director	Lin, Lung-Fen	Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
			Director	Cheng, Deng-Yuan	Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
			Director	Shaw, Shung-Ho	Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
Director	Hsieh, Chin-Ho	Liabilities of Directors and Supervisors in Merger and Acquisition	3				
		Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3				
Director	Huang, Ting-Rong	Liabilities of Directors and Supervisors in Merger and Acquisition	3				
		Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3				
Director	Huang, Chi-Rong	Liabilities of Directors and Supervisors in Merger and Acquisition	3				
		Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3				

III. Corporate Governance

Item	Implementation Status					Reason for Non-implement	
	Yes	No	Summary Description				
			Director	Huang, Yi-Shiung	2016 Corporate Governance Forum Series - Insider Trading and Corporate Social Responsibility Seminar	3	
					Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
			Director	Lin, Chih-Min	Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
			Independent director	Cheng, Huang-Yen	Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					(Taipei) Applications and Evaluation of Stock-Related Talent Retention Tools	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
			Independent director	Cheng, Wen-Feng	Liabilities of Directors and Supervisors in Merger and Acquisition	3	
					Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	
		Title	Name	Teaching Course	Hours		
		Independent director	Huang, Jih-Tsan	Corporate Governance Trends - Six Major Issues in the Board of Directors Meeting in 2016	3		
				A Game that could Totally Transform Enterprise in Taiwan	3		
				Corporate Governance Framework and Strategies of the Board of Directors	3		

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement																												
	Yes	No	Summary Description																													
			<div>(5)The Company's managerial officers' participation in related corporate governance studies:<table><tr><th>Title</th><th>Name</th><th>Course</th><th>Hours</th></tr><tr><td rowspan="2">Vice President/ CFO</td><td rowspan="2">Chung, Chih-Chun</td><td>Liabilities of Directors and Supervisors in Merger and Acquisition</td><td>3</td></tr><tr><td>Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws</td><td>3</td></tr><tr><td rowspan="3">Accounting Manager</td><td rowspan="3">Cheng, Yuan-Yih</td><td>Liabilities of Directors and Supervisors in Merger and Acquisition</td><td>3</td></tr><tr><td>Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws</td><td>3</td></tr><tr><td>Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer</td><td>12</td></tr><tr><td rowspan="4">Audit Manager</td><td rowspan="4">Tsai, Chun-Hsiung</td><td>Liabilities of Directors and Supervisors in Merger and Acquisition</td><td>3</td></tr><tr><td>Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws</td><td>3</td></tr><tr><td>Practice and Case Analysis of Accounting and Taxation Audits for Taiwanese Companies in China</td><td>6</td></tr><tr><td>"Sales and Receivables Cycle" in Computerized Auditing in Practice for the Internal Auditing Staff</td><td>6</td></tr></table></div> <div>(6) The implementation of risk management policies and risk evaluation measures: The Company has established the "Risk Assessment Board (RAB)" to review the Company's major transactions to reduce risks. Please refer to pages 190-196 for other risk management policies.</div> <div>(7) Customer protection policy: The Company is an information service company and provides service lines for various service items to protect customer interests.</div>	Title	Name	Course	Hours	Vice President/ CFO	Chung, Chih-Chun	Liabilities of Directors and Supervisors in Merger and Acquisition	3	Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	Accounting Manager	Cheng, Yuan-Yih	Liabilities of Directors and Supervisors in Merger and Acquisition	3	Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	12	Audit Manager	Tsai, Chun-Hsiung	Liabilities of Directors and Supervisors in Merger and Acquisition	3	Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3	Practice and Case Analysis of Accounting and Taxation Audits for Taiwanese Companies in China	6	"Sales and Receivables Cycle" in Computerized Auditing in Practice for the Internal Auditing Staff	6	
Title	Name	Course	Hours																													
Vice President/ CFO	Chung, Chih-Chun	Liabilities of Directors and Supervisors in Merger and Acquisition	3																													
		Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3																													
Accounting Manager	Cheng, Yuan-Yih	Liabilities of Directors and Supervisors in Merger and Acquisition	3																													
		Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3																													
		Ongoing Education for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	12																													
Audit Manager	Tsai, Chun-Hsiung	Liabilities of Directors and Supervisors in Merger and Acquisition	3																													
		Analysis and Impact of Taiwan's Anti-Tax Avoidance Laws	3																													
		Practice and Case Analysis of Accounting and Taxation Audits for Taiwanese Companies in China	6																													
		"Sales and Receivables Cycle" in Computerized Auditing in Practice for the Internal Auditing Staff	6																													

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
			(8) Liability Insurance for Directors: The Company has purchased liability insurance for Directors and managerial officers in 2017 and reported to the Borad Meeting on March 23, 2017.	
<p>9. Please describe the improvements of the corporate governance evaluation results released by the corporate governance center of the Taiwan Stock Exchange Corporation in the last year, and propose priority matters or measures to strengthen areas yet unimproved. (No need to be filled in by companies that were not subject to evaluation).</p> <p>(1) The Company continues to update and optimize related information on corporate governance on the company website to provide investors with the actual operations and corporate governance of the Company.</p> <p>(2) The Company shall provide related information for the shareholders' meetings in English for reference by foreign investors in order to increase shareholder attendance rates at shareholder meetings and to ensure that shareholders may exercise their rights at such meetings in accordance with the law.</p>				

III. Corporate Governance

3.4.4 Composition, Responsibilities and Operations of the Remuneration Committee

A. 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	Huang, Jih-Tsan		V	V	V	V	V	V	V	V	V	V	3	N/A
Independent director	Cheng, Huang-Yen		V	V	V	V	V	V	V	V	V	V	1	N/A
Independent director	Cheng, Wen-Feng			V	V	V	V	V	V	V	V	V	0	N/A

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.

III. Corporate Governance

B. Attendance of Members at Remuneration Committee Meetings

The Compensation Committee comprised of 3 members.

A total of 1 (A) Remuneration Committee meeting of the Seventh Board of Directors were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Cheng, Huang-Yen	1	0	100%	
Committee Member	Huang, Jih-Tsan	1	0	100%	
Committee Member	Cheng, Wen-Feng	1	0	100%	

A total of 2 (A) Remuneration Committee meetings of the Eighth Board of Directors were held in the previous period. The attendance record of the Remuneration Committee members was as follows:

Title	Name	Attendance in Person(B)	By Proxy	Attendance Rate (%) 【 B / A 】	Remarks
Convener	Cheng, Huang-Yen	2	0	100%	
Committee Member	Huang, Jih-Tsan	2	0	100%	
Committee Member	Cheng, Wen-Feng	2	0	100%	

Other mentionable items:

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

III. Corporate Governance

3.4.5 Implementation of Corporate Social Responsibility

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
1. Exercising Corporate Governance (1) If the Company established corporate social responsibility ("CSR") policy or system and reviewed its implementation and effectiveness?	V		(1) The Company discloses and publicizes related CSR performance results on the corporate website. It also includes corporate governance, customer and supplier relations, employee relations, workplace environment, social welfare, and honest information disclosure related to CSR into the Company's "Employee Code of Conduct," "Internal Material Information Disclosure Operating Guidelines" and review the effects of implementation.	None
(2) If the Company conducted CSR related trainings?	V		(2) The Company sponsors the social enterprise Data for Social Good Corporation (DSP) in organizing multiple training sessions to help enterprises, nonprofit organizations, and government organizations cultivate cross-disciplinary data science talents that help society harness the power of data and resolve social issues. The Company organizes the periodic Youth IT Leader Training Camp each year to provide youths with training courses and opportunities for actual operations. The program helps recent graduates gain advance knowledge of the environment and culture in their future careers in order to help them adapt to new life in the workplace from life on campus. The Company cultivates youth IT talents to intensify the development of the competitiveness of Taiwan's future technologies, economy, and talents. The Company organizes the programming competition in the Young Turing Program (YTP) to provide resources and encourage Taiwanese youths to join the software industry. Employees actively participated as instructors to educate students by themselves in order to cultivate future software talents for Taiwan.	
(3) If the Company set up a unit exclusively or concurrently to execute CSR policies and if the Board appointed member(s) of management team to supervise and report its implementation status to the Board?	V		(3) The Company's Human Resources Department, Commerce Department, and its Marketing Planning and Public Relations Division are also responsible for advancing and promoting various CSR activities.	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
(4) If the Company adopted appropriate remuneration policies, integrated employee performance appraisal with CSR policies, and established a clear and effective incentive and discipline system?	V		(4) The Company's remuneration policy meets requirements in laws and regulations and is based on a policy of "high performance, high contribution, and high remuneration." The Company also included CSR into the "Systex Corporation and Affiliate Enterprise Employee Code of Conduct" and "Internal Material Information Disclosure Operating Guidelines." For instance, relations with customers and suppliers shall comply with anti-corruption values and employees may not accept inappropriate gifts or conduct private sales to become the Company's suppliers. Violations shall be punished in accordance with Work Rules and periodic education shall be adopted to increase employees' recognition and implementation of CSR.	
2. Fostering a Sustainable Environment (1) If the Company endeavored to utilize resources more efficiently and utilized renewable materials which have a lower impact on the environment?	V		(1) a. Paper recycle and destruction procedures: In addition to daily recycling and waste classification, the Company also adopts a waste paper recycling method for paper that do not contain confidential or personal information. Documents with personal or confidential information are periodically gathered to be delivered by a designated transportation company to a contracted professional document destruction plant after approval by the supervisor. The destruction and recycling shall be conducted on site and photographs shall be taken for records to comply with regulations in the Personal Information Protection Act and the environmentally friendly resource recycling principles. b. Processing discarded computers: Contents in media with personal information (such as hard drives) shall be deleted before physical destruction and discarding; computers without hard drives shall be delivered directly to a recycling plant after completion of discarding procedures. c. The Company adopts systematic and digitized forms to replace paper application forms with the goal of reducing produced waste by 10% this year.	None
(2) If the Company established proper environment management system based on the characteristics of the industry where the Company belongs to?	V		(2) SYSTEX is an information service company, there is not applicable ISO 14001 or similar environmental management system validation.	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
(3) If the Company monitored the impact of climate change on the Company's business operations, checked greenhouse gas inventory and established corporate strategies on energy conservation and reduction on carbon and greenhouse gas emission?	V		<p>(3)a. Carbon emissions reduction goal: To comply with the government's energy conservation and carbon emissions reduction policy, the Company installed energy efficient equipment and educates employees in taking public transportation in their commute in order to reduce the air pollution and carbon dioxide emissions in Neihu Technology Park. The Company's target is to reduce carbon emissions by 5% this year.</p> <p>b. Energy saving goals:</p> <p>(a)The Systex Neihu headquarters building lowered its total electricity consumption in 2016 by 92,960 kWhs from 2015, which equals of a reduction of 49 tonnes of CO2 emissions and a conservation ratio of 1.5%. Variable frequency pumps and control system were installed in the air-conditioning cooling tower of the building at the end of 2016. The equipment is expected to lower electricity consumption by 120,000 kWhs, the equivalent of 63 tonnes of CO2 emissions.</p> <p>(b)The Company adjusted the temperature of the air-conditioning system to above 25 to 26 degrees Celsius. The pumps in the Systex Neihu headquarters building shall all be replaced by variable frequency pumps in 2017 to achieve higher energy savings and lower energy consumption of the chillers. The Company also adjusted the contracted capacity of each building with the goal of reducing carbon emissions by 5% this year.</p> <p>c. Waste reduction goal: The Company educates employees on recycling waste paper whenever possible and adopts systematic and digitized forms to replace paper application forms with the goal of reducing produced waste by 10% this year.</p> <p>d. Water conservation goal: The headquarters building of the Company installed automatic sensor faucets and adjusted the flush volume of toilets for the purpose of conserving water with the goal of reducing water consumption by 10% this year.</p>	
<p>3. Preserving Public Welfare</p> <p>(1) If the Company followed relevant labor laws, and internationally recognized human rights principal,</p>	V		(1) In addition to following the regulations in the Labor Standards Act and related laws, the Company also established an Employee Welfare Committee to provide various subsidies and organize events. In order to develop employer-employee	None

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
and established appropriate management policies and procedures?			relationships and foster cooperation, the Company has organized employer-employee meetings in accordance with regulations.	
(2) If the Company established grievance channel for employees and handled complaints appropriately?	V		(2) The Company has established an Audit Committee mailbox and President mailbox for colleagues to file complaints or report on illegal activities.	
(3) If the Company provided safe and healthy working environment to employees and conducted relevant training on safety and health management to employees periodically?	V		(3) The Company conducts a "fire safety equipment inspection report" once every year to ensure the effectiveness of fire safety equipment in the building. The Company also organizes fire safety education and training every six months to enhance the education of fire safety and the management of workplace safety. The Company submits a report on the maintenance of the building every two years to ensure its safety. The Company also appoints general physicians to provide employees with consulting services every two months and educate employees on the correct way of seeking medical treatment. The building is equipped with automated external defibrillator (AED) to respond to sudden cardiac arrests and the Company provides periodic CPR and other first aid education.	
(4) If the Company established a periodical communication mechanism to employees and notified employees of significant changes that may impact the Company's operation in a proper manner?	V		(4) The Company established the SYSTALK Club on Facebook to use the social media to display the Company's related activities and share information. It also uses the platform as a place to exchange opinions. A "Corporate Bulletin Board" is set up on the employee enterprise information portal (EIP) to provide related news and information of the Company and event information.	
(5) If the Company provided career planning, relevant training and skill development for employees?	V		(5) Six categories of training are established in the Company's talent development system in accordance with the Company three core competitive strengths (project management, software development and integration, industry knowledge) and structure of job functions. The six categories include basic knowledge, personal performance, quality management, managerial development, technical development, and project management. They are used to cultivate top talents to be optimal IT strategy partners for clients. The Company conducts an inventory of key talents each year, arranges appropriate	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
(6) If the Company established any consumer protection measures with regard to the process of research and development, procurement, production, operations and services and its grievance channels?	V		<p>education plans, and outline personal career development plans in accordance with job requirements. It allows employees to select the most suitable method of learning by providing diversified channels for continuous studies and retain their competitive capabilities.</p> <p>(6) The Company is a leading company in Taiwan's information service industry and it places high value on the protection of consumer rights in procedures including the provision, establishment, management, maintenance and operations of information services. The Company provides comprehensive systems and complaint procedures in accordance with individual requirements based on the operating methods and service procedures derived from the nature of the product and services in order to protect consumer rights. For instance, a customer service center has been established for financial related products and an online service and support center has been established for product and system maintenance to provide high quality support services to clients. The Company also actively introduced international certification and standards such as the ISO 9001 quality management certification, ISO 27001 information security management system, ISO 22301 business continuity management system, BS 10012 personal information management system etc. to enhance information security management and ensure data, system, equipment, and network security as well as personnel security, legal compliance, customer interests, protection of personal information etc.</p>	
(7) If the Company followed relevant laws and regulations and international guidelines on marketing and labeling of products and services?	V		<p>(7)a. The Company's "Information Management and Integration Service Department" received ISO 9001 quality management certification, ISO 27001 information security management certification, ISO 22301 business continuity management system certification, and BS 10012 personal information management system certification; the "Internet Operations Center and Finance Network Service Department" received ISO 27001 information security management certification.</p> <p>b. The design and construction services for government websites provided by the Company all comply with related regulations and international norms such as: the handicap-free web development guidelines, website version and content management regulations, government website construction and</p>	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
<p>(8) Prior to engaging commercial dealings, if the Company assessed whether the supplier had track record o negative impact on the environment and society?</p> <p>(9) If the contracts with major suppliers stipulated a clause that allowed the Company to terminate or rescind the contract at any time shall the suppliers violate CSR policies and cause significant impact to the environment and society?</p>	V		<p>operations reference guide, Guidelines in Operation of Web 2.0, and the foreign language self-detection website system. They have also received multiple awards including the administrative institution website contest awards, innovative service quality awards, and website operations performance review awards.</p> <p>(8) Before conducting business with a supplier, the Company reviews its company registration form, business tax declaration form, and the supplier's basic information form. The Company also searches for related information on the Ministry of Finance and Ministry of Economic Affairs websites to verify whether it has violated related laws or social norms. The Company also periodically conducts investigation and monitoring on suppliers which have been reported as having bad credit to prevent unlawful activities.</p> <p>(9) The Company encourages its suppliers to participate in related CSR activities and comply with related requirements. If the Company learns of a violation by the supplier and is provided with specific evidence, investigations shall commence immediately. If the violation was proven to be true, the supplier shall be required to make improvements within a specified time period; in the event of severe violations, the supplier shall no longer be allowed to conduct business with the Company.</p>	
<p>4. Enhancing Information Disclosure</p> <p>(1) If the Company disclosed CSR report and other relevant information on its corporate website and MOPS?</p>	V		<p>(1) The Company discloses its related CSR information and charitable social events on the corporate website.</p>	None
<p>5. If the Company established any guideline of corporate social responsibility in accordance with "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and please state the implementation status of the guideline and any reasons for non-implementation: N/A</p>				
<p>6. Other material information that helps to understand the operation of corporate social responsibility:</p> <p>(1) The Company actively and periodically discloses its related CSR information and multiple charitable social events on the corporate website. In 2016, the Company continued its dream-fulfillment project with the Hua Kuang Intelligence Development Center and continues to organize pastry purchase events to carry on the spirit of love and caring. The Company encourages colleagues to actively participate and use the power of kindness to help the angels of Hua Kuang maintain their capabilities for independence and help the Center to continue to provide social functions including occupational training, job placement, and activities in order to help more individuals with intellectual disabilities and disadvantaged families.</p> <p>(2) In 2016 the Company organized the Young Turing Program for the purpose of uncovering young software talents and use forces in the private sector to provide resources</p>				

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
and encourage Taiwanese youths to join the software industry by teaming up with enterprises in the industry with similar perspective. The Program cultivates brilliant young software talents to achieve breakthroughs in a world where standards have been typically set by the West. The 2016 YTP programming challenge competition included close to 60 senior high school students from Taiwan in 20 teams. Students with outstanding performance can receive prizes and scholarships and they also have opportunities to visit new start-ups or universities in Silicon Valley. Systex Group dedicates its efforts on uncovering, encouraging, and assisting young talents and invests resources in helping them in hopes that they could become innovators and entrepreneurs to increase the standards of the software industry in Taiwan and build Taiwan's soft power.				
7. Please provide further description for company product or corporate social responsibility report which is certified by relevant organization: None.				

III. Corporate Governance

3.4.6 Implementation of Ethical Corporate Management Best Practice Principles

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
1. Ethical Corporate Management Policy				
(1) If the Company clearly specified ethical corporate management and process in its internal policies and external document? If the Board of Directors and the management team committed to enforce such policies rigorously and thoroughly?	V		(1) The Company has established the "Ethical Corporate Management Best Practice Principles" to assist the Company in fostering a corporate culture of ethical management and sound development, and offer a reference framework for establishing good commercial practices.	None
(2) If the Company established any measures to prevent unethical conduct and clearly prescribed the specific ethical management practice including operational procedures, guiding principles, penalties and grievance channels?	V		(2) The Company has established the "Ethical Corporate Management Operating Procedures and Code of Conduct" for the employees to maintain principles of honesty and integrity when conducting business and abide by laws and regulations while complying with professional code of conduct. The Company also established the "Employee Code of Conduct" to convert the Company's business ideals and values into institutionalized regulations.	
(3) If the Company adopted any preventive measures against business activities specified in the second paragraph of Article 7 of Ethical Corporate Management Best Practice Principles for TWSE/GTSE Listed Companies or in other business activities within the business scope which are possibly at a higher risk of being involved in an unethical conduct?	V		(3) The "Employee Code of Conduct" was established for the employees to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business.	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
2. Implementation of Ethical Corporate Management				
(1) If the Company checked whether the respective counterparty holds any record of unethical misconduct and if the contract terms required the compliance of ethical corporate management policy?	V		(1) Before conducting transactions, the Company shall assess the legitimacy of the transaction counterparty and consider whether it has prior records that are unethical. The Company maintains business ideals of honesty and integrity and it has established sound corporate governance and risk management mechanisms to be implemented in internal management and external business activities.	None
(2) If the Company set up a unit, under the direct supervision of the Board of Directors, to handle the implementation of ethical corporate management and reported to the Board of Directors periodically?	V		(2) The Company's various functional departments promote ethical corporate business ideals and supervise one another through organizational arrangements. The Audit Department is responsible for day-to-day implementation of various internal auditing tasks and the results of audits are reported to the Board of Directors.	
(3) If the Company established a policy on prevention of conflict of interests, provided appropriate reporting channel and executed rigorously and thoroughly?	V		(3) The Company has established a stakeholder area on the company website and assigned a contact window to be directly responsible for communications with stakeholders. The Company respects and maintains their legal rights and they may contact the Company through telephone or email at any time. The email of the Audit Committee is also established on the company website as a channel for stakeholders to provide suggestions or file complaints.	
(4) If the Company established an effective accounting system and internal control system to implement ethical corporate management, and if internal auditing department or CPA conducted periodic auditing?	V		(4) The Company established its accounting system and internal control system in compliance with regulations. The Audit Department established the Enforcement Rules of Internal Auditing and uses the Rules to implement and evaluate the current control systems, the effectiveness of procedures, and the compliance system. The Audit tasks mainly include audit plans approved by the Board of Directors as well as project auditing or review in accordance with requirements. The internal audit and review of the self-inspections conducted by various units and results of comprehensive	

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
(5) If the Company organized training and awareness programs on ethical corporate management to internal and external parties?	V		self-inspections are reported to the Board of Directors as evaluation of the effectiveness of the overall internal control system and the basis of the submission of the Statement on Internal Control. (5) The Company conducts education and training for employees and announces the "Employee Code of Conduct" on the Company's internal website. The Company also notifies each employee through mail each month to remind them to abide by laws and regulations, comply with professional code of conduct, and maintain principles of honesty and integrity when conducting business.	
3. Implementation of whistleblowing system (1) If the Company established a whistleblowing and reward system? Upon receiving a reported case, is there a dedicated personnel handling the reported case?	V		(1) The Company has established channels for filing internal complaints. If an employee learns of another employee's violation of the Employee Code of Conduct or any actions that could potentially conflict with company interests, he/she may email detailed information to the President's or the Audit Committee's mailbox. Dedicated personnel shall be responsible for processing and all complaints shall remain completely confidential. Verification shall be conducted through independent channels to protect the individual reporting the violation.	None
(2) If the Company established standard operational procedures and relevant information confidentiality policy for investigation of reported cases?	V		(2) The Company has established the "Employee Code of Conduct" and provides complete confidentiality for whistleblowers and reported items.	
(3) If the Company established any measures for protecting whistleblowers from inappropriate disciplinary actions?	V		(3) The company protects the identity of whistleblowers from inappropriate treatment and threats that may arise from the report.	
4. Information Disclosure (1) If the Company disclosed ethical corporate management policy	V		(1) The Company discloses its ethical business policies in the internal regulations, corporate website, and annual reports.	None

III. Corporate Governance

Item	Implementation Status			Reason for Non-implement
	Yes	No	Summary Description	
and its status of implementation via corporate website or Market Observation Post System?				
5. If the Company established any guideline of ethical business conduct in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", please state the implementation status of the guideline and any reasons for non-implementation? There have been no differences.				
6. If any other information that helped to understand the operation of ethical business conduct and its implementation? (1) The Company's "Rules and Procedures for Board of Directors Meetings" stipulates a recusal system for avoiding conflict of Directors' interests. Directors shall uphold a high level of self-discipline and in the event of a conflict of interest as Director or as a representative of an institutional entity with respect to a specific matter on the agenda that could potentially damage company interests, the Director may not take part in the discussion and voting processes nor represent any other Director during voting. (2) The Company's "Internal Material Information Disclosure Operating Guidelines" established regulations on the confidentiality of confidential information obtained in business activities to prevent inappropriate leaks of information.				

3.4.7 Corporate Governance Guidelines and Regulations

Please refer to the Company's website at www.systex.com.

3.4.8 Other Important Information Regarding Corporate Governance

A. The Company has established the "Internal Material Information Disclosure Operating Guidelines" to prevent inappropriate disclosure when the Company's Directors, managerial officers or employees process or disclose material information and maintain consistency and accuracy in disclosure of information. The main contents are:

- (a) Applicable targets, scope of internal material information, and entities responsible for implementation.
- (b) Operating procedures for keeping internal material information confidential.
- (c) Operating procedures for disclosing internal material information.
- (d) Processing irregularities and violations.

The "Internal Material Information Disclosure Operating Guidelines" have been passed by the Company's Board of Directors in a resolution and announced on the Company's internal website.

To implement the Company's spokesperson system and confidentiality of internal material information, the Company has established the "Internal Material Information Disclosure Operating Guidelines" and the "Internal Material Information Confidentiality Firewall Operating Guidelines" which are also announced on the Company's internal website.

B. Other Important Information Regarding Corporate Governance: please refer to pages 43-46 of "Corporate Governance Implementation Status and Deviations from "the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies" " No.8.

3.4.9 Internal Control System Execution Status

A. Statement of Internal Control System

Please refer to page 43 of the Chinese annual report.

B. If CPA was Engaged to Conduct a Special Audit of Internal Control System, Provide Its Audit Report: None.

3.4.10 Major Resolutions of Shareholders' Meeting and Board Meetings

A. Important resolutions from the annual shareholders' meeting on June 17, 2016 and current status:

- (a) Approved the amended "Articles of Incorporation."
- (b) Ratified the business report and the financial statements for 2015.
- (c) Ratified the earnings distribution proposal for 2015.
- (d) Approved the proposal for distributing cash dividend from the Company's capital reserve.
- (e) Approved the amended "Operating Procedures for Fund Lending."
- (f) Election of 8th-term Directors.
- (g) Approved the removal of non-compete clause for 8th-term Directors.

Review of the current status of the implementation of resolutions:

- (a) The 2015 earnings distribution proposal and the proposal for distributing cash dividend from the Company's capital reserve have been carried out and all dividends have been distributed to shareholders on July 27, 2016 after the resolution in the annual shareholders' meeting.
- (b) The amended "Articles of Incorporation" and the "Operating Procedures for Fund Lending" have come into force after approval of the annual shareholders' meeting.
- (c) The election of 8th-term Directors had been completed.

B. Important resolutions of Board meetings in 2016 and during the current fiscal year up to the date of publication of the annual report:

(a) March 22, 2016:

- i. Approved the "Statement of Internal Control System" for 2015.
- ii. Approved the business report and the financial statements for 2015.
- iii. Approved the 2015 earnings distribution proposal.
- iv. Approved the proposal for distributing cash dividend from the Company's capital surplus.
- v. Approved the amended "Operating Procedures for Fund Lending."
- vi. Approved the proposed baseline date for issuance of new shares associated with employee exercising stock option plan.
- vii. Approved the proposal for the election of 8th-term Directors in the 2016 general shareholders' meeting.
- viii. Approved the nominated candidate list for Directors and Independent Directors.
- ix. Approved the removal of non-compete clause for 8th-term Directors.
- x. Approved the proposed calling of 2016 general shareholders' meeting.
- xi. Approved the 2015 employee remuneration distribution plan.
- xii. Approved the 2015 Director remuneration distribution plan.
- xiii. Approved the review results of managerial officers for the second half of 2015 and the calculation and distribution of non-financial indicator bonuses.
- xiv. Approved the 2016 KPI settings and remuneration structure for managerial officers.
- xv. Approved the year-end bonus, first group performance reward, and annual remuneration for managerial officers for 2015.

(b) May 5, 2016:

- i. Reviewed and passed candidate qualifications for the 8th-term Directors and Independent Directors.
- ii. Approved the evaluation report concerning the independence of this Company's certifying accountant.
- iii. Formulated and passed the Company's financing loan credit line contract with financial institutions.
- iv. Approved the proposed endorsement guarantee for Systex Group (China) Ltd.

III. Corporate Governance

- v. Approved the proposed endorsement guarantee for Systex Ucom (Shanghai) Information Technology Co., Ltd.
- (c) June 17, 2016 (I):
 - i. Election of the Company's Chairman.
 - ii. Approved the proposal for the establishment of an Audit Committee as a functional committee under the Board of Directors.
 - iii. Approved the proposal for the establishment of a Remuneration Committee as a functional committee under the Board of Directors.
- (d) June 17, 2016 (II):
 - i. Approved the proposal for investment in the cumulative corporate bonds without maturity date of Nan Shan Life Insurance Co., Ltd.
- (e) August 11, 2016:
 - i. Approved the proposed endorsement guarantee for Systex Group (China) Ltd. by Systex Information (Shanghai) Ltd. and Ucom Information Ltd. (Shanghai).
 - ii. Approved the amended "Regulations on Director Remuneration."
 - iii. Approved the review results of managerial officers for the first half of 2016 and the calculation and distribution of non-financial indicator bonuses.
 - iv. Approved the group performance reward and second employee bonus distribution for managerial officers for 2015.
- (f) October 11, 2016:
 - i. Approved the subsidiary Systex Capital Group, Inc.'s disposition of shares in AFE Solutions Limited and Bisnews International Limited.
- (g) November 10, 2016:
 - i. Approved the disposition of shares in Systex Solutions (HK) Limited by subsidiary Kimo.com (BVI) Corporation.
- (h) December 22, 2016:
 - i. Approved the 2017 Internal Control Plan.
 - ii. Approved the consolidated operating budget for 2017.
 - iii. Formulated and passed the Company's financing loan credit line contract with financial institutions.
 - iv. Approved the Company's endorsement guarantee for Systex Software & Service Corporation.
 - v. Approved the Company's endorsement guarantee for Systex Solutions Corporation.
 - vi. Approved the amended "Stock Trading Halt and Resumption Application Procedure."
 - vii. Approved the amended "Corporate Governance Principles."
- (i) January 23, 2017:
 - i. Approved the Company's disposition of shares in Shenzhen Forms Syntron Information Co., Ltd.
 - ii. Approved the subsidiary Systex Capital Group, Inc.'s loans to subsidiary Systex Solutions (HK) Limited.
- (j) March 23, 2017:
 - i. Approved the "Statement of Internal Control System" for 2016.
 - ii. Approved the amended "Internal Control System."
 - iii. Approved the business report and the financial statements for 2016.
 - iv. Approved the 2016 earnings distribution proposal.
 - v. Approved the proposal for distributing cash dividend from the Company's Capital Surplus.
 - vi. Approved the 2016 employee remuneration distribution plan.
 - vii. Approved the 2016 Director remuneration distribution plan.
 - viii. Approved the amended "Procedures for the Acquisition and Disposal of Assets."
 - ix. Approved the proposed calling of 2017 general shareholders' meeting.
 - x. Approved the Company's financing loan credit line contract with financial institutions.
 - xi. Approved the endorsement guarantee for Systex Group (China) Ltd.

III. Corporate Governance

- xii. Approved the amended regulations on salary and remuneration of managerial officers.
- xiii. Approved the review results of managerial officers for the second half of 2016 and the calculation and distribution of non-financial indicator bonuses.
- xiv. Approved the distribution of year-end bonus, group performance reward and employee remuneration, excess profit bonus and annual remuneration for managerial officers for 2016.
- xv. Approved the 2017 KPI settings and remuneration structure for managerial officers.
- (k) April 14, 2017:
 - i. Approved the cancellation of agreement for transfer of shares of Shenzhen Forms Syntron Information Co Ltd.
- (l) May 4, 2017: None.

3.4.11 Major Issues of Record or Written Statements Made by Any Director or Independent Director Dissenting to Important Resolutions Passed by the Board of Directors: None.

3.4.12 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D: None.

3.5 Information Regarding the Company's Audit Fee and Independence

Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche Accounting Firm	Lin, Shu-Wan	Shue, Shiow-Ming	2016.01.01~2016.12.31	

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		V	
2	NT\$2,000,00 ~ NT\$4,000,000			
3	NT\$4,000,00 ~ NT\$6,000,000	V		V
4	NT\$6,000,00 ~ NT\$8,000,000			
5	NT\$8,000,00 ~ NT\$10,000,000			
6	Over NT\$100,000,000			

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Deloitte & Touche Accounting Firm	Lin, Shu-Wan	5,500	-	-	-	220	220	2016.01.01~2016.12.31	
	Shue, Shiow-Ming								

III. Corporate Governance

3.6 Information Regarding the Replacement of CPA

3.6.1 Regarding the former CPA

Replacement Date	January 1, 2016		
Replacement reasons and explanations	The internal adjustment of accounting firms.		
Describe whether the Company terminated or the CPA did not accept the appointment	<div>Parties</div> <div>Status</div>	CPA	The Company
	Termination of appointment	N/A	N/A
	No longer accepted (continued) appointment	N/A	N/A
Other issues (except for unqualified issues) in the audit reports within the last two years	Modified unqualified opinion The financial statements of part of investments accounted for using equity method are based solely on the reports of the other auditors.		
Differences with the company	Yes		Accounting principles or practices
			Disclosure of Financial Statements
			Audit scope or steps
			Others
	None	V	
	Remarks/specify details:		
Other Revealed Matters	None		

3.6.2 Regarding the successor CPA

Name of accounting firm	Deloitte & Touche Accounting Firm
Name of CPA	Lin, Shu-Wan ; Shue, Shiow-Ming
Date of appointment	January 1, 2016
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

III. Corporate Governance

3.7 Audit Independence

If the chairman, president, and financial or accounting manager of the Company who had worked for the independent auditor or the related party in the most recent year, the name, title, and the term with the independent auditor or the related party must be disclosed: None.

3.8 Changes in Shareholding of Directors, Managers and Major Shareholders

Title	Name	2016		As of April 18, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Huang, Tsong-Jen	-	-	-	-
Director/ President	Lin, Lung-Fen	-	-	-	-
Director/ Chief Strategy Officer	Cheng, Deng-Yuan	(10,000)	-	(30,000)	-
Director	Lu, Ta-Wei	(1,700,000)	-	-	-
Director	Shaw, Shung-Ho	200,000	-	-	-
Director	Hsieh, Chin-Ho	-	-	-	-
Director	Huang, Ting-Rong (Note1)	-	-	-	-
Director	Huang, Chi-Rong (Note1)	-	-	-	-
Director	Joway Investment Co.,Ltd	-	-	-	-
Director Representative	Lin, Chih-Min	-	-	-	-
Director Representative	Huang, Yi-Shiung	-	-	-	-
Independent Director	Huang, Jih-Tsan	-	-	-	-
Independent Director	Cheng, Huang-Yen	-	-	-	-
Independent Director	Cheng, Wen-Feng	-	-	-	-
Vice President/ CFO	Chung, Chih-Chun	-	-	-	-
Senior Vice President	Yang, Shih-Chung	-	-	-	-
Senior Vice President	Fan, Jee-Der	118,000	-	(151,000)	-
Senior Vice President	Su, Kou-Lin	-	-	-	-
Vice President	Chang, Huang-Yu	(12,000)	-	-	-
Vice President	Yeh, Chen-Min	-	-	-	-
Vice President	Chang, Ying-Chin	75,000	-	-	-
Vice President	Lin, Wen-Kuei	125,000	-	(33,000) (Note 3)	-
Vice President	Lee, Su-Yue	-	-	-	-
Vice President	Tang, Yin-Soon	-	-	-	-
Accounting Manager	Cheng, Yuan-Yih	-	-	-	-
Vice President/ CHO	Huang, Yu-Jen (Note 2)	N/A	N/A	-	-
Vice President	Hsiao, Wei-Chun (Note 2)	N/A	N/A	-	-

III. Corporate Governance

Title	Name	2016		As of April 18, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Vice President	Fu, Hsiao-Chi (Note 2)	-	-	N/A	N/A
Vice President	Hsieh, Shu-Heng (Note 2)	60,000	-	N/A	N/A
Vice President	Huang, Chun-Chieh (Note 2)	-	-	-	-
Major Shareholder	None	N/A	N/A	N/A	N/A

Note 1: The comprehensive election of Directors was held on June 17, 2016. Huang, Ting-Rong and Huang, Chi-Rong (term expired on June 16, 2016), originally representatives of institutional director Joway Investment Co., Ltd., were elected under their own names (their terms started on June 17, 2016).

Note 2: Fu, Hsiao-Chi left in 2016.10, Hsieh, Shu-Heng retired in 2016.12, Huang, Chun-Chieh left in 2017/02, Huang, Yu-Jen took office in 2017/03 and Hsiao, Wei-Chun were promoted in 2017.03. (The increase or decrease in the number of shares held by the above-mentioned persons is the change before or after the expiry.)

Note 3: Lin, Wen-Kuei filed for the transfer of 33,000 shares on April 18, 2017 (2017 shareholders' regular closing days), this transfer was not included in the count.

3.8.1 Shares Trading with Related Parties

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
Director Lu, Ta-Wei	Given	2016.03.28	Hung, Tsai-Ling	spouse	1,700,000	N/A
Director Lu, Ta-Wei	Given	2017.05.15	Hung, Tsai-Ling	spouse	350,000	N/A

3.8.2 Shares Pledge with Related Parties: None.

III. Corporate Governance

3.9 Relationship among the Top Ten Shareholders

As of April 18, 2017

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relationship	
Joray CO.,LTD Chairman: Lai, Yung-Sung	23,072,559	8.56	-	-	-	-	-	-	
Hanmore Investment Corp. Chairman: Wu, Cheng-Huan	21,316,678	7.91	-	-	-	-	-	-	
Huang, Tsong-Jen	20,755,750	7.70	2,008,634	0.75	-	-	Ching Pu Investment Corp. Asiavest Capital Co.,Ltd	Chairman Chairman	
Ching Pu Investment Corp. Chairman: Huang, Tsong-Jen	12,981,476	4.82	-	-	-	-	Huang, Tsong-Jen	Chairman	
Chunghwa Post Co.,Ltd. Chairman: Weng, Wen-Chi	11,924,000	4.43	-	-	-	-	-	-	
Yu Yeh Investment Corp. Chairman: Wan, Chia-Chen	7,108,000	2.64	-	-	-	-	-	-	
Asiavest Capital Co.,Ltd Chairman: Huang, Tsong-Jen	3,500,000	1.30	-	-	-	-	Huang, Tsong-Jen	Chairman	
Hung Hsin International Ltd. Chairman:Cho, Yi-Tsui	2,377,661	0.88	-	-	-	-	-	-	
Norges Bank	2,225,700	0.83	-	-	-	-	-	-	
NEW TALENT LIMITED	2,213,938	0.82					-	-	

III. Corporate Governance

3.10 Ownership of Shares in Affiliated Enterprises

Unit: shares/ % As of December 31, 2016

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Kimo.com (BVI) Corp.	28,500,000	100.0	0	0	28,500,000	100.0
System Capital Group, Inc.	3,550	100.0	0	0	3,550	100.0
Ching Pu Investment Corp.	126,151,931	100.0	0	0	126,151,931	100.0
System Software & Service Corp.	54,450,000	100.0	0	0	54,450,000	100.0
Taifon Computer Co., Ltd	20,000,000	100.0	0	0	20,000,000	100.0
Golden Bridge Information Corp.	23,000,000	100.0	0	0	23,000,000	100.0
System Solutions Corp.	26,000,000	100.0	0	0	26,000,000	100.0
Concord System Management Corp.	20,221,673	100.0	0	0	20,221,673	100.0
Nexsys Corp.	15,500,000	100.0	0	0	15,500,000	100.0
Naturint Ltd.	2,000,000	100.0	0	0	2,000,000	100.0
ETU Corp.	9,000,000	78.3	710,000	6.2	9,710,000	84.5
Hanmore Investment Corp.	9,640,680	48.9	0	0	9,640,680	48.9
Systemweb Technologies Co., Ltd	2,450,000	33.3	0	0	2,450,000	33.3
System Infopro Co., Ltd.	20,000	20.0	0	0	20,000	20.0
Yan Key Information Corp.	1,500,000	19.0	0	0	1,500,000	19.0
Sanfran Technology Inc.	2,114,594	13.8	0	0	2,114,594	13.8
Syspower Corp.	900,000	4.5	15,914,470	79.6	16,814,470	84.1

Note: Affiliated enterprises have been invested by equity method.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

As of April 18, 2017

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$)	Shares	Amount (NT\$)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
2016/01	10	400,000,000	4,000,000,000	268,733,304	2,687,733,040	Employee options exercised: NT\$1,450,000	-	
2016/03	10	400,000,000	4,000,000,000	269,393,304	2,693,933,040	Employee options exercised: NT\$6,200,000	-	

B. Type of Stock

As of April 18, 2017

Type of Stock	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	269,393,304	130,606,696	400,000,000	None

C. Information for Shelf Registration : None.

4.1.2 Composition of Shareholders

As of April 18, 2017

Type of Shareholders \ Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	2	1	108	36,974	209	37,294
Shareholding (shares)	1,490,000	11,924,000	90,728,310	121,113,484	44,137,510	269,393,304
Holding Percentage (%)	0.55	4.43	33.68	44.96	16.38	100.00

IV. Capital Overview

4.1.3 Distribution of Shareholding

A. Common Shares

As of April 18, 2017

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage (%)
1 ~ 999	21,174	5,727,186	2.13
1,000 ~ 5,000	13,151	26,329,505	9.77
5,001 ~ 10,000	1,539	11,916,280	4.42
10,001 ~ 15,000	414	5,306,827	1.97
15,001 ~ 20,000	286	5,276,488	1.96
20,001 ~ 30,000	232	5,914,788	2.20
30,001 ~ 50,000	162	6,490,166	2.41
50,001 ~ 100,000	142	9,969,517	3.70
100,001 ~ 200,000	80	11,351,083	4.21
200,001 ~ 400,000	39	10,912,014	4.05
400,001 ~ 600,000	20	10,108,503	3.75
600,001 ~ 800,000	9	6,245,498	2.32
800,001 ~ 1,000,000	12	10,606,846	3.94
1,000,001 or over	34	143,238,603	53.17
Total	37,294	269,393,304	100.00

B. Preferred Shares: None.

4.1.4 Major Shareholders

As of April 18, 2017

Shareholding Shareholder's Name	Shares	Percentage (%)
Joray CO., LTD	23,072,559	8.56
Hanmore Investment Corp.	21,316,678	7.91
Huang, Tsong-Jen	20,755,750	7.70
Total	65,144,987	24.17

IV. Capital Overview

4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items \ Year			2015	2016	Current year to March 31, 2017
Market Price per Share	Highest Market Price	Diluted	85.00	62.00	70.00
		Adjusted	85.00	62.00	-
	Lowest Market Price	Diluted	44.65	46.20	57.00
		Adjusted	44.65	46.20	-
	Average Market Price	Diluted	65.61	55.11	63.56
		Adjusted	65.61	55.11	-
Net Worth per Share	Before Distribution		53.15	51.74	51.68
	After Distribution		53.15	51.74	-
Earnings per Share	Weighted Average Shares		246,072,776	246,074,153	245,983,453
	Earnings Per Share	Diluted	2.29	4.50	1.35
		Adjusted	2.29	4.50	-
Dividends per Share	Cash Dividends		5.00	5.00	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends		-	-	-
Return on Investment	Price / Earnings Ratio (Note 1)		25.83	11.99	-
	Price / Dividend Ratio (Note 2)		11.83	10.79	-
	Cash Dividend Yield Rate (Note 3)		8.45%	9.27%	-

Note 1: Price / Earnings Ratio = Average Market Price / Earnings per Share

Note 2: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share

Note 3: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

IV. Capital Overview

4.1.6 Dividend Policy and Implementation Status

A. Dividend policy under the Articles of Incorporation

In accordance with the overall environment and the industry's characteristics of growth as well as the Company's long-term financial plans for sustainable and stable development, the Company has adopted a residual dividend policy, which requires that annual funding requirements based on the Company's future capital budget plans are duly assessed and that required funding in earnings is retained before residual earnings are distributed as dividend. The distribution procedures are as follows:

- (1) The optimal capital budget is determined.
- (2) The amount of capital required to satisfy the capital budget in Paragraph (1) is determined.
- (3) The amount of funding required for financing to be supported by the retained earnings (the remaining can be supported through cash capital increase or corporate bonds etc.) is determined.
- (4) An appropriate amount of the residual earnings shall be retained in accordance with operational requirements before dividends are distributed to shareholders.

The Company distributes dividends through cash or stocks and cash dividends are prioritized. If dividends are distributed in stocks, the stock dividends shall not exceed 50% of the total dividends issued in the current year. The distribution of dividends may be dependent on the Company's current and future investment environment, funding requirements, domestic and foreign competition, and capital budgets while taking into consideration shareholder interests, balanced dividends, and the Company's long-term financial plans. The Board of Directors shall formulate dividend distribution methods or related options in accordance with the law and submit them to the shareholders' meeting for discussion and resolution.

B. Implementation status

- (1) The 2016 annual shareholders' meeting resolved to distribute NT\$673,483,260 in 2015 earnings and NT\$673,483,260 in capital reserve. Based on the 269,393,304 shares in external circulation, each share shall receive a cash dividend of NT\$5, the smallest unit of which is one dollar of the common currency (NT\$), decimals excluded.
- (2) The 2015 earnings distribution and cash dividend from capital reserve have been distributed to shareholders on July 27, 2016.

IV. Capital Overview

C. The proposal for the distribution of 2016 profits for 2017 Annual Shareholders' Meeting

Systex Corporation
Earnings Distribution Proposal
December 31, 2016

Unit: NTD

Items	Amount	
	Subtotal	Total
Beginning unappropriated retained earnings		1,587,221,713
Adjustment for investments accounted for using equity method	(7,497,500)	
Remeasurement on net defined benefit plan	(6,678,000)	
Add: Net income of 2016	1,108,267,790	
Retained earnings available for distribution		2,681,314,003
Distribution items		
Legal reserve	(110,826,779)	
Special reserve	(64,493,835)	
Cash dividends (NT\$3.5/per share)	(942,876,564)	
Total distribution		(1,118,197,178)
Ending unappropriated retained earnings		1,563,116,825

Chairman	Huang, Tsong-Jen
President	Lin, Lung-Fen
Accounting Manager	Cheng, Yuan-Yih

4.1.7 Employee Bonus and Directors' Remuneration

A. Information Relating to Employee Bonus and Directors' Remuneration in the Articles of Incorporation:

In the event the Company makes a profit during the fiscal year it shall set aside no less than 0.1% of the profits for employee remuneration. The remuneration for Directors shall be no higher than 2%. However, priority shall be given to reservation of funds for compensation of cumulative losses, if any.

The preceding employee remuneration may be paid in cash or shares, and shall be payable to employees of subsidiary companies who meet the requirements stipulated by the Board of Directors. Remuneration of directors as specified above may be distributed in cash only.

IV. Capital Overview

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

In the event of a material change to the distributed amount in the Board's decision after the end of the year, adjustment that reflect the change shall be made to the originally allocated annual expenses.

C. Remuneration proposals approved by the Board of Directors:

a. Remuneration of employees and Directors shall be paid in cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses shall be disclosed:

The Company's Board of Director's meeting on March 23, 2017 has approved the resolution to distribute NT\$1,101,742 as employee remuneration and NT\$22,034,836 as Directors remuneration for the year 2016.

b. Amount of employee remuneration distributed in the form of stocks, as a percentage of the net income after taxes provided in the standalone or consolidated financial statements of the current period, and as a percentage of total employee remuneration:

Not applicable as no employee remuneration has been distributed in the form of stocks in the year 2016.

D. Discrepancies, if any, between actual distribution of employee and Directors remuneration (including the number of shares distributed, amount and stock price) and the recognized remuneration of employees and Directors and disclosure of the differences, reasons and responses:

a. Actual distribution status of employee and Directors remuneration: The Company's Board of Directors resolved on March 22, 2016 to distribute NT\$644,086 in employee remuneration and NT\$12,881,714 in remuneration for Directors. The distribution was carried out after the passage of the amended Articles of Incorporation in the general shareholders' meeting on June 17, 2016. There were no discrepancies between the distributed amount and the amount recognized in the financial report.

b. In case of any discrepancy between the proposed and recognized amounts of employee and director remuneration, the differences, reasons, and responses shall be disclosed: Not applicable.

4.1.8 Buyback of Treasury Stock: None.

4.2 Corporate Bonds: None.

4.3 Preferred share: None.

4.4 Global Depository Receipts: None.

IV. Capital Overview

4.5 Employee Stock Options

4.5.1 Issuance of Employee Stock Options

Unit: NT\$

Type of Stock Option	The First in 2010 Tranche	
Approval date	2010.04.12	
Issue date	2011.02.17	
Units issued	6,800	
Shares of stock options to be issued as a percentage of outstanding shares	2.52%	
Duration	5 years	
Conversion measures	Issue new shares	
Conditional conversion periods and percentages (%)	Subscribers are entitled to exercise employee stock options after a period of two years at the percentages shown below.	
	<u>Percentage of stock options vesting period (cumulative)</u>	<u>Percentage of exercisable stock options (cumulative)</u>
	the expiration of 2 years	60%
	the expiration of 3 years	100%
Converted shares	5,695,000	
Exercised amount	NT\$186,733,500	
Number of shares yet to be converted	0	
Adjusted exercise price for those who have yet to exercise their rights	NT\$29.9	
Unexercised shares as a percentage of total issued shares	0%	
Impact on possible dilution of shareholdings	The aforementioned stock options shall be exercised over the course of three years after a period of two years has passed. The dilution to the equities of original shareholders each year is gradual and effects are therefore limited.	

Note 1: The discrepancies between the number of issued shares, the number of exercised options, and the total unexercised stock options are mainly due to employee separation.

Note 2: The issuance period of the current employee stock options has expired on February 16, 2016.

IV. Capital Overview

4.5.2 List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options

As of April 18, 2017

	Title	Name	No. of Stock Options (thousands)	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Manager	President	Lin, Lung-Fen	2,725	1.01%	2,725	29.9	87,922	1.01%	-	-	-	-
	Chief Strategy Officer	Cheng, Deng-Yuan										
	CFO	Chung, Chih-Chun										
	Senior Vice President	Yang, Shih-Chung										
	Senior Vice President	Fan, Jee-Der										
	Senior Vice President	Su, Kou-Lin										
	Vice President	Chang, Huang-Yu										
	Vice President	Yeh, Chen-Min										
	Vice President	Chang, Ying-Chin										
	Vice President	Lin, Wen-Kuei										
	Vice President	Lee, Su-Yue										
	Accounting Manager	Cheng, Yuan-Yih										
	Vice President	Hsieh, Shu-Heng (Note)										
	CHO	Huang, Chun-Chieh (Note)										

IV. Capital Overview

	Title	Name	No. of Stock Options (thousands)	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
					No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$ thousands)	Converted Shares as a Percentage of Shares Issued
Top Ten Employees	Deputy Vice President	Lin, Jen-Shou	1,040	0.39%	940	29.9	31,650	0.35%	-	-	-	-
	Deputy Vice President	Chen, Yu-Yu										
	Senior Assistant Vice President	Lai, Chen-Kuang										
	Senior Assistant Vice President	Shen, Ming-Ching										
	Assistant Vice President	Chou, Hui-Ching										
	Assistant Vice President	Chiang, Hsiang-Mu										
	Assistant Vice President	Lin, Ping-Jung										
	Sales Assistant Vice President	Wu, Chien-Pang										
	Senior Director	Huang, Chin-Hung										
	Senior Sales Director	Chou, Yu-Ju										

Note : Hsieh, Shu-Heng retired in 2016.12, Huang, Chun-Chieh left in 2017.02.

IV. Capital Overview

4.6 Issuance of New Restricted Employee Shares: None.

4.7 Status of New Shares Issuance in Connection with Mergers and Acquisitions: None.

4.8 Financing Plans and Implementation: None.

V. Operational Highlights

5.1 Business Activities

5.1.1 Business Scope

A. Main business activities

(1)F113050	Wholesale of Computing and Business Machinery Equipment	(25)F399040	Retail Business Without Shop
(2)F118010	Wholesale of Computer Software	(26)F601010	Intellectual Property
(3)F113070	Wholesale of Telecom Instruments	(27)IE01010	Telecommunications Number Agencies
(4)F113020	Wholesale of Household Appliance	(28)I103060	Management Consulting Services
(5)F113110	Wholesale of Batteries	(29)JE01010	Rental and Leasing Business
(6)F119010	Wholesale of Electronic Materials	(30)I401010	General Advertising Services
(7)E605010	Computing Equipments Installation Construction	(31)IZ99990	Other Industry and Commerce Services Not Elsewhere Classified
(8)JA02010	Electric Appliance and Audiovisual Electric Products Repair Shops	(32)J304010	Book Publishers
(9)J399010	Software Publication	(33)F401021	Restrained Telecom Radio Frequency Equipments and Materials Import
(10)IG02010	Research Development Service	(34)J303010	Magazine and Periodical Publication
(11)I599990	Other Designing	(35)J305010	Audio Tape and Record Publishers
(12)JZ99050	Agency Services	(36)J201031	Technique and Performing Arts Training
(13)F113030	Wholesale of Precision Instruments	(37)I501010	Product Designing
(14)E603050	Cybernation Equipments Construction	(38)I199990	Other Consultancy
(15)F401010	International Trade	(39)CC01101	Restrained Telecom Radio Frequency Equipments and Materials Manufacturing
(16)I301010	Software Design Services	(40)F108031	Wholesale of Drugs, Medical Goods
(17)I301020	Data Processing Services	(41)F208031	Retail sale of Medical Equipments
(18)I301030	Digital Information Supply Services	(42)CC01110	Computers and Computing Peripheral Equipments Manufacturing
(19)F213030	Retail sale of Computing and Business Machinery Equipment	(43)CC01120	Data Storage Media Manufacturing and Duplicating
(20)F218010	Retail Sale of Computer Software	(44)CC01060	Wired Communication Equipment and Apparatus Manufacturing
(21)F209060	Retail sale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(45)CC01030	Electric Appliance and Audiovisual Electric Products Manufacturing
(22)G902011	Type II Telecommunications Enterprise	(46)CC01080	Electronic Parts and Components Manufacturing
(23)E701010	Telecommunications Construction		
(24)F213060	Retail Sale of Telecom Instruments		

V. Operational Highlights

(47)CB01010	Machinery and Equipment Manufacturing	(69)F106020	Wholesale of Articles for Daily Use
(48)C701010	Printing	(70)F107030	Wholesale of Cleaning Preparations
(49)C703010	Printings Bindery and Processing	(71)F107070	Wholesale of Animal Medicines
(50)F113010	Wholesale of Machinery	(72)F108040	Wholesale of Cosmetics
(51)IZ13010	Internet Identify Services	(73)F110010	Wholesale of Clocks and Watches
(52)EZ05010	Apparatus Installation Construction	(74)F110020	Wholesale of Spectacles
(53)E701030	Restrained Telecom Radio Frequency Equipments and Materials Construction	(75)F114030	Wholesale of Motor Vehicle Parts and Supplies
(54)E601010	Electric Appliance Construction	(76)F116010	Wholesale of Photographic Equipment
(55)F102170	Wholesale of Food and Grocery	(77)F117010	Wholesale of Fire Fighting Equipments
(56)F104110	Wholesale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(78)F203030	Retail Sale of Ethanol
(57)F105050	Wholesale of Furniture, Bedclothes Kitchen Equipment and Fixtures	(79)F206010	Retail Sale of Ironware
(58)F109070	Wholesale of Stationery Articles, Musical Instruments and Educational Entertainment Articles	(80)F206020	Retail Sale of Articles for Daily Use
(59)F203010	Retail sale of Food and Grocery	(81)F206050	Retail of pet food and appliances
(60)F204110	Retail sale of Cloths, Clothes, Shoes, Hat, Umbrella and Apparel, Clothing Accessories and Other Textile Products	(82)F207030	Retail Sale of Cleaning Preparations
(61)F205040	Retail sale of Furniture, Bedclothes, Kitchen Equipment and Fixtures	(83)F207070	Retail Sale of Animal Medicine
(62)F208050	Retail Sale of the Second Type Patent Medicine	(84)F208040	Retail Sale of Cosmetics
(63)F102020	Wholesale of Edible Oil	(85)F210010	Retail Sale of Watches and Clocks
(64)F102040	Wholesale of Nonalcoholic Beverages	(86)F210020	Retail Sale of Spectacles
(65)F102050	Wholesale of Tea	(87)F213010	Retail Sale of Household Appliance
(66)F102180	Wholesale of Ethanol	(88)F213110	Retail Sale of Batteries
(67)F103010	Wholesale of Animal Feeds	(89)F216010	Retail Sale of Photographic Equipment
(68)F106010	Wholesale of Ironware	(90)F219010	Retail Sale of Electronic Materials
		(91)F301010	Department Stores
		(92)I301040	the third party payment
		(93)ZZ99999	All business items that are not prohibited or restricted by law, except those that are subject to special approval.

V. Operational Highlights

B. Revenue Mix

- (a) Sales of computer software and hardware: 72%.
- (b) Services revenue and other operating revenue: 28%.

C. Main products and Services

SYSTEX employs innovative technologies in strategic applications and high quality services to provide professional services to vertical industry applications such as the finance industry, telecommunication industry, technology manufacturing, biomedicine, retail and distribution industry, government agencies and the transportation industry as well as integration with different platforms and IT infrastructure construction. The Company utilizes its broad knowledge in the field and international organization as well as collaboration capabilities to become the first choice long-term IT partner for enterprises and a leading IT service provider. Systex positions itself as the strategic partner of its customers and views customer success as an integral part to its own accomplishments. In addition to providing customers with the most advanced information technology software and hardware, the Company also helps customers improve their procedures, increase productivity, and integrate information technology in order to continuously create value for customers.

At the same time, Systex shall continue to actively strengthen project management, software development, and integrate core capabilities in domain knowledge, and persist in the research, development, and innovation of its strategic transition in order to build a sustainable and stable foundation for the Company's growth. In the future, Systex shall continue to offer enterprises one-stop IT services and provide customers with access to more valuable services that are customer-oriented and service-oriented. The Company shall also utilize its advantages in superior technology applications, service capacity, industry knowledge, and actual experience to help customers succeed and to share with them the glory of mutual growth and prosperity.

SYSTEX's current products and services primarily include the following:

(a) Intelligent Finance:

SYSTEX entered the securities information service sector in 1989 and gained access to the international market through collaboration with Reuters in 2000. The Company has extensive experience in constructing inter-regional/currency/product information and transaction platforms. SYSTEX has developed three core capabilities in "content, platform, and networks" and four major areas of expertise including quotation information, trading, operation, wealth and risk management (ITOM) to satisfy the comprehensive demands of financial clients and professional investors. The Company's main business include investment and financial information in securities, futures, warrants, bonds, bills, and foreign exchange, and the product quotation and purchasing transaction systems. In recent years, the Company has expanded to cloud-based financial services in overseas transactions, mobile and big data applications in the finance industry, investor community management, and other FinTech innovations.

(b) New Retail Omni-channel Multi-payment Options:

Systex provides outsourced bill printing and segment marketing services, card payment applications, and e-government system development services. The Company integrates its existing competition advantages (payment/mobile and financial/retail knowhow) to develop specific products and services that are "consumer market-oriented." Primary services include: e-commerce platform development, maintenance, and operations services, e-government and related mobile services, corporate mobile applications and retail, mobile payment in consumer-oriented business opportunities, banking and insurance information services, data processing and discounted advertisement, multi-payment billing, O2O customer guidance services, electronic coupon businesses/2C gifts (active expansion of brand and

V. Operational Highlights

channels)/2B corporate gift services.

(c) Data Technology Products and Services:

The Company provides comprehensive information technologies for customers, comprehensive IT basic structure products and added-value services (server, storage, software, security, database, network, application) that are integrated into availability, security, automation, performance (ASAP) solutions. Systex remains the best partner for corporate one-stop shopping from the construction of information technology infrastructure to the design of application software information systems and comprehensive services for construction and operations management. The Company also provides high-value IT outsourcing services for enterprises and government agencies including IT equipment maintenance and operations, network added-value services, outstanding large-scale service teams, over 20 years technical services and information integration experience, a large-scale customer service center, high-end computer rooms and other services to become the optimal strategic partner for customers pursuing performance in overall operations and IT maintenance and operations. Systex also distributes world-class application software to provide corporate clients with customized and strong software procurement plans and delve deep into solutions for industry applications to help corporate clients grasp IT trends and develop innovative applications for big data for the purpose of increasing profits, reducing costs and the analysis and management of data. In addition, the Company also provides complete and comprehensive professional information education training courses, digital online courses, publication business, and smart business solutions etc. based on customer requirements and the contents of education.

D. New Products Planned for Development

To provide customers with information services and vertical solutions of the highest quality in the industry, Systex continues to expand R&D resources and conduct new business strategic investment to achieve vertical integration and horizontal expansion in the industry and continue the momentum for innovation.

Systex's new products (services) under development and distribution are as follows:

- (a) Big data and cloud platform management services for the finance industry.
- (b) Cloud service platform for the securities and futures industry.
- (c) Corporate social media engagement platforms.
- (d) New finance terminal transaction platform/mobile finance platform/financial management platform.
- (e) The Internet of things and smart city solutions.
- (f) O2O e-commerce service integration platforms and matchmaking platforms.
- (g) Interactive electronic statements.

5.1.2 Industry Outlook

A. Use IT innovation as a force for advancing corporate growth

Since its establishment, Systex has actively pursued the planning of long-term strategies to use its leading IT advantages and robust communication with customers and partners to continue to create and lead the development of the information service industry in Taiwan. In recent years, Systex has focused on using data to develop IT values, expand opportunities for servicing the market, and actively constructing an innovative and independent environment. In 2017, the Company shall use all major capabilities accumulated in the past to expand market opportunities and continue to use the three strategies including new economic transition, innovative software technology development, investment, merger and licensing alliances and the five new economic issues including the cloud, social, mobile, analytics, and cybersecurity to guide the continuous advancement of the IT industry. Systex shall also actively pursue and develop related new businesses, new product combinations, and business models for the purpose of focusing on

V. Operational Highlights

businesses with higher margins and more potential. Faced with changes in IT trends on both sides of the strait and across the world and the swift changes on the customer market, Systex shall face even harsher challenges if it insists upon using existing business models and business strategies. In addition to active investment in 2017, Systex also hopes to retain existing core capabilities and revenue in order to implement the established strategies and maintain interests and value for the Company, employees, and shareholders. In customer market services in the future, the Company shall provide long-term services to vertical industry applications such as the finance industry, telecommunication industry, manufacturing, medical facilities, distribution industry, government agencies and the transportation industry as well as integration with different platforms and IT infrastructure construction. The Company uses its broad knowledge in the field and international organization and collaboration capabilities to become the first choice long-term IT partner for enterprises and a leading information service provider.

B. Industry Trends

New technological development and information application innovations in recent years have advanced robust growth in the global information service industry. As information services grew, one can observe the vigorous use of new technologies such as mobile applications, big data, social media etc. on the market. As the global market economy continues to recover and the way is paved for system upgrades and technological applications, the key services provided by system integrators in recent periods have shifted to the establishment, maintenance, operations, and big data applications of private clouds. In Taiwan's information service market, the emphasis has shifted to system integration services which are dominated by the demand from large-scale enterprises in Taiwan and government agencies in the public sector. As major enterprises rush to develop their global markets, they must expand information software/hardware, update legal compliance protocols, and maintain existing systems. Information system solutions also require adjustment after mergers and consolidation of corporate organizations. According to the demand in Taiwan's information service trends, the market scale is expected to grow from the NT\$164.6 billion in 2016 to NT\$176.1 billion in 2018 with an annual growth rate of approximately 3-5%.

New information technologies are not only current global trends but also important items that lead the development of Taiwan's information service industries. The survey conducted by the Institute for Information Industry (III) on Taiwan's top 101 corporations indicates that the top five most important new technologies for enterprises are virtual services, new information security, mobile applications, big data access, and cloud services. The focus of IT services shall also be on how to satisfy demands of corporate users under all conditions and environments. The transmission and implementation of information shall also be integrated in a more effective manner. Therefore the key to projecting full IT power and accurately obtain profits include the appropriate use of environmental awareness capabilities and the omnipresent accurate analytical skills. Therefore, the five major new economy issues including the cloud, social, mobile, analytics, and cybersecurity as well as various cloud, IoT, big data, mobile security, and corporate software applications are expected to form the main demand of companies in Taiwan.

In the software market in Taiwan, the software service market continues its stable growth and risk management, cloud computing, International Accounting Standards, and the Personal Information Protection Act have become the main factors in driving market growth in recent periods. Looking ahead, the development of cloud computing, big data, social media, and mobile applications shall continue to mature. As large-scale companies and the public sector become more willing to adopt these technologies, the market shall also continue to grow. The market scale is expected to grow from the NT\$67.8 billion in 2014 to NT\$83.6 billion in 2019 with a compound annual growth rate of approximately 4.3%. In addition, embedded software, including software embedded in IoT devices, sensors, industrial automation equipment, and telecommunication equipment shall also grow due to the advancement of IoT applications.

V. Operational Highlights

Set software for the general market including productivity software, gaming software, mobile apps, and video editing software that rely on mobile applications shall also maintain growth. Corporate solutions including application software, information security, database, and development tools shall also experience small-scale growth.

C. Industrial Market Analysis

(a) Intelligent Finance:

Systex has accumulated outstanding capabilities in decades of in-depth experience in finance and IT technology fields. The Company shall assist financial institutions to construct various financial transaction platforms, provide technical consulting services and assistance for maintenance, and play an important role in the development of the financial information industry. Systex has constructed an investment platform in Greater China in China, Hong Kong, and Taiwan. It also owns integrated financial information across platforms and markets in the world's most important market.

Under FinTech (financial technology) trends, the Financial Supervisory Commission (FSC) took decisive steps in allowing bank investment in FinTech and drastically expanded the upper limit of financial institutions' investment in financial technologies from 5% in the past to 100%. The goal is to facilitate NT\$5 billion in investment in the financial sector within 5 years and the establishment of 30 new FinTech companies.

In addition, development in mobile application has created new markets and the FSC's Bank 3.0 declaration also spurred the competition between financial institutions in mobile services. The management and opening of Bank 3.0 policies pushed mobile financial services from a supporting role to the main stage. As various financial institutions expand mobile services, functions, and scope in response to the policy, they also hope to use the omnipresence of mobile services to create revenue from services or to lower the risk of services. The rise of FinTech trends including big data, cloud technologies, machine learning, mobile payment, automated investment financing consultancy, blockchain technology, biometrics, interface design, software research and development, Internet of things, wireless communications business, and other related services affect various related industries such as securities and futures firms, banks, life insurance operators, and investment trust and consultancies. The scale of operations includes financial holdings, foreign banks, and local operators.

(b) New Retail Omni-channel Multi-payment Options:

The online to offline channels in the new retail era will guide website visitors to physical stores to purchase products. Many retail operators of physical stores will also go online and use e-commerce services to extend their operations overseas. Due to the popularity of smart mobile devices, consumers can collect related product information at any time and continuously compare prices. They could also post reviews to discuss their thoughts on the use of products or exchange opinions with friends and provide increasingly challenging consumer demands.

The future market shall be more digital and more mobile. The electronic statements and mobile applications are important areas of Systex's operations in the retail market. Customers will use electronic statement and mobile payment en masse to cut costs and lower restrictions. The market opportunities for electronic statements and mobile applications such as interactive electronic statements, video electronic statements, LBS discount information services, mobile payment, and mobile discount coupons would therefore be increased. As related regulations on mobile payment in Taiwan are gradually relaxed and collaboration between telecommunication operators, banks, and mobile phone manufacturers continued, the mobile payment application market is expected to develop rapidly. The application shall become the payment tool that promotes consumption, invigorates the

V. Operational Highlights

consumer market, and create business opportunities in consumption. The digitalization and mobilization of customer payment behavior are unavoidable trends. Based on the convenience provided by cloud services, the mobile business sector with mobile payment at its core shall continue expansion to the High Speed Rail, gas stations, parking lots, hypermarkets, supermarkets, catering, education and entertainment. Due to the diversity of payment options, payment for transportation ranging from small payments to airplane tickets and to remote payment in mobile shopping, and other transactions shall progress from physical to virtual transactions and from fixed points to mobile, till an innovative cloud-based service between the virtual and real world is finally established. People's daily lives will also step closer to mobile commerce.

(c) Data Technology Products and Services:

Business opportunities in cloud-based applications and the importance of real-time information drastically drove major IT firms to actively pursue related cloud-based applications. Cloud-based applications have an extremely wide scope and IT firms usually use mergers and acquisitions to quickly build core competitiveness and this in turn triggers the "acquisitions, mergers, and consolidation" development in the industry. The next-generation communication standards involve using 5G to build new network applications for facilitating user convenience. The leading mobile telecommunication operators of the future 5G network construction and services in Europe, the United States, and Asia such as Verizon and NTT DoCoMo etc. will continue conducting field tests in preparation for 5G commercialization in 2017 to 2018 at the earliest. This evolution in communications technology is expected to trigger new internet applications and create further sales opportunities for related hardware/software equipment.

Industry 4.0 spearheaded the business opportunities for restructuring corporate information structures. The government is actively advancing Productivity 4.0 as global industries advance toward smart manufacturing and various equipment, control systems, and sensing devices are connected to the corporate information platform environment. Corporate information network structure may become more complicated and fragmented, and cause overlaps in IT and OT (operation technology) systems, intertwined old and new network environments, and errors in the security system. Productivity 4.0 is therefore expected to generate business opportunities in new types of "corporate diagnosis," "structure design," and "system reorganization." For SAP products, representative corporate-level software will shift toward big data, mobile devices, the IoT, and Internet communities.

Faced with interwoven risks and threats, traditional information security protection strategies are no longer sufficient. Their responses to incidents are not sufficiently agile, and it is not enough to only reinforce the procurement of defensive equipment. Market research institute Gartner indicated in the report titled "Gartner Identifies the Top 10 Strategic Technology Trends for 2016" that one of the top ten strategic technical trends of the year 2016 is Adaptive Security Architecture, which serves as the basis for all ten trends. To counter future information security threats, the adaptive security architecture is an indispensable way for companies to formulate information security strategies in the future. Compared to traditional security strategies, the adaptive security architecture focuses more on the integration of four main defensive capabilities and preventative strategies before the occurrences of incidents. Companies can no longer rely on singular protective equipment to counter future threats and they should adopt the four major defensive capabilities and twelve core capabilities to construct corporate information security protection. Traditional information security protection only focuses on four capabilities including defense from attacks, detection of incidents, risk analysis, and incident forensics. Only the adaptive security architecture can construct an operations center that can continue to provide security for modern enterprises. Gartner also pointed out that in order to respond to threats in the new age,

V. Operational Highlights

companies should carefully select their information security service provider and seek firms that are able to provide vertical integration of defensive products or horizontal integration of products across a variety of brands.

D. Relationships with suppliers in the industry's supply chain

In the overall information industry, Systex remains Taiwan's largest information service company. Systex plans software licensing options and provides services based on customer requirements and budget. The Company seeks to become a leading brand with the most industrial value in the knowledge economy in the progress of advancing digitalization for the finance, telecommunication, channels, manufacturing industry, and other customer groups with requirements. Systex shall provide customers with services including system planning, software installation, education, training, and technical support services and play the role for the control of customers, maintenance of customers, and service of customers.

Upstream firms include information software/hardware providers or distributors such as Microsoft, HP, Serena, BMC, SAP, and Oracle. Downstream firms consist mainly of the finance industry, telecommunication industry, e-commerce, retail and distribution industry, manufacturing, government authorities and schools etc.

E. Product trends and competition

Systex is a leading domestic information service provider and the most reputable technology leader in the industry. The Company values services and uses its core advantages in resource integration and implementation as well as innovative product lines and resources collaboration to achieve Systex's leading position in the IT service industry.

The number of competitors in Taiwan's IT market is immense. Particularly with the global economic recession in recent years, the decrease in GDP in Taiwan and across the world, changes in the structure of the industry, the overall political and economic environment, regulatory systems, corporate mergers and consolidation, and continuous improvement of their own operational health, the overall IT service market in Taiwan will be affected. As companies continue to relocate overseas and IT firms fail to provide differentiated products and services, the price competition in the industry has become increasingly severe. As certain IT firms retain limited technical capabilities and do not hold pricing advantages under the intense competition on the market, large-scale service providers with quality IT services gradually expanded the gap between them and the small and medium companies.

V. Operational Highlights

5.1.3 Research and Development

R & D Expenses for current year

Unit: NT\$ thousands

Item \ Year	2016	As of March 31, 2017
R & D Expenses	459,143	107,109

The Company's technologies and R&D consist mainly of integration of business applications and important results include: Please refer to page 70 of the Chinese annual report.

5.1.4 Long-term and Short-term Development

A. Intelligent Finance:

(a) Short-Term Development Plan

① Enrich Information Content

Intensify the depth of the information of the entire product line and enrich added-value content to effectively segregate market competition and demonstrate the difference between the Company and other IT firms who only provide information services in order to increase the threshold for competitors' entry into the market. Systex follows information technology development trends to provide customers with the latest applications and services. For instance, as customers increasingly adopt smart mobile devices, the Company shall provide customers with more diversified mobile finance services, content, and tools. The Company also actively collaborates with international information firms (such as Reuters and Morning Star) across different industries to build a quality finance information platform and to provide customers with higher added-value services.

② Create Value with Integration

As the effects of the new system of one-by-one matching take hold, future market transactions shall be made mainly by corporate investors. The competition between financial institutions will increase demand for electronic and program transactions. With extensive experience in long-term product development and services, Systex shall effectively assist customers in the development of competitive products. The Company shall also focus on latest development in global economic trends, consider market demand, integrate multiple financial product information, provide comprehensive transnational and information one-stop service to satisfy customer demands in financial markets in China, Hong Kong, Taiwan, and various domestic and foreign markets and demonstrate the value of integration.

③ Energize Cross-Strait Finance Industry Service

As cross-strait financial relations continue to develop, measures such as allowing financial institutions to set up service points in China, RMB financing, asset management, trade settlement and other operations have become hot topics. The FSC's "Development Plan for Financial Operations with Cross-strait Characteristics" included the full launch of DBU RMB operations, establishment of a modern cross-strait financial platform, assistance for financial institutions in setting up service points in China to provide service to Taiwanese companies, and other plans that are able to help consolidate domestic investment funds, promote economic growth, and allow financial institutions to increase regional competitiveness and strengthen business operations. Systex shall collaborate with the finance industry in the expansion to niche markets in Greater China and construct related platforms

V. Operational Highlights

for financial services in Greater China. The Company shall also use its high-performance R&D capabilities to develop exclusive versions that meet the financial business requirements on both sides of the strait and help the finance industry expand the scope of operations.

④ Develop New Business Requirements

Systex shall continue to develop existing customer groups and uncover requirements for new types of businesses in order to assess whether to conduct independent R&D or import solutions from international brands.

(b) Long-Term Development Plan

① Intensify Customer Relations and Comprehensive Services

The customer shall train the existing business team into A/C Sales that delve into customer relations and train sales consultation teams with CIO vision to allow sales teams to conduct overall planning from the perspective of customers. They shall also be equipped with capabilities for organizing various resources, provide comprehensive outsourcing services, fully control customer budgets, and help customers change service and profit models on existing platforms in order to allow customers to quickly position themselves in the market and grasp business opportunities.

② Increase Market Share in Asia Pacific through Comprehensive Group Performance

Systex has provided financial products, services, and R&D platform systems for a long time in the Taiwan market. The Company has acquired Syspower Corporation, Systemweb Technologies, Taisin Building System Corp., Cheng-Kung Technologies since 2011 to expand market share in financial IT services such as quotation, funding, asset management, property insurance, and life insurance. In the future, Systex shall gradually apply the combined JAMAL effects from securities and futures to banking and insurance for consolidated operations in order to increase the overall financial IT service competitiveness and use the Company's strength to create market scale to satisfy requirements of financial holding customers. The Company shall also develop and construct comprehensive financial service systems to complete the construction of financial transaction networks in Greater China to achieve the three channels in financial transactions (commissions, matchmaking, and information exchange).

③ Develop Consumer-Oriented IT Services

Systex shall make use of the existing IT information platform and use the research on statistics accumulated through big data to develop community and individual users. The foundation in O2O (Online to Offline) shall be used as a niche to develop mobile payment tools to provide ease of access to consumers while future mobile devices can be turned into electronic wallets or credit cards. To facilitate business development requirements, the mobile tablets of sales representatives can be developed into a point of sale system (POS). The innovation shall increase the ease of consumption and the transaction records are more easily analyzed and managed, which shall promote more consumption and marketing models. The development of mobile apps coincides with the backstage financial cash flow and the customer only needs to scan the barcode to complete a purchase. Products can also be quickly delivered. In addition, tourists would find it more convenient to exchange currencies when they visit Taiwan and it would advance consumption opportunities.

④ Cultivation and Education of Professional IT Talents

R&D and talent capabilities are essential elements in projecting service energy. Therefore, the Company shall increase overall technical capabilities and continue to cultivate certified professional technical personnel. It shall also use the indispensability of various professional added-value services to provide customers with complete technical support and comprehensive after sales services, which form the foundation of Systex's future competitiveness in sustainable corporate development. Systex

V. Operational Highlights

shall continue elite training programs in the future to stabilize team qualifications and enhance quality.

B. New Retail Omni-channel Multi-payment Options:

(a) Short-Term Development Plan

① Enhance Core Capabilities and Market Management

The Company values the enhancement of current solutions for information integration services in the retail industry. It shall conduct training for professional businesses and technical personnel as well as integration of sales planning and services for related products in order to provide customers with richer, more complete, and updated operation information services.

② Electronic Statements Integration and Platform Services

The Company provides bank statement printing services and continues to develop the market in Taiwan. It shores up existing customers, actively participates in stand-alone operating tenders and marketing through personalized colored statements, and provides differentiated services to increase customer satisfaction and average consumption.

③ Segment Marketing and Channels

To increase the depth and breadth of segment marketing, Systex conducts marketing on regular brands and channels as well as department stores and retail chain channels by using the hks Promotions app to help partners reach performance goals through O2O. The Company also uses bank participation to facilitate closer integration of the brand, channels, and member companies with banks through Systex's hks Promotions app communication platform for mutual prosperity.

④ Mobile Promotion Information Platform Service

Systex provides reservation services for various chain stores and credit card promotion information and introduces behavioral orientation sorting system to provide accurate marketing services. In the future, the Company shall integrate mobile membership cards, restaurant reservation, mobile payment, and electronic invoices into a one-stop service to provide functions closer to consumers and make "hks Promotions" an important marketing tool.

(b) Long-Term Development Plan

① Retail Cloud Service Integration

The development in cloud environment, O2O, omni-channel, and data integration are key trends in customer relationship management (CRM) upgrades. As sources of future data grow in complexity, the integration and added-value operations of various operation data shall become indispensable and important service requirements. The Company's departments shall enhance knowledge in the industries, foster sales capacity, and focus on the development in omni-channel, data integration, and added-value services in CRM software in order provide support for customers' sustained development.

② Cultivation and Education of Information Talent Pool

R&D and talent capabilities are indispensable in the process of building the top brand in IT services in Asia. Therefore, the Company shall continue to cultivate certified professional technical personnel and increase overall technical capabilities to provide customers with overall technical support and comprehensive after sales services. It shall also use the indispensability of various professional added-value services to build the foundation of Systex's future competitiveness in sustainable corporate development. Systex shall continue seed training, headhunting, and talent training programs in the future to stabilize team qualifications and enhance quality

V. Operational Highlights

③ Become the Optimal Comprehensive IT Service Partner for Distribution and Retail Industry

Select a niche market - distribution and retail industry (retail, catering, and franchises) and intensify collaboration with customers. Satisfy the different IT requirements of customers based on their development stage and use the software as a service (SaaS) model to create recurring revenue and emphasize the value of total service to avoid direct confrontation with competitors from other sectors. Actively develop payment, retail, data processing, and finance/insurance solutions for O2O, consumer product development, mobile payment, consumer product distribution, and data management sectors.

④ Cross-Sector Integration of Electronic Statements

Systex shall continue to establish the Data Management and Integration Service (DMIS) Business Unit into Taiwan's largest total data processing solution provider for printed statements, and electronic and mobile services. Increase integration of insurance policies, color personalization, digitalization, and mobilization to expand the market to consumers. The Company shall also seek opportunities to quickly duplicate the success to other regions or industries to achieve the goal of stable long-term revenue.

C. Data Technology Products and Services:

(a) Short-Term Development Plan

① Increase Customer Value

Establish a comprehensive customer consultation and support service system to increase maintenance or consulting service items, increase customer satisfaction, create business opportunities for recurring revenue, and increase customer value to create competitive advantages.

② Enhance Core Capabilities and Market Management

- Develop innovative industrial solutions to intensify development of the industry: Integrate industrial market demand to develop or introduce innovative industrial solutions, develop new customer and markets, increase competitive advantages, and create new value for customers.
- Expand regional markets: Target middle to large-scale corporate customers and provide services in accordance with their industries. Employ professional service and technical support teams to provide customers with more professional and higher quality services and expand market share.

③ Expand Sales and Market Competitiveness

The Company plans to gain customers by participating in tenders for public engineering projects. It seeks to uncover customers' system construction projects in joint contracts with government and use the land administration maintenance projects and web versions to create an SOP in order to continue expanding the gap between Systex and competitors. The Company shall also establish service models for direct sales and use the model for planning and distribution to rapidly increase market share. The Company shall also continue to develop added-value services to build competitiveness that are superior to the market.

④ Cloud and Mobile Product Development

Systex shall increase revenue and margins through the promotion of cloud and mobile products and solutions, distribution of new software, and enhancement of tier two products. Office 365 and Microsoft Azure remain the backbone in sales and technical installation services of total solutions.

⑤ Build Distribution Partnerships

Systex seeks to continue to increase the quality of services as a solution provide and increase customer satisfaction to consolidate partnerships with downstream distributors and system integrators and become their indispensable and high quality business partner. The Company also uses communication channels with existing distribution partners to build a tightly knit and closely integrated distribution community that builds professional division of labor and a collaboration model

V. Operational Highlights

of group sales through exchanges of market information, new technical advances, and updates on corporate users. The partnership and sharing of digitalization market opportunities not only include various information security services, but also assist companies in addressing information security risk management by assessing preventative measures incident processing and recovery to achieve the goal of corporate sustainability.

⑥ Establish Comprehensive Professional Certification Training Center

Certification courses are its main source of income. Courses are certified by Microsoft, Cisco, EC-Council, Red Hat etc. and Systex provides almost all international certification courses and plays an indispensable role in related training courses. With the rising awareness in information security in recent years, companies have placed increased value on information security issues. Systex has planned a series of comprehensive courses on information security that included information security certification from non-profit international organizations such as SSCP, CISSP, and CSSLP of (ISC)2 as well as related ISO 27001 courses and the CEH, CHFI, ECSA information security courses of EC-Council. Lecturers have developed a series of exclusive corporate network security courses and free intrusion detection and solution courses to satisfy companies' requirements for information security.

(b) Long-Term Development Plan

① Build Competitive Advantages

SYSTEX shall continue to enhance core capabilities and fully improve quality. It shall also actively provide the latest information security incidents and information security protection information to increase corporate response capabilities to information security incidents to build customer trust and satisfaction. Systex shall also provide customers on both sides of the strait with authorization services and technical know-how of the highest quality to exceed customer requirements and build the irreplaceable top brand in information security and software services.

② Cultivation and Education of Information Talent Pool

R&D and talent capabilities are indispensable in the process of building the top brand in IT services in Asia. Therefore, the Company shall continue to cultivate certified professional technical personnel and increase overall technical capabilities to provide customers with overall technical support and comprehensive after sales services. It shall also use the indispensability of various professional added-value services to build the foundation of Systex's future competitiveness in sustainable corporate development. Systex shall continue seed training, headhunting, and talent training programs in the future to stabilize team qualifications and enhance quality.

③ Win Government ITO Service Opportunities

In response to the business opportunities in organizational adjustments of governments, the Company seeks to focus on demand in software/hardware equipment replacement, integrated account single login services, equipment transfer services, computer room performance adjustment/shared structure services, maintenance contracts, and increased value. At the same time, the Company shall be required to gain core technologies in land administration to facilitate the growth of land administration ITO and create differentiation in services.

④ Increase IT Application Management Plan

Construct IT application management procedures (SOP, SOW, and contract) and supplier certification system and assessment plans and cultivate management personnel to conduct education, training, and management of suppliers. The objective is to increase the geographical scope of the services and enhance the installation and maintenance capabilities for large-scale system installation projects as well as to increase the turnkey contracting capabilities for non-specialty projects and to effectively

V. Operational Highlights

lower the cost and management risk of expansion.

⑤ Increase Maintenance Service Performance

The Company designates dedicated leaders, review, revise, and maintains the SOP, SOW, Help Desk documents to establish a knowledge database through professional training programs for technical personnel and analysis of customer service (group) requirements. The Company also provides comprehensive customer service reports and service performance management statements with the maintenance and repair system. The Company conducts regular (monthly/quarterly) preventative plans and analyses to increase professional and project management capabilities, facilitate effective services through division of labor, increase management performance, and lower the cost of services.

⑥ Win Business Opportunities in Energy Conservation

In response to trending issues such as energy conservation and carbon emissions reduction induced by global warming and to lower corporate operating costs, the Company provides installation services for central (headquarters) energy-saving monitoring and management platforms and energy-saving equipment (including air-conditioning and lighting) for service industry operators with multiple outlets. The Company targets large-scale directly managed chain retailers with high electricity consumption and long hours of operations and provides a management and monitoring platform for headquarters to monitor and manage multiple outlets. Systex also uses its service networks and resources across the nation to provide chain service industries with energy saving management services.

⑦ Develop Smart Services to Build a Business Model for Services Supported by Products

The Company seeks to replace the product-oriented business model with one that provides consulting services and is supported by products. Systex's professional information security team has accumulated 18 years of professional expertise and services to provide customers with more than just individual defense systems but assistance from a higher perspective to help customers defend against threats and construct comprehensive defense systems. In an environment with a rising black industry, information security protection requires more than infrastructure and equipment. The establishment of a secure operations center for corporate continuity has become an key element for companies in future development. In a complex information environment with ominous external threats, only solutions based on smart services to provide customers with weakness scans, infiltration tests, behavioral analysis based on machine learning, and protection system structure assessment and consulting can create added value by providing extension products based on services.

V. Operational Highlights

5.2 Market, Production and Sales Outlook

5.2.1 Market Analysis

A. Region Revenues

Area	Domestic	Overseas	Total
Sales percentage	76%	24%	100%

B. Future Market Supply and Demand and Future Growth

Systex shall incorporate core capabilities in domain knowledge and advantages in rich IT infrastructure service experience to provide companies with innovative technology and strategy applications for vertical industry applications such as the finance industry, telecommunication industry, manufacturing, medical facilities, distribution industry, government agencies and the transportation industry, and e-commerce. The Company uses its broad knowledge in the field and international organization and collaboration capabilities to become the first choice long-term IT partner for enterprises and a leading information service provider. The main momentum of Systex's future growth shall be extracted from the IT software in service markets including cloud computing, mobile services, information security, and big data. The following trends will have material impact in 2017:

- (a) The global IT service market maintains stable growth. The market scale is expected to grow from the NT\$164.6 billion in 2016 to NT\$181.6 billion in 2019 with an annual growth rate of approximately 3-5%.
- (b) The five new economies including "cloud, social, mobile, analytics, and cybersecurity" shall be key issues in the Taiwan, Asia Pacific, and global IT service market in the next three years.
- (c) The overall IT service market in Taiwan will be affected by the global economic recession in recent years, the decrease in GDP in Taiwan and across the world, changes in the structure of the industry, the overall political and economic environment, regulatory systems, corporate mergers and consolidation, and continuous improvement of their own operational health. In the age of portable data and analytics, Systex shall continue to make rely on its advantages as the leader in technologies and services to develop capabilities for total solutions required in related digital ecosphere in order to provide domestic industries with the optimal IT solutions and structures and help them expand operations in a new information development stage.
- (d) 4G/5G infrastructure. Systex is Taiwan's largest IT service provider. The market offers a wide range of business opportunities provided the Company is able to make use of its installation experience overseas and facilitate cross-strait collaboration.

C. Market Share

- (a) Systex ranks first in Taiwan in quotation information services:
 - ① The system is adopted by over 1,000 service outlets of securities firm and it has a market usage rate of over 90%.
 - ② It is adopted by most professional futures firms in Taiwan and has a market share of over 95%.
 - ③ Systex provides banks and firms with complete international financial information for securities, futures, warrants, bonds, bills, and exchange rates with a top market share.
 - ④ The Company also provides foreign futures firms with fully integrated information service systems for quotation, transactions, and accounts and it retains a market usage rate of over 90%
 - ⑤ Systex's market share in mobile finance information services continues to increase and it has achieved number one positions on the app market in services for multiple services for vertical industry applications in the finance industry, telecommunications, medical facilities, distribution industry, government agencies, and the transportation industry.

V. Operational Highlights

- (b) The e-commerce system and transaction account management system for securities, futures, and warrants are designed completely in accordance with government regulations and market features. An appropriate level of flexibility has been retained for future changes to respond to regulations of the competent authorities and facilitate additions of new businesses to fully control addition and revision in the system. The bond and bill business transaction system developed by Systex for clients in the finance industry has received recognition from over 30 financial institutions and remains the product with the highest market share in Taiwan.
- (c) Systex is a leading information service provider of the domestic digital ecosphere and the most reputable technology leader in the IT service industry. The Company values services and uses its core advantages in the wide range and in-depth resource integration and implementation as well as innovative product lines and resources collaboration to achieve Systex's leading position in the IT service industry.
- (d) With regard to the OM and ABS (bond and bill transaction management system), Systex has developed the professional realm of bond and bill for over ten years and is now an information service provider with extensive experience in Taiwan. In recent years, it has invested large quantities of resources to develop the optimal bond and bill system solution to satisfy modern finance requirements for the latest derivatives and asset securitization and other financial products in recent years. Systex current acts as distributor for many renowned international software including databases and information security products. It also designs and develops front/middle/back-stage applications for international finance services in futures, options, foreign exchange, bonds and bills. The professional technology and finance consulting services that were developed in recent years also performed well.
- (e) Systex has 12 service centers across Taiwan and employs over 400 professional engineers to conduct maintenance. It provides local and real-time IT software/hardware installation and repair services and it is the largest IT service provider in Taiwan. Systex also obtained tenders for land administration maintenance projects in 18 municipalities with a market share of 75%.
- (f) Systex is the largest data processing and outsourced print service provider. Its market share is over 80% in telecommunication and over 60% in financial institutions and banks. Systex outperforms the competition by far in terms of technical capabilities, certifications, and operations stability. It also performed well in its financial status, capital investment capabilities, and economies of scale. Systex continues to increase the breadth and technical levels of services and also actively expands digitalization and mobile services to provide more comprehensive and added-value services and undergoes active transformation to ensure stable revenue.
- (g) Systex has a market share of over 40% for large-scale corporate customers using Microsoft systems and over 50% for small to medium enterprises. Systex's market share for products such as Symantec, Trend Micro, AutoCAD, and Adobe falls between 10% and 30%. Overall, its market share in commercial software is between 10% and 50%. Systex was the Microsoft Licensing Solution Provider with the largest market share and has received the "Microsoft Taiwan Partner Hero Award" for 12 consecutive years since 2005. The Company is Microsoft Taiwan's largest distributor and partner.
- (h) Systex's Knowledge Product Business Unit is the leading brand in current IT education and training centers. It is also the technical education and training center that offers the most authorized courses from international brands. Courses encompass the popular IT certification required by enterprises and related training courses for providing over 250 comprehensive professional information education and training courses to meet demands for enhancing professional skills in different stages of corporate and personal studies. The international education and training courses are authorized by Microsoft, Cisco, Red Hat, Oracle, Trend Micro, SGS, Adobe, Autodesk, (ISC)2, IT preneurs and lecturers also participate in

V. Operational Highlights

the development of popular technical courses. Systex provides one of the few education and training centers with high-level and exclusive courses.

D. Favorable Developments, Unfavorable Factors and Countermeasures

Systex is dedicated to providing the best service quality and it firmly believes that customer services are central to consolidating customer loyalty. The Company hopes to foster mutual trust and mutual support in partnerships to create mutual prosperity. In addition to continuing to enhance customer services and improve quality, the Company also hopes to adopt project execution performance and customer satisfaction report mechanisms to ensure customer satisfaction. At the same time, the Company also proposes improvement plans based on customer opinions to continue to provide better services with higher value for customers. Moreover, the Company has actively adopted strategic investment, acquisition, mergers, and other external growth strategies in recent years to facilitate group operations.

Systex provides competitive niches in the following products and services:

(a) Intelligent Finance:

① Favorable Developments

- The Company has integrated information services and professional finance services to construct a transaction platform that integrates CRM and KM services. It also integrated business intelligence (BI) into a comprehensive service platform for decision-making analysis.
- The Company has actual experience with Taiwan securities and futures firms that can satisfy multiple customer requirements in China.
- The Company also collaborates with professional international finance and securities brokers to enhance the expansion of the transaction and information platform.
- The Company retains R&D teams with professional knowledge in technologies and finance.
- The Company provides transaction platforms for domestic and international securities, futures, warrants, bonds, bills, and foreign exchange as well as front/middle/back-stage finance solutions.
- The Company has distributed renowned world-class software for long periods of time and has built a professional brand in the industry.

② Unfavorable Factors

- Taiwan's domestic market is reaching the point of saturation as market competition intensifies and product variation decreases.
- International brand awareness requires improvement.
- There are numerous competitors in the international financial information market and most have finance-related backgrounds.

③ Countermeasures

- Continue to expand markets in China and Taiwan

The Company shall target investment requirements of investors in four stock markets in China, Hong Kong, and Taiwan and gain real-time information in these markets, observe connections in the industries, provide comprehensive and a diversity of quotation combinations to allow investors to focus on investment opportunities in Greater China, observe trends in the stock markets in China, Hong Kong, and Taiwan, and grasp optimal investment opportunities.

- Enhance R&D and Strategic Transition

(1) The Company shall comply with industry requirements and regulations in launching various financial products and information services in order to create differentiation to satisfy requirements of individual customers and obtain higher profits.

(2) In response to the coming of the internationalized product transaction era, the Company shall focus on the development and applications of different product transaction platforms.

V. Operational Highlights

[3] The Company has established the Financial Digital Content Developing Center (FDC) to develop new products for finance databases and high-end financial applications that meet customer requirements. It shall remain focused on the development of intensified and wide-ranged international financial information content. The Company has launched the finance information website - Money Link - to provide investors with comprehensive financial transaction information and integrate information services for mobile devices and Internet networks. The website has become the optimal financial information platform in Greater China for investors to gain knowledge of investment information at any time.

[4] In response to development trends in FinTech, the Company shall continue to provide finance and corporate service mobilization plans, designs, and introduction services for finance operators to quickly adopt and build service plans in order to gain market opportunities and widen their lead over competitors.

(b) New Retail Omni-channel Multi-payment Options:

① Favorable Developments

- Systex is Taiwan's largest information service provider and it is financially sound. The Company has numerous successes in various industries and enjoys high customer loyalty and satisfaction. Systex maintains excellent relations with original manufacturers and distributors and is trusted by original manufacturers. It also enjoys high brand recognition in the market and has become an important IT services supplier for customers.
- Systex has outstanding talent pools with extensive experience and an abundance of technical personnel to provide professional consultation and consulting services to help companies quickly understand key market trends and help them build a sound digital environment and information security management system.
- As the domestic catering distribution service industry develops, business opportunities will increase in stored value services and financial mobile payment.
- In response to the popularity of smart phones, Systex has completed the development of the hks Promotions app. It now has over 1 million downloads and it continues to provide business opportunities in mobile media and applications by increasing precision marketing and purchase guidance services.

② Unfavorable Factors

- Difficulties in growth volume of statement notification letters are mainly due to changes in regulations on shareholder services, environmental protection trends, and digital finance services that expedite growth in electronic billing.
- Original manufacturers' direct involvement in outsourced marketing services compress room for growth.

③ Countermeasures

- In response to fast changes in the market, Systex quickly entered niche markets to increase competitiveness in the industries and actively sought alliances with competitors to quickly expand markets through integration in professional sectors.
- Gradual growth in electronic statements: The Company has established electronic statement system platform services and provides differentiated added-value electronic statement services such as interactive electronic statements or mSense electronic statements. It also regularly analyzes the growth in electronic statements of main customers in the market, actively advances comprehensive information processing services, and provides integrated services for electronic statements and apps to lower the impact of electronic statements on revenue.

V. Operational Highlights

- Changes in shareholder services regulations: The Company has ventured into markets including insurance policy forms and notification market in order to supplement the gap in black-and-white printing. The Company has now completed installation and successfully obtained life insurance clients.

(c) Data Technology Products and Services:

① Favorable Developments

- Systex is Taiwan's largest information service provider and it is financially sound. The Company has numerous successes in various industries and enjoys high customer loyalty and satisfaction. Systex maintains excellent relations with original manufacturers and distributors and is trusted by original manufacturers. It also enjoys high brand recognition in the market and has become an important IT services supplier for customers.
- The Company provides comprehensive information technologies for customers, comprehensive IT basic structure products and added-value services (server, storage, software, security, database, network, application) that are integrated into availability, security, automation, performance (ASAP) solutions. Systex remains the best partner for corporate one-stop shopping from the construction of information technology infrastructure to the design of application software information systems and comprehensive services for construction and operations management. The Company distributes a wide range of products and provides added-value system solution installation services. It is also able to recommend combinations of diverse products to customers that top their respective industries in terms of overall economic scale. Systex is Taiwan's largest IT service provider and has secured the favor of many key customers by being able to quickly respond to customer requirements and provide high quality education and training services.
- The Company constructs information services (cloud, mobile, and big data) for a comprehensive IT ecosphere to reduce customers' anxiety on the security and convenience of new technologies and increase the satisfaction rate of services.
- The Company has a comprehensive technical support team and outstanding and experienced talents continue to join. It has the strongest presale capabilities among Microsoft Partners and it continues to increase the expertise and service quality of its technical personnel. The Company provides professional consultation and consultancy services in a sound division of labor.
- Systex has outstanding talent pools with extensive experience and an abundance of technical personnel to provide professional consultation and consulting services to help companies quickly understand key market trends and help them build a sound digital environment and information security management system.
- Systex has accumulated over ten years of extensive experience in information security technologies and actual experience. It retains comprehensive solutions, multiple product lines and technical support teams to help customers ensure information security, increase productivity, and maintain the highest security and stability of the information system at all times. Systex retains a high level of brand recognition on the market for outsourced information security services that is beneficial to the development of information security products and services.
- Demands for outsourcing corporate information services will continue to climb and related software/hardware equipment installation and maintenance services will continue to grow.
- Systex provides customers with professional maintenance services for various servers, personal computers, notebook computers, printers, peripherals, cash registers, credit card machines, mobile phones etc. and customer markets include government, finance, banking, distribution and private enterprises.

V. Operational Highlights

② Unfavorable Factors

- The market in Taiwan is saturated and the intense price competition in the industry lowers profits.
- The recent global economic downturn has continued to shrink the domestic IT service market as customers' budgets decreased and it became increasingly difficult to sustain growth.
- The IT budget accounts for a low proportion of total national budget. It is lower than international standards and mostly used on hardware. Political uncertainties in recent years have led to delays and cuts in budget.
- The challenge of large-scale Chinese SIs entering the Taiwanese market in the post-ECFA era.
- Potential customers' understanding of the benefits of IT outsourcing requires improvement.
- Competitors continue to lower prices for equipment maintenance in order to obtain market share, which has led to the reduction of gross margins.
- Original manufacturers' direct involvement in outsourced marketing services compress room for growth.

③ Countermeasures

- To respond to the increase of horizontal integration by original manufacturers, the Company shall seek integration with competitors to increase business opportunities for products and services to increase competitiveness.
- Talents are critical assets in the IT industry. The Company shall establish professional service teams and employ outstanding talents to win customers through "industry expertise" and "sector expertise."
- In response to fast changes in the market, Systex quickly entered niche markets to increase competitiveness in the industries and actively sought alliances with competitors to quickly expand markets through integration in professional sectors.
- The Company shall expand the customer base for maintenance contracts to increase chances for signing contracts. The Company shall also expand the sales of equipment to increase market share and increase the technical capabilities of maintenance staff to construct comprehensive solutions and win the acceptance and trust of more customers.

5.2.2 Key Product Applications and Manufacturing Processes:

Please refer to pages 79 to 81 of the Chinese annual report.

5.2.3 Supply of Essential Raw Materials: N/A

5.2.4 Key Suppliers and Customers in 2016 & 2015:

A. Key Customers: There are not any customers for more than 10% of the total sales in 2016 & 2015.

V. Operational Highlights

B. Key Suppliers:

Unit: NT\$ thousands

Year Supplier	2015			2016			As of March 31, 2017		
	Amount	Percentage of Total Purchase (%)	Relationship with Issuer	Amount	Percentage of Total Purchase (%)	Relationship with Issuer	Amount	Percentage of Total Purchase (%)	Relationship with Issuer
Company A	3,582,764	35	None	3,405,981	33	None	814,053	37	None
Others	6,620,257	65		7,002,734	67		1,391,304	63	
Total	10,203,021	100		10,408,715	100		2,205,357	100	

5.2.5 Production in 2016 & 2015: SYSTEX is the Information Service Company, it's not applicable.

5.2.6 Shipments and Revenue in 2016 & 2015

Unit: NT\$ thousands

Year Item	2015		2016	
	Domestic	Overseas	Domestic	Overseas
Net sales	8,507,842	3,505,284	8,412,151	3,217,554
Service revenue	3,764,661	420,769	3,822,331	692,212
Other operating revenue	110,284	4,248	62,186	3,946
Total	16,313,088		16,210,380	

5.3 Human Resources

Year		2015	2016	As of March 31, 2017
Number of Employees	Sales & Market	507	495	493
	Technician	1,132	1,136	1,096
	Programmer	938	930	912
	Administration	345	348	370
	Total	2,922	2,909	2,871
Average Age		36	37	37
Average Years of Service		6.6	7.1	7.2
Education	Ph.D.	0.07%	0.07%	0.14%
	Master	13.14%	12.13%	11.88%
	University & College	80.53%	81.23%	81.19%
	High School	5.95%	6.29%	6.41%
	Below High School	0.31%	0.28%	0.38%

V. Operational Highlights

5.4 Information on Environmental Protection Costs

The Company's main businesses include information services, sales and other services of computer software, hardware, and related equipment. It is not a factory and therefore does not pollute the environment.

5.5 Labor Relations

Harmonious labor and management relations are the foundations of corporate development. The Company's labor and management relations throughout the years have always been harmonious and stable as well as conducive to mutual prosperity. The Company dedicates itself to improving employee benefits, salary, and work environment and to maintain open communication channels between labor and management. The hard work of all employees and their demonstration of personal talents allow employees and the Company to grow together and create a better future together.

The Company processes various recommendations from employees in an appropriate manner to create constructive consensus and facilitate cooperation between labor and management. The Company therefore has no labor and management disputes.

The Company's employee benefits for studying, training, the pension system and its implementation status as well as labor agreements and employee rights maintenance measures are as follows:

5.5.1 Welfare measures for employees

- A. Establish comprehensive performance management and compensation systems to link performance goals of organizations and individuals and conduct periodic review, feedback, and evaluation. The results are used as important basis for employee training and development and for reward in accordance with the overall performance of the Company, department, and personal performance and contribution to meet the compensation policy of "high performance, high contribution, and high compensation" and create benefits for shareholders, the Company, and employees.
- B. Establish effective recruitment and talent selection mechanisms to achieve the purpose of placing the right person in the right position.
- C. Establish comprehensive management regulations system to allow employees to work on a legal, reasonable, and sensible management platform. The current regulations shall be appropriately revised in accordance with changes in regulation, environmental changes, and actual requirements.
- D. Establish smooth communication channels to allow employees to fully understand management strategies and ideals and allow them to fully express their opinions as reference for making improvements.
- E. Increase benefits by adopting regulations on leave that are superior to regulatory requirements and use related measures to maintain employees' physical and mental health. The Company also established an Employee Welfare Committee to organize dinner parties, tours, clubs, and other activities to improve the work environment and quality of life. Benefit measures are as follows:
 - (a) Employees enjoy special leaves that are superior to regulations in the Labor Standards Act.
 - (b) The Company provides regular health exams for employees.
 - (c) The Company has established employee cafeteria and coffee shop to provide diverse catering options and places to relax.
 - (d) The Company provides laundry services at discount prices.
 - (e) The Company has established parking lots for use by all employees after filing applications.
 - (f) The Company encourages employees to establish clubs and subsidizes club funding.
 - (g) Employees enjoy promotional prices for products of the Group.
 - (h) The Company organizes employee events and tours from time to time to enrich employees' leisure life

V. Operational Highlights

and promote friendship.

- (i) In addition to the legally required labor and health insurance, the Company also provides employees with group insurance. The group insurance is paid for by the Company and employees' family members can also pay for additional coverage.

5.5.2 Training and Career Development

The Company values talent cultivation and the advancement of employee expertise. We firmly believe that employees are the Company's most important assets and the Company has systematic planning and provides employees with education development plans from professional technical skills to career development. Employees can participate in external training and professional license tests as well as comprehensive training courses planned by the Company in accordance with the Company's organizational strategy, job function models, and work requirement. The courses include basic training, management development, project management, quality management, and personal performance. In addition, the Company has also established comprehensive "Employee Training Development Management Regulations" to encourage employees to participate in a variety of studies and courses for which the Company provides subsidies. At the same time, the training and development are incorporated into the performance management system to motivate employees to maximize their performance to accomplish the Company's goals.

In addition, the Company has introduced a comprehensive "Performance Management & People Development (PMPD) System" where employees can use the Individual Development Plan (IDP) to discuss the learning and development plan for the following year with the supervisor during the annual performance review to provide customized performance development plans.

A total of 2,338 employees participated in the physical training courses (excluding digital learning courses) hosted by Systex in 2016 and the total training time exceeded 12,000 hours. In addition, there were 630 instances of external professional training courses which accounted for a total of 10,370 training hours.

The training courses provided by the Company include:

- A. Foundation Training Programs: To help new recruits integrate into the organization, each new partner is required to attend foundation training programs when entering the organization. The training includes physical courses and online courses for new recruits and the contents include corporate culture, organization overview, and regulations.
- B. Management Development Programs: To enhance the management skills of supervisors, the Company has designed diverse management development training courses for different levels of managers in order to increase the leadership and management skills of supervisors and ensure the effective performance of the organization (e.g. the Strategy and Consensus Camp, recruitment skills, performance management etc.).
- C. Project Management Programs: To improve project efficiency and enhance the project management capabilities of employees, the Company has established systematic project management training courses and PM Workshops as well as subsidies for professional certification examinations to implement project management in daily lives and create corporate value.
- D. Technical Development Programs: Provide software development and integration skills and plan SA Workshop courses that are exclusive to Systex. Use the Company's best practice experience of over thirty years as the basis and coordinate with actual practice to effectively foster technical talent and ensure the quality of professional expertise in software development and integration.
- E. Personal Effectiveness Programs: To help employees increase work efficiency and implement organization talent strategies for high performance and high contribution, the Company arranges diverse personal performance courses (e.g. customer relations, marketing seminars, presentation skills, time management, communication efficiency etc.) in the annual plan in accordance with requirements for job

V. Operational Highlights

functions.

F. Sales & Marketing Programs: The programs are established to increase sales techniques of sales and marketing personnel and effectively develop potential customers or enhance partnerships with existing customers. In addition, the Company also organizes the Systex Sales School for new sales personnel to fully explain all products, services, and solutions.

In addition to physical courses, the Company also established a comprehensive "Learning Management System (LMS)" to assist employees develop core expertise quickly through automated information system and use digital learning to enhance their capabilities without time or space constraints. There are over 100 digital courses in the Digital Learning Programs for employees to choose from and the ten categories include New Employees Area (Company Introduction, Corporate Culture, Organization Environment and System Introduction, Workplace Safety, Employee Code of Conduct etc.), Quality Management (Comprehensive Quality Management), Management Development (Goal Setting, Performance Evaluation, Guidance, Leadership and Encouragement, Creating Advantages through Reform etc.), Personal Performance (Advanced Word/Excel Applications, EQ Management, Time Management etc.), Sales and Marketing (Sales Presentation Formulation, Product Introduction etc.), Project Management (Project Scheduling, Project Risk Management, Leadership of Project Managers etc.), Technical Development (Introduction to Software Development and Maintenance, Construction Management, How to Formulate Test Plans and Test Projects etc.), Safety and Health, System Operations, and Human Resources.

5.5.3 Retirement System

The Company's retirement system is designed in accordance with the Labor Standards Act. Pension is appropriated each month in accordance with the Regulations for the Allocation and Management of the Workers' Retirement Reserve Funds to dedicated accounts in the Bank of Taiwan. The Company also established the Labor Retirement Reserve Supervisory Committee to supervise the implementation of the fund. Retirement regulations are also implemented in accordance with regulations of the Labor Standards Act and Labor Pension Act.

5.5.4 Working Environment and Protective Measures for Employees' Personal Safety

The Company has established a labor safety and health management agency and the Labor Safety and Health Committee in accordance with the "Regulations on the Management of Labor Safety and Health Organization." Meetings are convened each quarter to implement affairs related labor safety and health. The Company implements access management for the security of the building. It established a central surveillance system staffed by 24-hour security personnel. The Company conducts fire safety exercises every six months and annual "fire safety equipment inspection and reports" in accordance with fire safety regulations to improve employees' familiarity with fire safety. The Company established a "Fire Safety Protection Plan" and designated fire-safety managers to implement fire safety education. The Company files building safety inspection reports to ensure the safety of the building. With regard to health environment, the Company has installed high temperature sterilization dishwashers and disinfection cabinets in the employee cafeteria to ensure food safety for employees. The Company also regularly cleans the drinking water storage facility, conducts environmental disinfection operations, and inspects drinking fountains each month. The Company has appointed physicians to carry out health services at the Company every two months to provide employees with health consultation in accordance with the "Labor Health Protection Act." The Company also builds a friendly work environment and sets up breastfeeding rooms, gym facilities and badminton courts for employees in accordance with regulations of the Health Promotion Administration to provide employees with venues for leisure and sports. The Company also established wheelchair accessible facilities at the entrance of the building and lavatories. Systex passed the "Accredited Healthy Workplace" inspection by the Health Promotion Administration for a smoke-free workplace and provides employees with a healthy work

V. Operational Highlights

environment.

5.5.5 Employee Code of Conduct

The Company has established the "Employee Code of Conduct" as the standard to be followed by the Company's employees when conducting business activities. The main contents include:

- A. Legal requirements and the Company's internal regulations shall be strictly implemented when conducting business activities in order to protect employees and the Company from legal penalties or prosecution by stakeholders.
- B. Protect the Company's reputation and assets.
- C. The Company's assets and information shall only be used to achieve the Company's goals and they shall be properly used, protected, and stored.
- D. Employees may not conduct activities that conflict with the interests of the Company.
- E. Applicable procedures and punishment measures in the event of violations.

Each new employee shall be required to attend a digital learning course on "Employee Code of Conduct" after entering the Company. The course shall be announced on the Company's internal website. In addition, the Company shall issue regular email notifications and education each month to request compliance by supervisors and remind colleagues to read and sign so that all employees shall adhere and implement related regulations.

5.6 Material Contracts

Agreement	Counterparty	Period	Major Contents	Restrictions
Reseller Agreement	Oracle Taiwan LLC, Taiwan Branch	2016.05.20-2017.05.19	Software proxy	None
Reseller Agreement	IBM SINGAPORE PTE LTD.	2015.06.01-2016.05.31	Software proxy	None
Reseller Agreement	Microsoft Regional Sales Corporation	2016.09.01-2017.08.31	Software proxy	None

VI. Financial Information

6.1 Five-Year Financial Summary

6.1.1 Condensed Balance Sheet and Condensed Statement of Comprehensive Income

A. Consolidated Condensed Balance Sheet

Unit: NT\$ thousands

Item \ Year		Financial Summary for The Last Five Years					As of March 31, 2017
		2012	2013	2014	2015	2016	
Current assets		11,995,855	13,087,278	13,596,623	13,592,648	15,264,070	13,241,251
Financial assets measured at cost - non-current		577,003	552,902	516,336	458,967	432,971	429,609
Investments accounted for using equity method		1,179,805	1,268,976	1,226,036	1,652,940	397,656	1,164,213
Property, plant and equipment (Note2)		2,515,940	2,449,264	2,278,120	2,089,497	2,009,673	1,973,116
Intangible assets		778,188	558,756	545,375	451,010	112,751	100,377
Other non-current assets (Note2)		318,700	420,628	396,265	417,795	865,507	893,252
Total assets		17,365,491	18,337,804	18,558,755	18,662,857	19,082,628	17,774,818
Current liabilities	Before distribution	4,583,315	4,985,779	4,826,640	5,240,030	6,064,585	4,783,690
	After distribution	4,061,875	4,187,709	3,489,683	5,240,030	-	-
Non-current liabilities		253,694	248,277	208,349	265,124	258,848	250,467
Total liabilities	Before distribution	4,837,009	5,234,056	5,034,989	5,505,154	6,323,433	5,034,157
	After distribution	4,315,569	4,435,986	3,698,032	5,505,154	-	-
Equity attributable to owners of the corporation		12,246,166	12,940,300	13,445,542	13,101,677	12,728,192	12,711,795
Share capital		2,599,345	2,630,693	2,671,113	2,688,383	2,693,933	2,693,933
Capital surplus	Before distribution	8,880,385	8,486,264	8,685,259	8,197,220	7,634,980	7,634,980
	After distribution	8,358,945	8,486,264	7,749,389	7,523,737	-	-
Retained earnings	Before distribution	2,148,815	2,990,925	2,944,585	3,046,792	3,467,402	3,800,513
	After distribution	2,148,815	2,192,855	2,543,498	2,373,309	-	-
Other equity		(328,913)	(114,116)	97,837	136,780	(64,494)	(414,002)
Treasury share		(1,053,466)	(1,053,466)	(953,252)	(967,498)	(1,003,629)	(1,003,629)
Non-controlling interests		282,316	163,448	78,224	56,026	31,003	28,866
Total equity	Before distribution	12,528,482	13,103,748	13,523,766	13,157,703	12,759,195	12,740,661
	After distribution	12,007,042	12,305,678	12,186,809	11,810,736	-	-

Note 1 : The Company has adopted the International Financial Reporting Standards (IFRSs) for the compilation of consolidated financial information since 2013. The financial information of the preceding years has been

VI. Financial Information

audited and reviewed by the CPA.

Note 2 : No reevaluation of assets has been conducted throughout the years.

Note 3 : The earning distribution of 2016 is to be approved by the shareholders' meeting.

B. Consolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years					As of March 31, 2017
	2012	2013	2014	2015	2016	
Operating revenues	14,257,601	15,657,262	15,809,321	16,313,088	16,210,380	3,705,351
Gross profit	3,813,573	4,270,556	4,219,091	4,300,486	4,332,060	1,015,525
Profit from operations	86,439	489,018	436,548	419,362	279,268	119,265
Non-operating income and expenses	240,105	450,712	489,980	285,857	966,592	237,098
Income before tax	326,544	939,730	926,528	705,219	1,245,860	356,363
Net income	249,953	823,700	748,046	563,327	1,090,328	330,897
Other comprehensive income (loss) (income after tax)	(243,847)	231,948	203,567	(21,568)	(215,734)	(349,431)
Total comprehensive income	6,106	1,055,648	951,613	541,759	874,594	(18,534)
Net income attributable to owners of the corporation	302,788	830,540	745,709	564,274	1,108,268	333,111
Net income attributable to non-controlling interests	(52,835)	(6,840)	2,337	(947)	(17,940)	(2,214)
Comprehensive income attributable to owners of the corporation	65,586	1,063,171	949,775	542,237	892,819	(16,397)
Comprehensive income attributable to non-controlling interests	(59,480)	(7,523)	1,838	(478)	(18,225)	(2,137)
Earnings per share (Note2)	1.29	3.51	3.07	2.29	4.50	1.35
Retroactively adjusted earnings per share (Note3)	1.29	3.51	3.07	2.29	4.50	1.35

Note 1 : The Company has adopted the International Financial Reporting Standards (IFRSs) for the compilation of consolidated financial information since 2013. The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

Note 3: Calculated by the retroactively adjusted number of shares.

VI. Financial Information

6.1.2 Unconsolidated Balance Sheet and Condensed Statement of Comprehensive Income

A. Unconsolidated Condensed Balance Sheet

Unit: NT\$ thousands

		Year	Financial Summary for The Last Five Years (Note1)				
			2012	2013	2014	2015	2016
Item							
Current assets			4,111,084	4,027,746	3,493,385	3,358,680	3,333,550
Financial assets measured at cost - non-current			395,971	394,971	360,473	326,976	311,305
Investments accounted for using equity method			8,301,239	8,503,891	9,362,801	9,411,179	9,174,361
Property, plant and equipment (Note2)			1,991,242	1,945,915	1,885,134	1,704,946	1,658,175
Intangible assets			128,603	124,867	124,777	107,282	54,271
Other non-current assets (Note2)			234,623	341,465	271,556	243,268	435,427
Total assets			15,162,762	15,338,855	15,498,126	15,152,331	14,697,089
Current liabilities	Before distribution		2,726,015	2,206,329	1,866,565	1,812,301	1,940,356
	After distribution		2,204,575	1,408,259	529,608	1,812,301	-
Non-current liabilities			190,581	192,226	186,019	238,353	298,541
Total liabilities	Before distribution		2,916,596	2,398,555	2,052,584	2,050,654	2,238,897
	After distribution		2,395,156	1,600,485	715,627	2,050,654	-
Equity attributable to owners of the corporation			12,246,166	12,940,300	13,445,542	13,101,677	12,728,192
Share capital			2,599,345	2,630,693	2,671,113	2,688,383	2,693,933
Capital surplus	Before distribution		8,880,385	8,486,264	8,685,259	8,197,220	7,634,980
	After distribution		8,358,945	8,486,264	7,749,389	7,523,737	-
Retained earnings	Before distribution		2,148,815	2,990,925	2,944,585	3,046,792	3,467,402
	After distribution		2,148,815	2,192,855	2,543,498	2,373,309	-
Other equity interests			(328,913)	(114,116)	97,837	136,780	(64,494)
Treasury shares			(1,053,466)	(1,053,466)	(953,252)	(967,498)	(1,003,629)
Non-controlling interests			-	-	-	-	-
Total equity	Before distribution		12,246,166	12,940,300	13,445,542	13,101,677	12,728,192
	After distribution		11,724,726	12,142,230	12,108,585	11,754,710	-

Note 1 : The Company has adopted the International Financial Reporting Standards (IFRSs) for the compilation of consolidated financial information since 2013. The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2 : No reevaluation of assets has been conducted throughout the years.

VI. Financial Information

B. Unconsolidated Condensed Statement of Comprehensive Income

Unit: NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note1)				
	2012	2013	2014	2015	2016
Operating revenues	9,287,130	7,978,440	6,406,809	6,100,657	5,733,038
Gross profit	2,589,465	2,364,719	1,963,616	1,943,215	1,912,678
Profit from operations	329,378	329,240	184,089	147,366	92,889
Non-operating income and expenses	19,109	571,058	662,924	483,194	985,716
Income before tax	348,487	900,298	847,013	630,560	1,078,605
Net income	302,788	830,540	745,709	564,274	1,108,268
Other comprehensive income (loss) (income after tax)	(237,202)	232,631	204,066	(22,037)	(215,449)
Total comprehensive income	65,586	1,063,171	949,775	542,237	892,819
Net income attributable to owners of the corporation	302,788	830,540	745,709	564,274	1,108,268
Net income attributable to non-controlling interests	-	-	-	-	-
Comprehensive income attributable to owners of the corporation	65,586	1,063,171	949,775	542,237	892,819
Comprehensive income attributable to non-controlling interests	-	-	-	-	-
Earnings per share (Note2)	1.29	3.51	3.07	2.29	4.50
Retroactively adjusted earnings per share (Note3)	1.29	3.49	3.06	2.29	4.50

Note 1 : The Company has adopted the International Financial Reporting Standards (IFRSs) for the compilation of consolidated financial information since 2013. The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

Note 3: Calculated by the retroactively adjusted number of shares.

VI. Financial Information

6.1.3 Auditors' Opinions from 2012 to 2016

Year \ Item	Accounting Firm & CPA	Audit Opinion
2012	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Modified unqualified opinion
2013	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Kuo, Cheng-Hung	Modified unqualified opinion
2014	Deloitte & Touche Accounting Firm Shue, Shiow-Ming; Kuo, Cheng-Hung	Modified unqualified opinion
2015	Deloitte & Touche Accounting Firm Shue, Shiow-Ming; Kuo, Cheng-Hung	Modified unqualified opinion
2016	Deloitte & Touche Accounting Firm Lin, Shu-Wan ; Shue, Shiow-Ming	Unmodified report with other matter paragraph
As of March 31, 2017	Deloitte & Touche Accounting Firm Lin, Shu-Wan; Shue, Shiow-Ming	Qualified review report

VI. Financial Information

6.2 Five-Year Financial Analysis

6.2.1 Financial Analysis – Based on IFRS (Consolidated)

Item \ Year		Financial Analysis for the Last Five Years (Note1)					As of March 31, 2017 (Note1)
		2012	2013	2014	2015	2016	
Financial structure	Debt Ratio (%)	27.85	28.54	27.13	29.50	33.14	28.32
	Ratio of long-term capital to property, plant and equipment (%)	508.05	545.14	602.78	642.40	647.77	658.41
Solvency	Current ratio (%)	261.73	262.49	281.70	259.40	251.69	276.24
	Quick ratio (%)	207.59	214.22	226.32	205.23	197.72	207.69
	Times Interest earned ratio (times)	22.46	52.74	83.91	48.63	51.19	61.02
Operating performance	Average collection turnover (times)	4.96	5.03	4.88	4.88	4.70	4.70
	Average collection period (days)	74	73	75	75	78	78
	Average inventory turnover (times)	5.71	5.62	5.71	5.57	4.89	4.47
	Accounts payable turnover (times)	4.06	4.31	4.14	4.17	4.10	4.26
	Average days in sales	64	65	64	66	75	82
	Property, plant and equipment turnover (times)	5.61	6.31	6.69	7.47	7.91	7.30
	Total assets turnover (times)	0.81	0.88	0.86	0.88	0.86	0.81
Profitability	Return on total assets (%)	1.50	4.70	4.11	3.09	5.89	7.37
	Return on equity (%)	1.96	6.43	5.62	4.22	8.41	10.22
	Profit before tax to capital (%)	12.56	35.72	34.69	26.23	46.25	52.91
	Profit to sales (%)	1.75	5.26	4.73	3.45	6.73	8.93
	Earnings per share (NT\$) (Note 2)	1.29	3.51	3.07	2.29	4.50	1.35
	Retroactively adjusted earnings per share (Note 3)	1.29	3.51	3.07	2.29	4.50	1.35
Cash flow	Cash flow ratio (%)	20.99	2.61	11.26	19.61	24.64	-
	Cash flow adequacy ratio (%)	108.12	92.32	72.21	83.51	67.39	64.71
	Cash flow reinvestment ratio (%)	3.92	(2.58)	(1.37)	(1.49)	1.97	-
Leverage	Operating leverage	45.18	8.91	9.90	10.54	15.77	8.65
	Financial leverage	1.21	1.04	1.03	1.04	1.10	1.05

VI. Financial Information

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Return on total assets increased 90%: Because of income after tax increased.
2. Return on stockholders' equity increased 99%: Because of income after tax increased.
3. Pre-tax income to paid-in capital increased 76%: Because of income before tax increased.
4. Profit ratio increased 95%: Because of income after tax increased.
5. Cash flow ratio increased 26%: Net cash generated from operating activities increased 45% 、 current liabilities increased 16%.
6. Cash reinvestment ratio increased 232% : Because of net cash generated from operating activities increased 45% 、 long-term investment and Other non-current assets decreased 51%.
7. Operating leverage increased 50% : Because of profit from operations decreased 33%.

Note 1 : The Company has adopted the International Financial Reporting Standards (IFRSs) for the compilation of consolidated financial information since 2013. The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

Note 3: Calculated by the retroactively adjusted number of shares.

VI. Financial Information

6.2.2 Financial Analysis (Unconsolidated)

Items \ Year		Financial Analysis for the Last Five Years (Note1)				
		2012	2013	2014	2015	2016
Financial structure	Debt Ratio (%)	19.24	15.64	13.24	13.53	14.96
	Ratio of long-term capital to property, plant and equipment (%)	624.57	674.88	723.11	782.43	785.61
Solvency	Current ratio (%)	150.81	182.55	187.16	185.33	171.80
	Quick ratio (%)	91.19	128.86	129.80	136.21	115.08
	Times interest earned ratio (times)	3,521	12,167	25,668	19,706	672
Operating performance	Average collection turnover (times)	5.83	5.37	5.44	6.01	5.69
	Average collection period (days)	63	68	67	61	64
	Average inventory turnover (times)	5.16	4.47	4.71	5.48	4.88
	Accounts payable turnover (times)	4.10	4.18	4.42	4.40	3.91
	Average days in sales	71	82	77	67	75
	Property, plant and equipment turnover (times)	4.62	4.05	3.34	3.40	3.41
	Total assets turnover (times)	0.60	0.52	0.42	0.40	0.38
Profitability	Return on total assets (%)	1.97	5.45	4.84	3.68	7.37
	Return on equity (%)	2.44	6.60	5.65	4.25	8.58
	Profit before tax to capital (%)	13.41	34.22	31.71	23.45	40.04
	Profit to sales (%)	3.26	10.41	11.64	9.25	19.33
	Earnings per share (NT\$) (Note 2)	1.29	3.51	3.07	2.29	4.50
	Retroactively adjusted earnings per share (Note 3)	1.29	3.51	3.07	2.29	4.50
Cash flow	Cash flow ratio (%)	40.14	(2.86)	17.80	26.20	26.38
	Cash flow adequacy ratio (%)	126.42	99.63	88.73	66.08	42.42
	Cash flow reinvestment ratio (%)	4.52	(4.37)	(3.35)	(6.31)	(6.26)
Leverage	Operating leverage	8.09	7.41	11.03	13.64	21.03
	Financial leverage	1.00	1.00	1.00	1.00	1.02

VI. Financial Information

Analysis of financial ratio differences for the last two years. (Not required if the difference does not exceed 20%)

1. Interest earned ratio decreased 97%: Because of interest expense of 2016 increased.
2. Return on total assets increased 100%: Because of income after tax and interest expense of 2016 increased.
3. Return on stockholders' equity increased 102%: Because of income after tax of 2016 increased.
4. Pre-tax income to paid-in capital increased 71%: Because of income before tax of 2016 increased.
5. Profit ratio increased 109%: Because of income after tax of 2016 increased.
6. Cash flow adequacy ratio decreased 36%: Because of inventories of 2016 increased.
7. Operating leverage increased 54%: Because of Because of profit from operations decreased.

Note 1: The Company has adopted the International Financial Reporting Standards (IFRSs) for the compilation of consolidated financial information since 2013. The financial information of the preceding years has been audited and reviewed by the CPA.

Note 2: Calculated by the weighted average number of shares in external circulation.

Note 3: Calculated by the retroactively adjusted number of shares.

VI. Financial Information

6.3 Audit Committee's Report

Audit Committee's Review Report

The Board of Directors has prepared and submitted the 2016 business report, financial statements, and earnings distribution proposal, of which the financial statements have been audited by Deloitte. These have been reviewed by the Audit Committee as correctly portraying SYSTEX's business activities. In accordance with Article 14-4 of the Securities and Exchange Act and Article 219, 208 of the Company Act, this report is submitted for your examination.

System Corporation

Audit Committee Convener:

Huang, Jih-Tsan

March 23, 2017

VI. Financial Information

6.4 Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report

Systemex Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2016 and 2015 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Systex Corporation

Opinion

We have audited the accompanying consolidated financial statements of Systex Corporation and its subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, 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, based on our audits and the reports of the other independent auditors (refer to paragraph of Other Matter), the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. 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.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2016 are addressed as follows:

Valuation of Inventory Write-down

As of December 31, 2016, the inventories amounted to \$2,422,283 thousand, significant to the Group. The valuation of inventory write-down involves subjective judgements, including identification of slow-moving and obsolete inventories, estimation of net realizable value, and provision for already-identified issues. Therefore, we consider the valuation of inventory write-down as a key audit matter in 2016. For the disclosure related to inventories, refer to Notes 5 and 11.

Our audit procedures for the abovementioned key audit matter included:

1. We obtained and assessed the report of lower of cost or net realizable value prepared by management. We examined the amounts and categories in the aging analysis report of inventories. We assessed the reasonableness of net realizable value by sampling the latest and post year-end sales.
2. We attended year-end inventory counts and assessed the condition of inventories to evaluate the completeness of inventory provisions for obsolete and damaged goods.

Valuation of Accounts Receivable Impairment

As of December 31, 2016, the accounts receivables amounted to \$3,304,915 thousand, significant to the Group. The decision of the determinant of the recoverability of accounts receivable involves subjective judgements, including the assumptions of credit risk to clients, the impairment rates based on historical experiences, and the provision for already-identified issues. Therefore, we consider the valuation of accounts receivable impairment as a key audit matter in 2016. For the disclosure related to accounts receivable, refer to Notes 5 and 10.

Our audit procedures for the abovementioned key matter included:

1. We obtained the reports of accounts receivable impairment and assessed the reasonableness of the methodology and data used in the reports. In order to evaluate the adequacy of the allowance for doubtful accounts, we reviewed the related calculation and validated the aging amounts as of the balance sheet date to understand, judge, and measure the potential risk in overdue balances.
2. We tested recoverability of accounts receivables by verifying cash receipts in the subsequent period. For a receivable that was past due and not yet received, we assessed the reasonableness of the allowance for the doubtful accounts based on the customer's payment history, the bank's guarantee provided, and our understanding of macro-economic environment.

Investments Accounted for Using Equity Method

The Group disposed of the investment (partial ownership of Shenzhen Forms Syntron Information Co., Ltd.) accounted for by the equity method, resulting in a gain of \$1,168,277 thousand, an amount that is material to the 2016 consolidated financial statements of the Group. The calculation for the gain on sale of the investments accounted for using the equity method was complicated and involved in tax computation, which affected the ending balance of the investment accounted for using the equity method and the recognized gain on the sale of the investments. For the disclosure related to the investment under the equity method, refer to Note 15.

Our audit procedures for the abovementioned key matter included:

1. We obtained and verified the documents regarding the disposal of the investment in Shenzhen Forms Syntron Information Co., Ltd., which was accounted for using the equity method, and regarding the transfer of the shares in order to confirm the completion of the transaction.
2. We reviewed and verified the movements of the investment accounted for using the equity method and the related gain on sale of investments according to related regulations. We verified the tax payment receipts related to this transaction in order to assess the appropriateness of the recognition for related income, expense, and tax.

Other Matter

We did not audit the financial statements for the years ended December 31, 2016 and 2015 of SoftMobile Technology Corporation, Rainbow Tech Information (HK) Limited and Systex Information (H.K.) Ltd., which are all consolidated subsidiaries. The aggregate assets of these subsidiaries as of December 31, 2016 and 2015 amounted to \$505,825 thousand and \$466,037 thousand, respectively, or 2.65% and 2.50% of the respective consolidated assets. The aggregate net operating revenues of these subsidiaries in 2016 and 2015 were \$1,126,067 thousand and \$866,911 thousand, respectively, or 6.95% and 5.31% of the respective consolidated net operating revenues. We also did not audit the financial statements as of and for the year ended December 31, 2016 of Sanfran Technologies and Forms Syntron Information (Shenzhen) Limited, and the financial statements for the year ended December 31, 2015 of AFE Solutions Limited, Bisnews International Limited, Sanfran Technologies Inc., Yankey Information Co., Ltd. and Forms Syntron Information (Shenzhen) Limited, the investments in which were accounted by the equity method, shown in the accompanying consolidated financial statements. The aggregate carrying amounts of these investments accounted by equity method as of December 31, 2016 and 2015, including those reclassified to noncurrent assets held for sale, were \$838,453 thousand and \$1,227,632 thousand, respectively, or 4.39% and 6.58% of the respective consolidated assets. The aggregate amounts of share of their profit and other comprehensive income in 2016 and 2015 were \$4,339 thousand and \$(13,636) thousand, respectively, or 0.5% and (2.52%) of the respective consolidated comprehensive income. The subsidiaries and investees' financial statements were audited by other auditors whose reports have been provided to us and, our opinion, insofar as it relates to the amounts included for these subsidiaries and investees, is based solely on the reports of the other auditors.

We have also audited the parent company only financial statements of Systex Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified report with other matter paragraph.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 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 Shu-Wan Lin and Shiow-Ming Shue.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 23, 2017

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 applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail. Also, as stated in Note X to the financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

ASSETS	2016		2015	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	\$ 4,245,282	22	\$ 2,805,641	15
Financial assets at fair value through profit or loss (Notes 4 and 7)	2,879,956	15	3,848,283	21
Available-for-sale financial assets (Notes 4 and 8)	18,984	-	40,607	-
Debt investments with no active market (Notes 4 and 9)	102,339	1	16,736	-
Notes receivable, net (Notes 4 and 10)	67,579	-	75,005	-
Accounts receivable, net (Notes 4, 5, 10 and 26)	3,304,915	17	3,448,823	18
Other receivables (Notes 21 and 27)	217,270	1	288,273	2
Inventories (Notes 4, 5 and 11)	2,422,283	13	1,975,011	11
Prepayments	850,922	5	863,508	5
Non-current assets held for sale (Notes 4 and 15)	890,095	5	-	-
Refundable deposits - current	210,691	1	186,948	1
Other current assets	53,754	-	43,813	-
Total current assets	15,264,070	80	13,592,648	73
NON-CURRENT ASSETS				
Held-to-maturity financial assets - non-current (Notes 4 and 12)	-	-	62,079	-
Financial assets measured at cost - non-current (Notes 4 and 13)	432,971	2	458,967	2
Debt investments with no active market-non-current (Notes 4 and 9)	548,375	3	-	-
Investments accounted for using equity method (Notes 4 and 15)	397,656	2	1,652,940	9
Property, plant and equipment (Notes 4, 16 and 27)	2,009,673	11	2,089,497	11
Computer software (Note 4)	79,585	1	51,531	-
Goodwill (Note 4)	-	-	315,967	2
Technological expertise (Note 4)	25,951	-	31,935	-
Other intangible assets (Note 4)	7,215	-	51,577	-
Deferred tax assets (Notes 4 and 21)	66,702	-	49,335	-
Refundable deposits - non-current (Note 28)	116,676	1	119,004	1
Long-term receivables (Note 10)	54,195	-	92,604	1
Other non-current assets (Notes 19 and 27)	79,559	-	94,773	1
Total non-current assets	3,818,558	20	5,070,209	27
TOTAL	\$ 19,082,628	100	\$ 18,662,857	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term loans (Notes 17 and 27)	\$ 1,046,022	5	\$ 589,821	3
Notes and accounts payable (Note 26)	2,953,992	15	2,833,633	15
Other payables	901,816	5	754,534	4
Current tax liabilities (Notes 4 and 21)	168,439	1	99,871	1
Receipts in advance	882,226	5	841,304	4
Other current liabilities	112,090	1	120,867	1
Total current liabilities	6,064,585	32	5,240,030	28
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Notes 4 and 21)	5,894	-	17,719	-
Net defined benefit liabilities - non-current (Notes 4 and 18)	246,379	1	240,113	2
Other non-current liabilities	6,575	-	7,292	-
Total non-current liabilities	258,848	1	265,124	2
Total liabilities	6,323,433	33	5,505,154	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE CORPORATION (Notes 4 and 19)				
Share capital				
Common shares	2,693,933	14	2,687,733	14
Advance receipts for common shares	-	-	650	-
Total share capital	2,693,933	14	2,688,383	14
Capital surplus	7,634,980	40	8,197,220	44
Retained earnings				
Legal reserve	786,087	4	729,659	4
Unappropriated earnings	2,681,315	14	2,317,133	12
Total retained earnings	3,467,402	18	3,046,792	16
Other equity	(64,494)	-	136,780	1
Treasury shares	(1,003,629)	(5)	(967,498)	(5)
Total equity attributable to owners of the Corporation	12,728,192	67	13,101,677	70
NON-CONTROLLING INTERESTS	31,003	-	56,026	-
Total equity	12,759,195	67	13,157,703	70
TOTAL	\$ 19,082,628	100	\$ 18,662,857	100

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

(With Deloitte & Touche audit report dated March 23, 2017)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 4 and 26)				
Sales	\$ 11,761,268	73	\$ 12,072,818	74
Less: Sales returns and allowances	<u>131,563</u>	<u>1</u>	<u>59,692</u>	<u>1</u>
Net sales	11,629,705	72	12,013,126	73
Service revenue	4,514,543	28	4,185,430	26
Other operating revenue	<u>66,132</u>	<u>-</u>	<u>114,532</u>	<u>1</u>
Total operating revenues	<u>16,210,380</u>	<u>100</u>	<u>16,313,088</u>	<u>100</u>
OPERATING COSTS (Notes 4, 11, 20 and 26)				
Cost of goods sold	9,961,443	61	10,188,147	63
Service cost	1,895,107	12	1,769,840	11
Other operating cost	<u>21,770</u>	<u>-</u>	<u>54,615</u>	<u>-</u>
Total operating costs	<u>11,878,320</u>	<u>73</u>	<u>12,012,602</u>	<u>74</u>
GROSS PROFIT	4,332,060	27	4,300,486	26
OPERATING EXPENSES (Notes 18, 20 and 26)				
Selling expenses	3,172,663	19	2,999,706	18
General and administrative expenses	420,986	3	474,660	3
Research and development expenses	<u>459,143</u>	<u>3</u>	<u>406,758</u>	<u>3</u>
Total operating expenses	<u>4,052,792</u>	<u>25</u>	<u>3,881,124</u>	<u>24</u>
PROFIT FROM OPERATIONS	<u>279,268</u>	<u>2</u>	<u>419,362</u>	<u>2</u>
NON-OPERATING INCOME AND EXPENSES				
Share of profit of associates (Notes 4 and 15)	84,102	-	66,178	-
Interest income (Note 4)	29,965	-	22,594	-
Dividend income (Note 4)	42,918	-	45,696	-
Other income, net	62,455	-	89,728	1
Gain on sale of investments, net (Note 20)	1,227,033	8	159,122	1
Foreign exchange loss, net (Note 4)	(69,545)	-	(35,007)	-
Gain (loss) on financial assets at fair value through profit or loss, net (Note 4)	115,052	1	(50,257)	-
Interest expense	(24,823)	-	(14,805)	-
Other expenses	(29,095)	-	(8,943)	-
Gain on disposal of property, plant and equipment, net (Note 4)	17,804	-	147,685	1
Impairment loss on assets (Notes 4 and 20)	<u>(489,274)</u>	<u>(3)</u>	<u>(136,134)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>966,592</u>	<u>6</u>	<u>285,857</u>	<u>2</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 1,245,860	8	\$ 705,219	4
INCOME TAX EXPENSE (Notes 4 and 21)	<u>155,532</u>	<u>1</u>	<u>141,892</u>	<u>1</u>
NET INCOME	<u>1,090,328</u>	<u>7</u>	<u>563,327</u>	<u>3</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 18)	(15,384)	-	(61,989)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 21)	<u>437</u>	<u>-</u>	<u>874</u>	<u>-</u>
	<u>(14,947)</u>	<u>-</u>	<u>(61,115)</u>	<u>-</u>
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations	(129,765)	(1)	133,545	1
Unrealized gain (loss) on available-for-sale financial assets	10,428	-	(2,720)	-
Share of the other comprehensive loss of associates accounted for using the equity method	<u>(81,450)</u>	<u>(1)</u>	<u>(91,278)</u>	<u>(1)</u>
	<u>(200,787)</u>	<u>(2)</u>	<u>39,547</u>	<u>-</u>
Other comprehensive loss for the year, net of income tax	<u>(215,734)</u>	<u>(2)</u>	<u>(21,568)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 874,594</u>	<u>5</u>	<u>\$ 541,759</u>	<u>3</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 1,108,268	7	\$ 564,274	3
Non-controlling interests	<u>(17,940)</u>	<u>-</u>	<u>(947)</u>	<u>-</u>
	<u>\$ 1,090,328</u>	<u>7</u>	<u>\$ 563,327</u>	<u>3</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the Corporation	\$ 892,819	5	\$ 542,237	3
Non-controlling interests	<u>(18,225)</u>	<u>-</u>	<u>(478)</u>	<u>-</u>
	<u>\$ 874,594</u>	<u>5</u>	<u>\$ 541,759</u>	<u>3</u>

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

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

	2016		2015	
	Amount	%	Amount	%
EARNINGS PER SHARE (Note 22)				
Basic	<u>\$4.50</u>		<u>\$2.29</u>	
Diluted	<u>\$4.50</u>		<u>\$2.29</u>	

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

(With Deloitte & Touche audit report dated March 23, 2017)

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Corporation (Notes 4 and 19)													
	Share Capital			Capital Surplus	Retained Earnings				Other Equity		Treasury Shares	Total	Non-controlling Interests (Note 19)	Total Equity
	Common Shares	Advance Receipts for Common Shares	Total		Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) on Financial Instruments				
BALANCE, JANUARY 1, 2015	\$ 2,669,163	\$ 1,950	\$ 2,671,113	\$ 8,685,259	\$ 655,188	\$ 114,116	\$ 2,175,281	\$ 2,944,585	\$ 86,276	\$ 11,561	\$ (953,252)	\$ 13,445,542	\$ 78,224	\$ 13,523,766
Appropriation of 2014 earnings														
Legal reserve	-	-	-	-	74,471	-	(74,471)	-	-	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	(401,087)	(401,087)	-	-	-	(401,087)	-	(401,087)
Reversal of special reserve	-	-	-	-	-	(114,116)	114,116	-	-	-	-	-	-	-
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	280,377	-	-	-	-	-	-	-	280,377	-	280,377
Distribution in cash of the capital surplus - NT\$3.5 per share	-	-	-	(935,870)	-	-	-	-	-	-	-	(935,870)	-	(935,870)
Issuance of common shares for exercised employee stock options	18,570	(1,300)	17,270	37,744	-	-	-	-	-	-	-	55,014	-	55,014
Net income (loss) for 2015	-	-	-	-	-	-	564,274	564,274	-	-	-	564,274	(947)	563,327
Other comprehensive income (loss) for 2015	-	-	-	-	-	-	(60,980)	(60,980)	41,663	(2,720)	-	(22,037)	469	(21,568)
Total comprehensive income (loss) for 2015	-	-	-	-	-	-	503,294	503,294	41,663	(2,720)	-	542,237	(478)	541,759
Acquisition of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	-	-	-	-	-	-	-	(47,091)	(47,091)	(49,168)	(96,259)
Disposal of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	21,188	-	-	-	-	-	-	32,845	54,033	56,417	110,450
Cash dividends received by subsidiaries from the Corporation	-	-	-	108,522	-	-	-	-	-	-	-	108,522	-	108,522
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(28,969)	(28,969)
BALANCE, DECEMBER 31, 2015	2,687,733	650	2,688,383	8,197,220	729,659	-	2,317,133	3,046,792	127,939	8,841	(967,498)	13,101,677	56,026	13,157,703
Appropriation of 2015 earnings														
Legal reserve	-	-	-	-	56,428	-	(56,428)	-	-	-	-	-	-	-
Cash dividends - NT\$2.5 per share	-	-	-	-	-	-	(673,483)	(673,483)	-	-	-	(673,483)	-	(673,483)
Change in capital surplus from investments in associates accounted for by using equity method	-	-	-	58,753	-	-	-	-	-	-	-	58,753	-	58,753
Distribution in cash of the capital surplus - NT\$2.5 per share	-	-	-	(673,483)	-	-	-	-	-	-	-	(673,483)	-	(673,483)
Issuance of common shares for exercised employee stock options	6,200	(650)	5,550	11,045	-	-	-	-	-	-	-	16,595	-	16,595
Net income (loss) for 2016	-	-	-	-	-	-	1,108,268	1,108,268	-	-	-	1,108,268	(17,940)	1,090,328
Other comprehensive income (loss) for 2016	-	-	-	-	-	-	(14,175)	(14,175)	(211,225)	9,951	-	(215,449)	(285)	(215,734)
Total comprehensive income (loss) for 2016	-	-	-	-	-	-	1,094,093	1,094,093	(211,225)	9,951	-	892,819	(18,225)	874,594
Acquisition of the Corporation's shares by subsidiaries regarded as treasury share transaction	-	-	-	-	-	-	-	-	-	-	(36,131)	(36,131)	(37,728)	(73,859)
Cash dividends received by subsidiaries from the Corporation	-	-	-	116,457	-	-	-	-	-	-	-	116,457	-	116,457
Disposal of investments accounted for by using equity method	-	-	-	(83,588)	-	-	-	-	-	-	-	(83,588)	-	(83,588)
Changes in percentage of ownership interest in subsidiaries (Note 23)	-	-	-	8,576	-	-	-	-	-	-	-	8,576	(8,576)	-
Increase in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	39,506	39,506
BALANCE, DECEMBER 31, 2016	\$ 2,693,933	\$ -	\$ 2,693,933	\$ 7,634,980	\$ 786,087	\$ -	\$ 2,681,315	\$ 3,467,402	\$ (83,286)	\$ 18,792	\$ (1,003,629)	\$ 12,728,192	\$ 31,003	\$ 12,759,195

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

(With Deloitte & Touche audit report dated March 23, 2017)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 1,245,860	\$ 705,219
Adjustments for		
Depreciation expenses	130,915	147,297
Amortization expenses	61,760	51,639
Provision for allowance for doubtful accounts	18,811	22,446
(Gain) loss on financial assets at fair value through profit or loss, net	(115,052)	50,257
Interest expense	24,823	14,805
Interest income	(29,965)	(22,594)
Dividend income	(42,918)	(45,696)
Share of profit of associates	(84,102)	(66,178)
Gain on disposal of property, plant and equipment, net	(17,804)	(147,685)
Gain on sale of investment, net	(859)	(142,864)
Gain on sale of investments accounted for using equity method	(1,168,277)	-
Impairment loss on financial assets	174,051	54,943
Impairment loss on non-financial assets	315,223	81,191
Write-down of inventories	78,285	13,900
Unrealized gain on foreign currency exchange, net	(5)	(6,763)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	1,078,598	949,416
Decrease (increase) in notes receivable	7,426	(6)
Decrease (increase) in accounts receivable	86,031	(296,694)
Decrease (increase) in other receivables	93,565	(3,505)
Increase in inventories	(527,021)	(37,460)
Decrease (increase) in prepayments	10,187	(145,872)
(Increase) decrease in other current assets	(10,024)	15,461
Increase (decrease) in notes and accounts payable	148,228	(150,095)
Increase (decrease) in other payables	148,269	(94)
Increase in receipts in advance	42,695	156,483
(Decrease) increase in other current liabilities	(8,285)	5,925
Decrease in net defined benefit liabilities	(9,118)	(4,012)
Cash generated from operations	1,651,297	1,199,464
Interest paid	(24,089)	(14,871)
Income tax paid	(132,989)	(156,816)
Net cash generated from operating activities	<u>1,494,219</u>	<u>1,027,777</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds on sale of available-for-sale financial assets	-	150,032
Acquisition of debt investments with no active market	(548,836)	-
Acquisition of held-to-maturity financial assets	-	(60,025)
Proceeds on sale of held-to-maturity financial assets	52,112	-
Acquisition of financial assets measured at cost	(43,212)	(18,000)
Proceeds on sale of financial assets measured at cost	2,478	91,064
Return of capital from capital reduction and liquidation of financial assets investees measured at cost	671	1,303

(Continued)

SYSTEX CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
Acquisition of investments accounted for using equity method	\$ -	\$ (238,729)
Proceeds on sale of investments accounted for using equity method	1,361,442	-
Payments for property, plant and equipment	(93,448)	(111,948)
Proceeds on disposal of property, plant and equipment	36,039	309,208
Increase in refundable deposits	(21,704)	(26,118)
Payments for intangible assets	(41,179)	(44,943)
Proceeds on disposal of intangible assets	160	-
Decrease in long-term receivables	38,409	17,761
Decrease in pledged time deposits	17,893	3,759
(Increase) decrease in time deposits with original maturity of more than 3 months	(85,931)	440
(Increase) decrease in other non-current assets	(2,692)	14,213
Interest received	24,136	21,083
Dividends received	42,949	45,696
Dividends received from associates	42,430	108,437
Distribution in cash of the capital surplus received from financial assets measured at cost	<u>75</u>	<u>13,401</u>
Net cash generated from investing activities	<u>781,792</u>	<u>276,634</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	462,229	338,406
Decrease in guarantee deposits received	(684)	(1,555)
Dividends paid	(673,483)	(401,087)
Proceeds from exercise of employee stock options	16,595	55,014
Payments for buy-back of common shares	(73,859)	(96,259)
Proceeds on sale of the Corporation's shares by subsidiaries	-	110,450
Increase (decrease) in non-controlling interests	39,506	(28,969)
Cash dividends received by subsidiaries from the Corporation	116,457	108,522
Distribution in cash from the capital surplus	<u>(673,483)</u>	<u>(935,870)</u>
Net cash used in financing activities	<u>(786,722)</u>	<u>(851,348)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		
	<u>(49,648)</u>	<u>42,595</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>1,439,641</u>	<u>495,658</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,805,641</u>	<u>2,309,983</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,245,282</u>	<u>\$ 2,805,641</u>

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

(With Deloitte & Touche audit report dated March 23, 2017)

(Concluded)

SYSTEX CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Systex Corporation (the Corporation) was incorporated on January 7, 1997 under the provision of the Company Act of the Republic of China and other laws and regulations. The Corporation is mainly engaged in sales and leases of computer software and related equipment, transmission and security of value-added network, maintenance of database, and consultation.

The Corporation's shares had been traded on Emerging Stock Market since April 10, 2002 and Taipei Exchange since January 6, 2003. On December 30, 2010, the Corporation has changed the listing and trading of its shares to the Taiwan Stock Exchange.

The consolidated financial statements are presented in the Corporation's functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Corporation's board of directors on March 23, 2017.

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

- a. 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) endorsed by the Financial Supervisory Commission (FSC) for application starting from 2017

Rule No. 1050050021 and Rule No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016

(Continued)

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

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

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

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

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers would not have any material impact on the accounting policies of the Corporation and entities controlled by the Corporation (collectively, the “Group”), except for the following:

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

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

2) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss. The amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

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

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

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

3) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards, including IFRS 3, IFRS 13 and IAS 40 “Investment Property”, were amended in this annual improvement.

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

4) Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction. If the transaction or balance with a specific related party is 10% or more of the Group's respective total transaction or balance, such transaction should be separately disclosed by the name of each related party.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that IFRS 9 and IFRS 15 will take effect starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
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
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

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

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

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

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

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

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

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

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

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

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

3) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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 from January 1, 2018.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

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

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

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

4) 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 lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

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

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

5) Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

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

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

6) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

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

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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 that are measured at fair values.

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

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

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

Current assets include:

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

Current liabilities include:

- 1) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 2) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

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 Corporation and the entities controlled by the Corporation (i.e. its subsidiaries). Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Corporation. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Corporation and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

See Note 15 for the detailed information of subsidiaries (including the percentage of ownership and main business).

e. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value.

f. Foreign currencies

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

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

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

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

On the disposal of a foreign operation (i.e. a disposal of the Corporation's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Corporation are reclassified to profit or loss.

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

Goodwill and fair value adjustments on identifiable assets and liabilities acquired in the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in other comprehensive income.

g. Inventories

Inventories are stated at the lower of cost (monthly weighted average) or net realizable value. Net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale.

h. Investment in associates

An associate is an entity over which the Group has significant influence and that 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.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

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

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence. Any retained investment is measured at fair value at that date and the fair value is regarded as its 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.

i. Property, plant and equipment

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

Freehold land is not depreciated.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

j. Goodwill

Goodwill arising from the acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

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

k. Intangible assets

1) Intangible assets acquired separately

Intangible assets (computer software) with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

2) Internally-generated intangible assets - research and development expenditure

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

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;
- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Intangible assets acquired in a business combination

Intangible assets (technological expertise and client relationship) acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

4) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, which are measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

l. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual or smallest group of cash-generating units on a reasonable and consistent allocation basis.

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

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

m. Non-current assets held for sale

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

When to a sale plan would result in loss of control of a subsidiary, regardless of whether the Group will retain a non-controlling interest in that subsidiary after the sale. However, such investment is still accounted for by the equity method.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate, only the investment or the portion of the investment that will be disposed of is classified as held for sale when the classification criteria are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. If the Group ceases to have significant influence nor joint control over the investment after the disposal takes place, the Group accounts for any retained interest that has not been classified as held for sale in accordance with the accounting policies for financial instruments.

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

When a subsidiary, associate, or a portion of an interest in an associate previously classified as held for sale no longer meets the criteria to be so classified, it is measured at the carrying amount that would have been recognized had such interests not been classified as held for sale. Financial statements for the periods since classification as held for sale are amended accordingly.

n. Financial instruments

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

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

1) Financial assets

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

a) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables.

i. Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss that are assets held for trading.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 25.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and presented in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

ii. Held-to-maturity investments

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

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

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either 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. 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. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss.

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

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

iv. Loans and receivables

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

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

b) Impairment of financial assets

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

For financial assets carried 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, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables, and so on.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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

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

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

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

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

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

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

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

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

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

3) Financial liabilities

a) Subsequent measurement

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 the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

o. 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.

Revenues from sales of computer hardware and software are recognized when the items and the risks and rewards associated with the items are transferred to the customers. Revenue from integrated hardware and software solutions are generally recognized by reference to the stage of completion of the contract terms.

Service income is generally recognized when service is rendered or is recognized over the term of the service contract under the straight-line method or the percentage-of-completion method. Contract profit for the current period is the difference between the cumulative profit at the end of the current period and the cumulative profit recognized in the prior periods. When total contract cost is estimated to be greater than total contract revenue at the end of a year, the excess should be recognized as operating cost in the current year.

Other operating revenue is mainly comprised of rental revenue on leases of computer equipment, which is recognized over the term of the lease.

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

p. Leasing

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

1) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

2) The Group as lessee

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

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 service.

2) Retirement benefits

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

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

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

r. Share-based payment arrangements

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimate of the number of employee share options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options.

At the end of each reporting period, the Corporation revises its estimate of the number of employee share options expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

s. Taxation

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

1) Current tax

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

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

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and the corresponding tax bases used in the computation of taxable profit. If the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, research and development expenditures, personnel training expenditures and investments 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 asset 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 liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Estimated impairment of accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of 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	
	2016	2015
Cash on hand	\$ 747	\$ 1,256
Checking and savings accounts	3,308,374	1,675,245
Cash equivalent		
Time deposits with original maturities less than three months	<u>936,161</u>	<u>1,129,140</u>
	<u>\$ 4,245,282</u>	<u>\$ 2,805,641</u>
Market interest rate interval		
Time deposits with original maturities less than three months	0.60%-1.25%	0.38%-3.10%

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
<u>Financial assets held for trading</u>		
Mutual funds	\$ 2,661,604	\$ 3,667,865
Corporation bonds	27,433	143,628
Listed shares	<u>190,919</u>	<u>36,790</u>
	<u>\$ 2,879,956</u>	<u>\$ 3,848,283</u>

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2016	2015
Listed shares	\$ 11,047	\$ 40,607
Corporate bonds	<u>7,937</u>	<u>-</u>
	<u>\$ 18,984</u>	<u>\$ 40,607</u>

9. DEBT INVESTMENTS WITH NO ACTIVE MARKET

	December 31	
	2016	2015
<u>Current</u>		
Time deposits with original maturity of more than 3 months	<u>\$ 102,339</u>	<u>\$ 16,736</u>
<u>Non-current</u>		
Domestic corporate bonds	\$ 500,000	\$ -
Overseas convertible bonds	<u>48,375</u>	<u>-</u>
	<u>\$ 548,375</u>	<u>\$ -</u>
<u>Market interest rate interval</u>		
Time deposits with original maturity of more than 3 months	0.30%-1.01%	0.30%
Domestic corporate bonds	3.5%	-
Overseas convertible bonds	5%-6%	-

In the second quarter of 2016, the Group acquired a domestic non-maturity subordinate debenture bonds at par value with a coupon rate of 3.5% and overseas convertible bonds with coupon rates ranging from 5% to 6%.

10. NOTES RECEIVABLE, ACCOUNTS RECEIVABLE AND LONG-TERM RECEIVABLES, NET

	December 31	
	2016	2015
Notes receivable	\$ 67,810	\$ 75,236
Less: Allowance for doubtful accounts	<u>(231)</u>	<u>(231)</u>
	<u>\$ 67,579</u>	<u>\$ 75,005</u>
Accounts receivable	\$ 3,444,783	\$ 3,585,977
Less: Allowance for doubtful accounts	<u>(139,868)</u>	<u>(137,154)</u>
	<u>\$ 3,304,915</u>	<u>\$ 3,448,823</u>
Long-term receivables	\$ 55,966	\$ 96,242
Less: Unrealized interest income	<u>(1,771)</u>	<u>(3,638)</u>
	<u>\$ 54,195</u>	<u>\$ 92,604</u>

The average credit period on accounts receivable was 78 days. In determining the recoverability of accounts receivable, the Group considered any change in the credit quality of the accounts receivable since the date credit was initially granted to the end of the reporting period. Based on the historical experience, the risk of non-collection of receivable was higher when the receivables were not collected on due date. The Group assessed the receivables individually and recognized an allowance for doubtful accounts of 100% against receivables that are irrecoverable. Allowance for doubtful accounts was recognized against other receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The aging of receivables (based on invoice date) was as follows:

	December 31	
	2016	2015
Less than 90 days	\$ 2,917,517	\$ 3,006,365
91-120 days	208,459	174,910
121-180 days	94,099	117,996
181-360 days	111,586	135,197
Over 361 days	<u>180,932</u>	<u>226,745</u>
	<u>\$ 3,512,593</u>	<u>\$ 3,661,213</u>

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

	December 31	
	2016	2015
91-120 days	\$ 206,898	\$ 174,910
121-180 days	93,512	117,204
181-360 days	105,295	134,741
Over 361 days	<u>49,329</u>	<u>90,667</u>
	<u>\$ 455,034</u>	<u>\$ 517,522</u>

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. In addition, the Group does not have the legal right to offset receivables with accounts payable with the same counterparty.

The Group's transactions were made with a large number of unrelated customers; thus, the concentration of credit risk was limited.

The movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1, 2015	\$ 73,988	\$ 51,503	\$ 125,491
Add: Impairment losses recognized on receivables	-	22,446	22,446
Add: Amounts recovered from prior year write-off	-	2,211	2,211
Less: Amounts written off during the year as uncollectible	-	(12,635)	(12,635)
Foreign exchange translation gains and losses	-	(128)	(128)
Balance at December 31, 2015	73,988	63,397	137,385
Add: Impairment losses recognized on receivables	2,387	16,424	18,811
Less: Amounts written off during the year as uncollectible	(355)	(14,546)	(14,901)
Foreign exchange translation gains and losses	-	(1,196)	(1,196)
Balance at December 31, 2016	<u>\$ 76,020</u>	<u>\$ 64,079</u>	<u>\$ 140,099</u>

11. INVENTORIES

	December 31	
	2016	2015
Merchandise	\$ 2,388,459	\$ 1,938,955
Maintenance parts	<u>33,824</u>	<u>36,056</u>
	<u>\$ 2,422,283</u>	<u>\$ 1,975,011</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2016 and 2015 was \$9,961,443 thousand and \$10,188,147 thousand, respectively. The cost of goods sold included inventory write-downs of \$78,285 thousand and \$13,900 thousand, respectively.

12. HELD-TO-MATURITY FINANCIAL ASSETS - NON-CURRENT

	December 31	
	2016	2015
Corporate bonds	\$ -	\$ 62,079
Par value	\$ -	\$ 59,144
Coupon rates	-	3.60%-4.55%
Average years to maturity	-	1.63 years

In the third quarter of 2016, the Group sold the corporate bonds successively and reclassified the remains of the held-to-maturity financial assets to available-for-sale financial assets according to the requirements of IAS 39.

13. FINANCIAL ASSETS MEASURED AT COST - NON-CURRENT

	December 31	
	2016	2015
Unlisted common shares	\$ 416,026	\$ 438,774
Others	16,945	20,193
	<u>\$ 432,971</u>	<u>\$ 458,967</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	\$ 432,971	\$ 444,185
Financial assets at FVTPL	-	14,782
	<u>\$ 432,971</u>	<u>\$ 458,967</u>

Management believed that the above unlisted equity investments held by the Group cannot be reliably measured due to the significant range of reasonable fair value estimates; therefore they were measured at cost less impairment at the end of reporting period.

14. SUBSIDIARIES

Subsidiaries Included in the consolidated Financial Statements

Investor	Investee	Main Business	% of Ownership		Remark
			December 31		
			2016	2015	
The Corporation	Concord System Management Corporation (CSMC)	Design, assessment and planning of computer system and application software and data-processing system, sale and lease of computer hardware, peripheral equipment and spare parts, and repairs and maintenance services.	100.0	100.0	
The Corporation	Systex Capital Group, Inc. (SCGI)	Investment activities including financial trust and holding.	100.0	100.0	
The Corporation	Hanmore Investment Corporation (Hanmore)	General investment activities.	48.9	48.9	a)
The Corporation	Systex Software & Service Corporation (SSSC)	Sale and development of computer software, data-processing services	100.0	100.0	

(Continued)

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2016	2015	
The Corporation	Golden Bridge Corporation (GBC)	General investment activities.	100.0	100.0	
The Corporation	Taifon Computer Co., Ltd. (Taifon)	Design of computer hardware and software equipment system, computer room installation, and maintenance, sale, lease and consultation.	100.0	100.0	
The Corporation	Ching Pu Investment Corporation (Ching Pu)	General investment activities.	100.0	100.0	
The Corporation	Kimo.com (BVI) Corporation (Kimo BVI)	Investment activities including financial trust and holding.	100.0	100.0	
The Corporation, Ching Pu and GBC	Syspower Corporation (Syspower)	Design, setup and maintenance of computer information and communication engineering, and design and sale of computer system software.	84.1	84.1	
The Corporation	Nexsys Corporation (Nexsys)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.0	100.0	
The Corporation	Systex Solutions Corporation II (Systex Solutions II)	Design, construction and sale of telecom instrument, electronic calculator and computer.	100.0	100.0	
The Corporation	Etu Corporation (Etu)	Software design and data processing, retailing and service of software.	78.3	100.0	b)
The Corporation	Naturint Corporation (Naturint)	Installation, sale, information software, data processing and other consultation of computer software and related equipment, network certification and software publication.	100.0	-	c)
GBC	SoftMobile Technology Corporation (Soft Mobile)	Manufacturing of wire communication equipment and apparatus, electronic parts and components, and computers and peripheral equipment, installation of computer, and wholesale and retailing of computer and business machinery equipment.	100.0	100.0	
Ching Pu	Taiwan Electronic Data Processing Corporation (TEDP)	Design, installation, maintenance, lease and consultation of computer software and hardware equipment system, computer room engineering, network equipment system integration, and wholesale and retailing of medical appliances.	69.6	69.6	
TEDP	Medincom Technology Corporation (Medincom)	Installation, sale and consultation of computer software and related equipment, and wholesale and retailing of medical appliances.	100.0	100.0	
Kimo BVI	Sysware Singapore Pte. Ltd. (Sysware Singapore)	Computer system integration service and software.	100.0	100.0	
Kimo BVI	Systek Information (H.K.) Limited (Systek Info)	Sale of computer and peripheral equipment, retailing and processing of information of software.	100.0	100.0	
Kimo BVI	Sysware Shenglong Information Systems Co., Ltd. (Sysware Shenglong)	Design of computer system, information processing service provider, retailing of computer and peripheral equipment.	100.0	100.0	
Kimo BVI	Ucom Information Ltd. (Shanghai) (Ucom Shanghai)	Service, wholesale and retailing of information software.	100.0	100.0	
Kimo BVI	Systek Information (Shanghai) Ltd. (Systek)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.0	100.0	
Kimo BVI	Rainbow Tech Information (HK) Limited (RTIHK)	Sale of computer and peripheral equipment, retailing and processing of information software.	100.0	100.0	
Kimo BVI	Systex Solutions (HK) Limited	Investment activities including financial trust and holding.	100.0	100.0	
Sysware Shenglong	Optima Financial Software Company (Optima)	Research, development and production of computer hardware, and information system integration.	-	100.0	d)

(Continued)

Investor	Investee	Main Business	% of Ownership December 31		Remark
			2016	2015	
Systex Info	Systex Group (China) Ltd. (Systex China)	Management consultation, marketing and sale, and capital and operation financial management.	100.0	100.0	
Systek and Ucom Shanghai	Rainbow Tech (Guangzhou) Inc. (RTGI)	Research, development, installation and wholesale of software and hardware technique and internet system.	100.0	100.0	
Systex Group (China) Ltd. (Systex Group)	Systex Ucom (Shanghai) Information Ltd. Co. (Systex Ucom)	Software design and data processing, retailing and service of software.	100.0	100.0	e)

(Concluded)

- a. The Group holds a 48.9% interest in Hanmore. The directors of the Corporation consider the Group's absolute size of holding in Hanmore and the relative size of and dispersion of the shareholdings owned by the other shareholders and concluded that the Group has the practical ability to direct the relevant activities of Hanmore and therefore the Group has control over Hanmore.
- b. Etu was incorporated in February 2015. In addition, the Corporation did not subscribed for additional new shares of Etu at the existing percentage of its ownership in Etu when Etu increased the capital in January and December, 2016, resulting in changes in the ownership percentage.
- c. Naturint was incorporated in July 2016.
- d. Optima completed nullification of registration process in May 2016.
- e. Systex Ucom was incorporated in April 2015.

All accounts of subsidiaries were included in consolidated financial statements for the years ended December 31, 2016 and 2015.

Among the abovementioned entities, the financial statements as of and for the year ended December 31, 2016 and 2015 of Sysware Singapore were not audited. The aggregate assets of the subsidiary as of December 31, 2016 and 2015 amounted to \$8,995 thousand and \$55,527 thousand, respectively, which were 0.05% and 0.30% of the respective consolidated assets, and the aggregate liabilities amounted to \$707 thousand and \$14,861 thousand, respectively, which were 0.01% and 0.27% of the respective consolidated liabilities. The aggregate net operating revenues of the subsidiary in 2016 and 2015 amounted to \$30,493 thousand and \$136,237 thousand, respectively, which were 0.19% and 0.84% of the respective consolidated net operating revenues, and the aggregate amounts of comprehensive loss amounted to \$451 thousand and \$32,602 thousand in 2016 and 2015, respectively, which were (0.05%) and (6.02%) of the respective consolidated total comprehensive income. The Corporation believes that any adjustment that might have resulted had the financial statements of the subsidiary been audited would not be material to the consolidated financial statements taken as a whole.

15. INVESTMENTS ACCOUNTED FOR BY USING THE EQUITY METHOD

	December 31	
	2016	2015
<u>Investments in associates</u>		
Material associates		
Forms Syntron Information (Shenzhen) Limited	\$ -	\$ 1,046,770
Associates that are not individually material	<u>397,656</u>	<u>606,170</u>
	<u>\$ 397,656</u>	<u>\$ 1,652,940</u>

a. Material associates

Name of Associates	Proportion of Ownership and Voting Rights	
	December 31	
	2016	2015
Forms Syntron Information (Shenzhen) Limited	14.16%	19.91%

In spite of holding less than 20% of the equity of Forms Syntron Information (Shenzhen) Limited, the Group has significant influence over the investee and adopts equity method, because the Group holds a director of the investee. As the Group planned to dispose all interests of Forms Syntron Information (Shenzhen) Limited in 2017, the Group has entered into a sale agreement in January 2017 and the sale transaction is to be completed in the second quarter of 2017. Therefore, the Group classified the carrying amount of the investment, amounting to \$793,549 thousand, to non-current asset held for sale.

Fair values (Level 1) of investments in associates with available published price quotation are summarized as follows:

Name of Associate	December 31, 2015
Forms Syntron Information (Shenzhen) Limited	<u>\$ 8,362,641</u>

Summarized financial information in respect of the Group's material associate is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

Forms Syntron Information (Shenzhen) Limited

	December 31	
	2016	2015
Assets	\$ 4,630,310	\$ 4,117,980
Liabilities	<u>(276,832)</u>	<u>(226,075)</u>
Equity	<u>\$ 4,353,478</u>	<u>\$ 3,891,905</u>
Proportion of the Group's ownership	14.16%	19.91%
Equity attributable to the Group	\$ 616,614	\$ 774,955
Goodwill	182,345	278,790
Other accounts payable	<u>(5,410)</u>	<u>(6,975)</u>
Carrying amount	<u>\$ 793,549</u>	<u>\$ 1,046,770</u>
	For the Year Ended December 31	
	2016	2015
Operating revenue	<u>\$ 1,783,405</u>	<u>\$ 1,530,720</u>

(Continued)

	For the Year Ended December 31	
	2016	2015
Net profit for the year	\$ 367,485	\$ 254,840
Other comprehensive income	<u>2,818</u>	<u>3,745</u>
Total comprehensive income for the year	<u>\$ 370,303</u>	<u>\$ 258,585</u>
Dividends received from Forms Synttron Information (Shenzhen) Limited	<u>\$ 13,075</u>	<u>\$ 61,557</u>
		(Concluded)

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2016	2015
The Group's share of:		
Net profit for the year	\$ 18,342	\$ 4,621
Other comprehensive loss	<u>(13,365)</u>	<u>(20,755)</u>
Total comprehensive income (loss) for the year	<u>\$ 4,977</u>	<u>\$ (16,134)</u>

Except for AFE Solutions Limited, Bisnews International Limited, E-Customer Capital Limited, Systex Infopro Co., Ltd. and Yankey Inc., for the year ended December 31, 2016, and E-Customer Capital Limited and Systex Infopro Co., Ltd., for the year ended in December 31, 2015, investments accounted for by the equity method and the share of profit or loss and other comprehensive income were calculated based on the financial statements that have been audited. Management believes the financial statements that have not been audited would not have material impact on the investments under the equity method or the share of profit or loss and other comprehensive income in the consolidated financial statements.

In addition, the Group planned to dispose all the interests of AFE Solutions Limited and Bisnews International Limited in 2017. Therefore, the Group reclassified the carrying amounts of these investment, amounting to \$81,149 and \$15,397, respectively, to non-current asset held for sale in October 2016.

16. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
<u>Cost</u>								
Balance at January 1, 2015	\$ 974,501	\$ 1,565,128	\$ 270,165	\$ 12,928	\$ 96,281	\$ 50,924	\$ 98,522	\$ 3,068,449
Additions	-	-	52,715	-	26,817	16,118	16,298	111,948
Disposals	(139,129)	(27,429)	(49,980)	(136)	(53,341)	(11,345)	(8,737)	(290,097)
Reclassification	-	-	(3,923)	-	17,354	(642)	(4,307)	8,482
Effect of foreign currency exchange differences	-	(7,143)	3	(70)	(28)	(109)	(1,187)	(8,534)
Balance at December 31, 2015	<u>\$ 835,372</u>	<u>\$ 1,530,556</u>	<u>\$ 268,980</u>	<u>\$ 12,722</u>	<u>\$ 87,083</u>	<u>\$ 54,946</u>	<u>\$ 100,589</u>	<u>\$ 2,890,248</u>
<u>Accumulated depreciation and impairment</u>								
Balance at January 1, 2015	\$ 14,853	\$ 471,929	\$ 163,651	\$ 9,281	\$ 44,744	\$ 28,299	\$ 57,572	\$ 790,329
Depreciation expenses	-	24,956	56,870	2,030	37,611	13,831	11,999	147,297
Disposals	-	(14,532)	(41,849)	(136)	(53,320)	(10,518)	(8,219)	(128,574)
Reclassification	-	-	(2,700)	-	(47)	(642)	(2,936)	(6,325)
Effect of foreign currency exchange differences	-	(1,041)	17	(47)	(7)	(58)	(840)	(1,976)
Balance at December 31, 2015	<u>\$ 14,853</u>	<u>\$ 481,312</u>	<u>\$ 175,989</u>	<u>\$ 11,128</u>	<u>\$ 28,981</u>	<u>\$ 30,912</u>	<u>\$ 57,576</u>	<u>\$ 800,751</u>
Carrying amounts at December 31, 2015	<u>\$ 820,519</u>	<u>\$ 1,049,244</u>	<u>\$ 92,991</u>	<u>\$ 1,594</u>	<u>\$ 58,102</u>	<u>\$ 24,034</u>	<u>\$ 43,013</u>	<u>\$ 2,089,497</u>

(Continued)

	Land	Buildings	Computer Equipment	Transportation Equipment	Lease Equipment	Leasehold Improvements	Other Equipment	Total
Cost								
Balance at January 1, 2016	\$ 835,372	\$ 1,530,556	\$ 268,980	\$ 12,722	\$ 87,083	\$ 54,946	\$ 100,589	\$ 2,890,248
Additions	-	-	59,901	10,169	13,480	5,330	4,568	93,448
Disposals	(4,304)	(28,749)	(128,757)	(9,220)	(13,901)	(16,833)	(14,457)	(216,221)
Reclassification	-	-	(3,181)	-	(67)	-	-	(3,248)
Effect of foreign currency exchange differences	-	(24,702)	(2,391)	(243)	(399)	(637)	(4,084)	(32,456)
Balance at December 31, 2016	<u>\$ 831,068</u>	<u>\$ 1,477,105</u>	<u>\$ 194,552</u>	<u>\$ 13,428</u>	<u>\$ 86,196</u>	<u>\$ 42,806</u>	<u>\$ 86,616</u>	<u>\$ 2,731,771</u>
Accumulated depreciation and impairment								
Balance at January 1, 2016	\$ 14,853	\$ 481,312	\$ 175,989	\$ 11,128	\$ 28,981	\$ 30,912	\$ 57,576	\$ 800,751
Depreciation expenses	-	23,052	53,653	1,211	29,795	10,043	13,161	130,915
Disposals	-	(16,260)	(127,872)	(9,220)	(13,901)	(16,833)	(13,900)	(197,986)
Reclassification	-	-	(2,152)	-	(54)	-	-	(2,206)
Effect of foreign currency exchange differences	-	(4,180)	(1,568)	(202)	(145)	(481)	(2,800)	(9,376)
Balance at December 31, 2016	<u>\$ 14,853</u>	<u>\$ 483,924</u>	<u>\$ 98,050</u>	<u>\$ 2,917</u>	<u>\$ 44,676</u>	<u>\$ 23,641</u>	<u>\$ 54,037</u>	<u>\$ 722,098</u>
Carrying amounts at December 31, 2016	<u>\$ 816,215</u>	<u>\$ 993,181</u>	<u>\$ 96,502</u>	<u>\$ 10,511</u>	<u>\$ 41,520</u>	<u>\$ 19,165</u>	<u>\$ 32,579</u>	<u>\$ 2,009,673</u>

(Concluded)

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

Building	19-60 years
Computer equipment and other equipment	3-7 years
Transportation equipment	5-6 years
Lease equipment	2-5 years
Leasehold improvements	2-5 years or the period of lease, if shorter

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 27.

17. SHORT-TERM LOANS

Bank Loans

	December 31	
	2016	2015
Unsecured loans	\$ 576,000	\$ 388,000
Secured loans	<u>470,022</u>	<u>201,821</u>
	<u>\$ 1,046,022</u>	<u>\$ 589,821</u>
Annual interest rate		
Unsecured loans	1.24%-2.37%	1.44%-2.37%
Secured loans	1.43%-4.57%	1.65%-4.79%

Refer to Note 27 for the carrying amounts of property, plant and equipment - buildings and the Corporation's shares provided as collaterals for the above secured bank loans.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation and its domestic subsidiaries 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 Systex Info, RTIHK, Systek, Ucom Shanghai, Sysware Shenglong, RTGI, Systex China, Systex Ucom and Sysware Singapore are members of state-managed retirement benefit plans operated by the governments of their respective jurisdictions. The subsidiaries are required to contribute specific percentages of payroll costs to the retirement benefit schemes 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 Corporation and several of its domestic subsidiaries in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. These entities contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee’s name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (“the Bureau”); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 510,678	\$ 492,267
Fair value of plan assets	<u>(264,299)</u>	<u>(253,194)</u>
Net defined benefit liability	<u>\$ 246,379</u>	<u>\$ 239,073</u>

As of December 31, 2015, the net defined benefit liability of \$239,037 thousand was defined liabilities of \$240,113 thousand, net of defined benefit asset of \$1,040 thousand (included in other non-current assets).

Movements in net defined benefit liability were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability
Balance at January 1, 2015	<u>\$ 421,620</u>	<u>\$ (239,484)</u>	<u>\$ 182,136</u>
Service cost			
Current service cost	2,459	-	2,459
Net interest expense (income)	<u>9,171</u>	<u>(5,198)</u>	<u>3,973</u>
Recognized in profit or loss	<u>11,630</u>	<u>(5,198)</u>	<u>6,432</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(757)	(757)
Actuarial loss - changes in demographic assumptions	229	-	229
Actuarial loss - changes in financial assumptions	44,032	-	44,032
Actuarial loss - experience adjustments	<u>18,485</u>	<u>-</u>	<u>18,485</u>
Recognized in other comprehensive income	<u>62,746</u>	<u>(757)</u>	<u>61,989</u>
Contributions from the employer	-	(11,484)	(11,484)
Benefits paid	<u>(3,729)</u>	<u>3,729</u>	<u>-</u>
Balance at December 31, 2015	<u>492,267</u>	<u>(253,194)</u>	<u>239,073</u>
Service cost			
Current service cost	2,667	-	2,667
Net interest expense (income)	<u>7,397</u>	<u>(3,947)</u>	<u>3,450</u>
Recognized in profit or loss	<u>10,064</u>	<u>(3,947)</u>	<u>6,117</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,211	2,211
Actuarial loss - changes in demographic assumptions	4,851	-	4,851
Actuarial loss - changes in financial assumptions	15,459	-	15,459
Actuarial loss - experience adjustments	<u>(7,137)</u>	<u>-</u>	<u>(7,137)</u>
Recognized in other comprehensive income	<u>13,173</u>	<u>2,211</u>	<u>15,384</u>
Contributions from the employer	-	(14,220)	(14,220)
Benefits paid	<u>(4,826)</u>	<u>4,826</u>	<u>-</u>
Plan assets refund	<u>-</u>	<u>25</u>	<u>25</u>
Balance at December 31, 2016	<u>\$ 510,678</u>	<u>\$ (264,299)</u>	<u>\$ 246,379</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 and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2016	2015
Discount rates	1.38%-1.75%	1.50%-1.75%
Expected rates of salary increase	1.00%-2.50%	1.00%-2.50%

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

	December 31	
	2016	2015
Discount rates		
0.25%-0.5% increase	<u>\$ (25,514)</u>	<u>\$ (29,786)</u>
0.25%-0.5% decrease	<u>\$ 27,514</u>	<u>\$ 32,403</u>
Expected rates of salary increase		
0.25%-0.5% increase	<u>\$ 26,794</u>	<u>\$ 32,357</u>
0.25%-0.5% decrease	<u>\$ (25,079)</u>	<u>\$ (30,056)</u>

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

	December 31	
	2016	2015
The expected contributions to the plan for the next year	<u>\$ 14,164</u>	<u>\$ 11,972</u>
The average duration of the defined benefit obligation	15 years	14 years

19. EQUITY

a. Share capital

	December 31	
	2016	2015
Number of common shares authorized (in thousands)	<u>400,000</u>	<u>400,000</u>
Common shares authorized	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
Number of common shares issued (in thousands)	<u>269,393</u>	<u>268,773</u>
Common shares issued	<u>\$ 2,693,933</u>	<u>\$ 2,687,733</u>

In the year ended December 31, 2016, the shares increased due to exercised employee stock options.

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

b. Stock-based compensation plan

For the Corporation to retain its qualitative professionals for its business and operations and deepen the employees' sense of belonging, the Corporation adopted stock option plans (the "Plans"), which the board of directors approved on March 19, 2010, to grant employees 10,000 units of stock options. Each unit represented 1,000 common shares of the Corporation. The Securities and Futures Bureau under the FSC approved the Plans on April 12, 2010, respectively.

The Corporation issued 6,800 units and 3,200 units, on February 17, 2011 and May 10, 2010, respectively. The options were granted to qualified employees of the Corporation and its subsidiaries. The options are valid for 5 years and exercisable at certain percentages after the second anniversary from the grant date. The exercise price of the stock options is equal to the closing price of the Corporation's common shares listed on the Taiwan Stock Exchange on the date of the grant. If the number of the Corporation's common shares changes after the granting of the stock option, the exercise price will be revised in accordance with the terms of the Plans.

Information on employee stock options in 2016 and 2015 was as follows:

Employee Stock Option	2016		2015	
	Number of Outstanding Options	Weighted-average Exercise Price (NT\$)	Number of Outstanding Options	Weighted-average Exercise Price (NT\$)
Beginning outstanding balance	655	\$ 29.90	2,382	\$ 32.12
Options exercised	(555)	\$ 29.90	(1,727)	\$ 31.86
Options forfeited	(100)	\$ 29.90	-	\$ -
Ending outstanding balance	-	\$ -	655	\$ 29.90
Ending exercisable balance	-		655	

Options granted in 2011 and 2010 were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

	Issued on February 17, 2011	Issued on May 10, 2010
Grant-date share price (NT\$)	\$40.50	\$42.70
Exercise price (NT\$)	\$33.90	\$34.00
Expected volatility	37.24%-37.76%	39.20%-39.45%
Expected life (years)	3.5-4 years	3.5-4 years
Expected dividend yield	-	-
Risk-free interest rate	1%-1.045%	0.69%-0.87%

c. Capital surplus

	December 31	
	2016	2015
Maybe used to offset a deficit, distribute as cash dividends, or transfer to share capital (1)		
Issue of common shares	\$ 6,042,332	\$ 6,702,955
Donations	544	544
<u>May not be used for any purpose</u>		
Changes in percentage of ownership interest in subsidiaries (2)	8,576	-
Share of changes in associates accounted for by using equity method	255,542	280,377
Treasury share transactions	1,323,493	1,207,036
Gain on sale of property and equipment	4,493	4,493
Employee stock options	-	1,815
	<u>\$ 7,634,980</u>	<u>\$ 8,197,220</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Corporation's capital surplus and once a year).
- 2) Such capital surplus arises from the effect of changes in ownership interest in subsidiary resulted from equity transactions other than actual disposal on acquisition, or from changes in capital surplus of subsidiaries accounted for by using the equity method.

d. Appropriation of earnings and dividend 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 June 17, 2016 and, in that meeting, had resolved amendments to the Company's Articles of Incorporation (the "Articles"), particularly the amendment to the policy on dividend distribution and the addition of the policy on distribution of employees' compensation.

Under the dividend policy as set forth in the amended Articles, where the Corporation made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve 10% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Corporation's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for distribution of dividends and bonus to shareholders. For the policies on distribution of employees' compensation and remuneration of directors before and after amendment, please refer to b. employee benefits expense in Note 20.

Following its Articles of Incorporation and considering the overall environment, growth trends in the industry, and the Corporation's long-term financial planning and ongoing goal to have steady progress, the Corporation applies its residual dividends policy as follows:

- 1) Determine the appropriate capital budget.
- 2) Determine the funds needed for the capital budget.

- 3) Determine the amount to be funded by unappropriated earnings (the remaining may be funded through capital increase by cash or through issuance of bonds).
- 4) The remaining retained earnings, less an appropriate portion for the operational needs, may be distributed to shareholders.

The Corporation's dividends may be distributed in cash or stocks. The distribution of profits shall be made preferably by way of cash dividends. The distribution could also be made by way of stock dividends, which should not exceed 50% of the total distributed earnings in principle. In addition, dividend policy depends on criteria such as the Corporation's current and future investment environment, cash requirements, domestic and international competition, capital budget, etc. Further, the Corporation also takes into consideration shareholders' interests, balances of dividends and its long-term financial goals. Annually, the board of directors prepares a proposal on earnings appropriation for approval at the shareholders' meeting.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Corporation's paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation's paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the local regulations, an amount equal to the net debit balance of total other equity items (including exchange differences on translating foreign operations and unrealized gain (loss) on available-for-sale financial assets) shall be appropriated as a special reserve. The special reserve may be reversed to the extent of the decrease in the net debit balance.

If the Corporation's shares are held by its subsidiaries at the end of the year and the market value of the shares held are lower than their carrying amounts, the Corporation should appropriate a special reserve equal to the difference between the carrying amounts and market value multiplied by its percentages of ownership in the subsidiaries. The special reserve can be reversed in proportion to the percentages of ownership in the subsidiaries when the market value of the shares increased.

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

The appropriations of earnings for 2015 and 2014 had been approved in the shareholders' meetings held on June 17, 2016 and June 17, 2015, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
Legal reserve	\$ 56,428	\$ 74,471	\$ -	\$ -
Reversal of special reserve	-	(114,116)	-	-
Cash dividends	<u>673,483</u>	<u>401,087</u>	<u>2.5</u>	<u>1.5</u>
	<u>\$ 729,911</u>	<u>\$ 361,442</u>	<u>\$ 2.5</u>	<u>\$ 1.5</u>

The shareholders resolved the distribution in cash of the capital surplus arising from issuance of common shares in the shareholders' meeting held on June 17, 2016 and June 17, 2015, respectively. The distribution amounted to \$673,483 thousand (at NT\$2.5 per share) and \$935,870 thousand (at NT\$3.5 per share), respectively.

The appropriations of earnings for 2016 had been proposed by the Corporation's board of directors on March 23, 2017. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 110,827	\$ -
Special reserve	64,494	-
Cash dividends	942,877	3.5

In addition, the board of directors proposed in the same meeting the distribution in cash of the capital surplus arising from issuance of common shares, amounting to \$404,090 thousand at NT\$1.5 per share.

The appropriations of 2016 earnings and distribution of capital surplus will be resolved by the shareholders in their meeting scheduled for June 2017.

Information about the appropriations of earnings and distribution of capital surplus are available on the Market Observation Post System website of the Taiwan Stock Exchange.

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 127,939	\$ 86,276
Exchange differences arising on translating the net asset of foreign operations	(129,765)	132,941
Share of exchange difference of associates accounted for using the equity method	<u>(81,460)</u>	<u>(91,278)</u>
Balance at December 31	<u>\$ (83,286)</u>	<u>\$ 127,939</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 8,841	\$ 11,561
Unrealized loss arising on revaluation of available-for-sale financial assets	(22,278)	(2,720)
Cumulative loss reclassified to profit or loss on impairment of available-for-sale financial assets	32,219	-
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using the equity method	<u>10</u>	<u>-</u>
Balance at December 31	<u>\$ 18,792</u>	<u>\$ 8,841</u>

f. Treasury share

Purpose of Treasury Share	Number of Shares at January 1	Increase During the Year	Decrease During the Year	Number of Shares at December 31
<u>2016</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>22,687</u>	<u>723</u>	<u>-</u>	<u>23,410</u>
<u>2015</u>				
Reclassification of the Corporation's shares held by subsidiaries from equity-method investments into treasury share	<u>22,475</u>	<u>882</u>	<u>670</u>	<u>22,687</u>

The Corporation's shares held by, subsidiaries at end of reporting period were as follows:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
<u>Hanmore</u>		
Share (in thousand)	<u>21,317</u>	<u>19,839</u>
Investments cost	<u>\$ 866,326</u>	<u>\$ 845,158</u>
Market value	<u>\$ 1,238,499</u>	<u>\$ 1,053,434</u>
<u>Ching Pu</u>		
Share (in thousand)	<u>12,982</u>	<u>12,982</u>
Investments cost	<u>\$ 358,416</u>	<u>\$ 390,870</u>
Market value	<u>\$ 754,224</u>	<u>\$ 689,316</u>

For the Corporation's shares held by Hanmore, the investment cost at 48.9% (the ownership percentage owned by the Corporation) was transferred from investment accounted for using equity method to treasury shares, amounting to \$515,618 (10,428 thousand shares) and \$479,487 (9,705 thousand shares) as of December 31, 2016 and 2015, respectively. The remaining was treated as recoveries from Hanmore's non-controlling interests, accounted for deduction to non-controlling interests in balance sheets.

In the year ended December 31, 2015, Hanmore sold 1,370 thousand shares of the Corporation's shares, at the price of \$110,450 thousand.

The Corporation's shares held by its subsidiaries are recorded as treasury shares, with the subsidiaries having the same rights as other common shareholders on these shares, except that the subsidiaries which are owned by the parent company for over 50% will not have the right to participate in any share issuance for cash or to vote.

g. Non-controlling interests

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 56,026	\$ 78,224
Attributable to non-controlling interests:		
Share of loss for the year	(17,940)	(947)
Exchange difference arising on translation of foreign entities	-	604
Unrealized gains on available-for-sale financial asset	487	-
Remeasurement on defined benefit plans	(772)	(135)
Cash dividends received from subsidiaries	(39,317)	(74,819)
Non-controlling interests arising from cash dividends received by subsidiaries (Hanmore) from the Corporation	53,823	45,850
No-controlling interests arising from subscription of capital increase in Etu	25,000	-
Change in subsidiaries ownership	(8,576)	-
Disposal of the Corporation's shares by Hanmore regarding as treasury share transaction	-	56,417
Acquisition of the Corporation's shares by Hanmore regarding as treasury share transaction	<u>(37,728)</u>	<u>(49,168)</u>
Balance at December 31	<u>\$ 31,003</u>	<u>\$ 56,026</u>

20. NET PROFIT

a. Depreciation and amortization

	For the Year Ended December 31	
	2016	2015
Property, plant and equipment	\$ 130,915	\$ 147,297
Intangible assets	<u>61,760</u>	<u>51,639</u>
	<u>\$ 192,675</u>	<u>\$ 198,936</u>
An analysis of depreciation by function		
Operating costs	\$ 47,623	\$ 59,457
Operating expenses	<u>83,292</u>	<u>87,840</u>
	<u>\$ 130,915</u>	<u>\$ 147,297</u>
An analysis of amortization by function		
Operating costs	\$ 3,017	\$ 3,667
Operating expenses	<u>58,743</u>	<u>47,972</u>
	<u>\$ 61,760</u>	<u>\$ 51,639</u>

b. Employee benefits expenses (accounted for operating expenses)

1) Employees' compensation and remuneration of directors for 2016 and 2015.

	For the Year Ended December 31	
	2016	2015
Post-employment benefits		
Defined contribution plans	\$ 127,295	\$ 133,662
Defined benefits plans (Note 18)	<u>6,117</u>	<u>6,432</u>
	133,412	140,094
Termination benefits	10,188	8,488
Payroll and other employee benefits	<u>2,875,750</u>	<u>2,728,579</u>
	<u>\$ 3,019,350</u>	<u>\$ 2,877,161</u>

As of December 31, 2016 and 2015, the Group has 2,909 and 2,922 employees, respectively.

Articles of Incorporation of the Corporation approved by the shareholders in their meeting on June 2016, the Corporation accrued employees' compensation and remuneration of directors and supervisors at the rates no less than 0.1% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. The employees' compensation and remuneration of directors for the years ended December 31, 2016 and 2015 which have been approved by the Corporation's board of directors on March 23, 2017 and March 22, 2016, respectively, were as follows:

Amount

	For the Year Ended December 31			
	2016		2015	
	Accrual Rate	Cash	Accrual Rate	Cash
Employees' compensation	0.1%	\$ 1,102	0.1%	\$ 644
Remuneration of directors	2.0%	22,035	2.0%	12,882

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

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

Information on the employees' compensation and remuneration of directors resolved by the Corporation's board of directors in 2017 and 2016 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

2) Bonus to employees and remuneration of directors for 2014

The bonuses to employees and remuneration to directors and supervisors for 2014 which has been approved in the shareholders' meetings on June 17, 2015, respectively, were as follows:

	For the Year Ended December 31, 2014
	Cash
Bonus to employees	\$ 670
Remuneration of directors	13,405

There was no difference between the amounts of the bonus to employees and the remuneration to directors approved in the shareholders' meetings on June 17, 2015 and the amounts recognized in the consolidated financial statements for the year ended December 31, 2014.

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Corporation's board of directors are available on the Market Observation Post System website of the Taiwan Stock Exchange.

c. Gain (loss) on sale of investments, net

	For the Year Ended December 31	
	2016	2015
Financial asset at fair value through profit or loss	\$ 57,897	\$ 16,258
Available-for-sale financial assets	-	58,351
Financial assets measured at cost	1,263	84,513
Held to maturing financial assets	(404)	-
Investments accounted for using the equity method	<u>1,168,277</u>	<u>-</u>
	<u>\$ 1,227,033</u>	<u>\$ 159,122</u>

d. Impairment losses on assets

	For the Year Ended December 31	
	2016	2015
<u>Financial assets</u>		
Financial assets measured at cost	\$ 60,083	\$ 54,943
Available-for-sale financial assets	32,219	-
Investments accounted for using the equity method	<u>81,749</u>	<u>-</u>
	<u>174,051</u>	<u>\$ 54,943</u>
<u>Non-financial assets</u>		
Intangible assets	-	1,208
Goodwill	<u>315,223</u>	<u>79,983</u>
	<u>315,223</u>	<u>81,191</u>
	<u>\$ 489,274</u>	<u>\$ 136,134</u>

For the year ended December 31, 2016, the Group performed impairment tests on investments accounted for using the equity method and identified that the carrying amounts of Systemweb Technology, Yankey Inc. and Investment Media Ltd. were higher than their recoverable amounts, and recognized impairment losses of \$35,522 thousand, \$12,233 thousand and \$33,994 thousand, respectively.

For the year ended December 31, 2016, the Group evaluated the recoverable amounts of goodwills and recognized impairment loss of \$67,481 thousand, \$18,445 thousand, \$47,441 thousand, \$14,053 thousand and 167,803 thousand on goodwills of the Corporation, RTGI, Syspower, CSMS and Nexsys, respectively, because their operating performance did not achieve the Group's expectation. For the year ended December 31, 2015, the Group evaluated the recoverable amounts of goodwills and recognized impairment loss of \$79,983 thousand on goodwill of RTGI because the net profit of RTGI was less than the Group's expectation.

21. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of tax expenses were as follows:

	For the Year Ended December 31	
	2016	2015
Current tax		
In respect of the current year	\$ 59,903	\$ 108,703
Income tax expense of unappropriated earnings	16	27,070
Land value increment tax	720	8,348
Enterprise Income Tax on securities	133,010	-
In respect of prior periods	<u>(9,362)</u>	<u>(1,233)</u>
	184,287	142,888
Deferred tax		
In respected of the current year	<u>(28,755)</u>	<u>(996)</u>
Income tax expense recognized in profit or loss	<u>\$ 155,532</u>	<u>\$ 141,892</u>

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

	For the Year Ended December 31	
	2016	2015
Profit before tax	<u>\$ 1,245,860</u>	<u>\$ 705,219</u>
Income tax expense calculated at the statutory rate (17%)	\$ 211,796	\$ 119,887
Nondeductible expenses in determining taxable income	45,762	2,113
Tax-exempt income	(235,148)	(72,084)
Additional income tax on unappropriated earnings	16	27,070
Unrecognized temporary differences	2,086	33,295
Unrealized investment tax credits	(26,247)	(3,753)
Unrecognized loss carryforwards	17,432	7,688
Effect of different tax rate of group entities operating in other jurisdictions	15,467	20,561
		(Continued)

	For the Year Ended December 31	
	2016	2015
Adjustments for prior years' tax	\$ (9,362)	\$ (1,233)
Land value increment tax	720	8,348
Enterprise Income Tax on securities	<u>133,010</u>	<u>-</u>
Income tax expense recognized in profit or loss	<u>\$ 155,532</u>	<u>\$ 141,892</u>
		(Concluded)

For the year ended December 31, 2016, the land value increment tax \$720 thousand was incurred from the disposal land and building of the Corporation in June 2016. For the year ended December 31, 2015, the land value increment taxes \$8,241 thousand and \$107 thousand were incurred from the disposal land and building of the Corporation and Syspower in December and January 2015, respectively.

Systex Solution (HK) Limited sold investments accounted for using equity method in August and September 2016 and incurred Enterprise Income Tax of \$133,010 thousand according to the related tax laws in its jurisdiction.

The applicable tax rate used above is the corporate tax rate of 17% payable by the group entities in 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.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 2016 unappropriated earnings are not reliably determinable.

b. Income tax recognized in other comprehensive income

	For the Year Ended December 31	
	2016	2015
<u>Deferred tax</u>		
Remeasurement on defined benefit plan	<u>\$ 437</u>	<u>\$ 874</u>

c. Current tax assets and liabilities

	December 31	
	2016	2015
Current tax assets (included in other receivables)		
Tax refund receivable	<u>\$ 17,385</u>	<u>\$ 82</u>
Current tax liabilities		
Income tax payable	\$ 158,286	\$ 83,974
In respect of prior years	<u>10,153</u>	<u>15,897</u>
	<u>\$ 168,439</u>	<u>\$ 99,871</u>

As of December 31, 2016 and 2015, income tax payables were net of prepayments aggregating \$34,633 thousand and \$52,147 thousand, respectively.

d. The movements of deferred tax assets and liabilities

For the year ended December 31, 2016

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized cost of projects	\$ 19,901	\$ (19,705)	\$ -	\$ 196
Allowance for loss on inventories	15,648	4,883	-	20,531
Deferred revenue	2,255	(1,483)	-	772
Payable for annual leave	2,688	3,280	-	5,968
Defined benefit obligation	2,090	490	437	3,017
Others	<u>3,000</u>	<u>1,931</u>	<u>-</u>	<u>4,931</u>
	45,582	(10,604)	437	35,415
Loss carry forwards	-	1,287	-	1,287
Investment credits	<u>3,753</u>	<u>26,247</u>	<u>-</u>	<u>30,000</u>
	<u>\$ 49,335</u>	<u>\$ 16,930</u>	<u>\$ 437</u>	<u>\$ 66,702</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Goodwill	\$ 11,472	\$ (11,472)	\$ -	\$ -
Exchange differences on foreign operations	4,969	-	-	4,969
Others	<u>1,278</u>	<u>(353)</u>	<u>-</u>	<u>925</u>
	<u>\$ 17,719</u>	<u>\$ (11,825)</u>	<u>\$ -</u>	<u>\$ 5,894</u>

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Unrealized cost of projects	\$ 19,904	\$ (3)	\$ -	\$ 19,901
Allowance for loss on inventories	18,309	(2,661)	-	15,648
Deferred revenue	1,518	737	-	2,255
Payable for annual leave	3,199	(511)	-	2,688
Defined benefit obligation	871	345	874	2,090
Others	<u>3,378</u>	<u>(378)</u>	<u>-</u>	<u>3,000</u>
	47,179	(2,471)	874	45,582
Investment credits	<u>-</u>	<u>3,753</u>	<u>-</u>	<u>3,753</u>
	<u>\$ 47,179</u>	<u>\$ 1,282</u>	<u>\$ 874</u>	<u>\$ 49,335</u>

(Continued)

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Com- prehensive Income	Closing Balance
<u>Deferred tax liabilities</u>				
Temporary differences				
Goodwill	\$ 11,472	\$ -	\$ -	\$ 11,472
Exchange differences on foreign operations	4,969	-	-	4,969
Others	<u>992</u>	<u>286</u>	<u>-</u>	<u>1,278</u>
	<u>\$ 17,433</u>	<u>\$ 286</u>	<u>\$ -</u>	<u>\$ 17,719</u> (Concluded)

- e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

	<u>December 31</u>	
	2016	2015
Loss carryforwards		
Expiry in 2016	\$ -	\$ 158,067
Expiry in 2017	145,132	145,686
Expiry in 2018	54,678	56,403
Expiry in 2019	122,513	123,335
Expiry in 2020	19,687	19,687
Expiry in 2021	4,316	4,316
Expiry in 2022	78,990	78,990
Expiry in 2023	14,698	14,698
Expiry in 2024	9,989	12,729
Expiry in 2025	85,255	23,604
Expiry in 2026	<u>102,548</u>	<u>-</u>
	<u>\$ 637,806</u>	<u>\$ 637,515</u>
Investment credits		
Equity investment	<u>\$ 1,980</u>	<u>\$ 1,980</u>

- f. Information about unused investment credits and unused loss carryforward

As of December 31, 2016, investment tax credits comprised of:

Laws and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Act for promotion of private participation in infrastructure project	Investment in private	<u>\$ 31,980</u>	2020

Loss carryforwards as of December 31, 2016 comprised of:

Expiry Year	Total Credit
2017	\$ 145,132
2018	54,678
2019	122,513
2020	19,687
2021	4,316
2022	78,990
2023	14,698
2024	9,989
2025	85,255
2026	<u>110,117</u>
	<u>\$ 645,375</u>

g. Integrated income tax

	December 31	
	2016	2015
Imputation credits accounts	<u>\$ 364,380</u>	<u>\$ 355,767</u>
	For the Year Ended December 31	
	2016 (Estimate)	2015
Creditable ratio for distribution of earnings	10.09%	13.90%

h. Income tax assessments

Income tax returns through 2015 of Etu and income tax returns through 2014 and undistributed earnings through 2013 of the Corporation, Taifon, Syspower, Nexsys, CSMC, Ching Pu, Hanmore, TEDP, SSSC, GBC, Medincom and Soft mobile have been assessed by the tax authorities.

SCGI and KIMO are exempt from income tax under their local government regulations.

22. EARNINGS PER SHARE

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

	For the Year Ended December 31	
	2016	2015
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,108,268</u>	<u>\$ 564,274</u>
		(Continued)

	<u>For the Year Ended December 31</u>	
	2016	2015
<u>Number of shares (thousand)</u>		
Weighted average number of common shares in the computation of basic earnings per share	246,074	246,073
Effect of potentially dilutive common shares:		
Employee stock option	-	428
Employees' compensation or bonus issue to employees	<u>19</u>	<u>12</u>
Weighted average number of common shares in the computation of diluted earnings per share	<u>246,093</u>	<u>246,513</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per share	<u>\$4.50</u>	<u>\$2.29</u>
Dilutive earnings per share	<u>\$4.50</u>	<u>\$2.29</u>
		(Concluded)

If the Corporation can settle bonus to employees in cash or shares, the Corporation assumes the entire amount of the bonus would be settled in shares and the resulting potential shares are included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, if the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

The pro forma net income and earnings per share, assuming the Corporation's share held by subsidiaries were treated as investment instead of treasury shares, were as follows:

	<u>For the Year Ended December 31</u>	
	2016	2015
<u>Net income for the year</u>		
Net income for the year attributable to owners of the Corporation	<u>\$ 1,166,497</u>	<u>\$ 620,699</u>
<u>Number of shares (thousand)</u>		
Weighted average number of common shares in the computation of pro forma earnings per shares	269,362	268,288
Effect of potentially dilutive common shares:		
Employee stock option	-	428
Employees' compensation or bonus issue to employees	<u>19</u>	<u>12</u>
Weighted average number of common shares in the computation of pro forma diluted earnings per shares	<u>269,381</u>	<u>268,728</u>
<u>Earnings per share (NT\$)</u>		
Basic earnings per shares	<u>\$4.33</u>	<u>\$2.31</u>
Dilutive earning per share	<u>\$4.33</u>	<u>\$2.31</u>

23. EQUITY TRANSACTIONS WITH NON-CONTROLLING INTERESTS

On January 15, 2016 and December 6, 2016, the Group subscribed for additional new shares of Etu at a percentage different from its existing ownership percentage, reducing its interest from 100% to 75% and increasing from 75% to 78.26%, respectively.

The above transactions were accounted for as equity transactions, since the Group did not change the influence on these subsidiaries.

	Etu Corporation
Cash consideration received	\$ 25,000
The proportionate share of the carrying amount of the net assets of the subsidiary transferred to non-controlling interests	<u>(16,424)</u>
Differences recognized from equity transaction	<u>\$ 8,576</u>
Line item adjusted for equity transaction	
Capital surplus - changes in percentage of ownership interest in subsidiaries	<u>\$ 8,576</u>

24. CAPITAL MANAGEMENT

The capital structure of the Group consists of debt and equity of the Group (comprising issued capital, retained earnings and other equity).

Key management personnel of the Corporation review the capital structure on a periodic basis. As part of this review, the Corporation considers the cost of capital and the risks associated with each class of capital. In order to balance the overall capital structure, the Corporation may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and the amount of new debt issued or existing debt redeemed.

25. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured at fair value

Except that fair value of financial assets measured at cost could not be reliably measured, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

- b. Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy

	Level 1	Level 2	Level 3	Total
<u>December 31, 2016</u>				
Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ 2,852,523	\$ 27,433	\$ -	\$ 2,879,956
Available-for-sale financial assets				
Listed shares	11,047	-	-	11,047
Corporation bond	-	7,937	-	7,937
	<u>\$ 2,863,570</u>	<u>\$ 35,370</u>	<u>\$ -</u>	<u>\$ 2,898,940</u>

December 31, 2015

Financial assets at FVTPL				
Non-derivative financial assets held for trading	\$ 3,704,655	\$ 143,628	\$ -	\$ 3,848,283
Available-for-sale financial assets				
Listed shares	40,607	-	-	40,607
	<u>\$ 3,745,262</u>	<u>\$ 143,628</u>	<u>\$ -</u>	<u>\$ 3,888,890</u>

There were no transfers between Levels 1 and 2 in 2016 and 2015.

- c. Categories of financial instruments

	<u>December 31</u>	
	2016	2015
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading (1)	\$ 2,879,956	\$ 3,863,065
Held to maturity investments	-	62,079
Loans and receivables (2)	8,952,148	7,143,924
Available-for-sale financial assets (3)	451,955	484,792
<u>Financial liabilities</u>		
Amortized cost (4)	4,908,405	4,185,280

- 1) The balances included the carrying amount of fair value through profit or loss held for trading measured at cost.
- 2) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt instruments with no active market, notes receivable, accounts receivable, refundable deposits, other receivables, lease receivables - current (included in other current assets), long-term receivables, pledged time deposits - non-current (included in other non-current assets) and lease receivables - non-current (included in other non-current assets).

- 3) The balances included the carrying amount of available-for-sale financial assets measured at cost.
 - 4) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes and accounts payable, other payables and guarantee deposits received (included in other non-current liabilities).
- d. Financial risk management objectives and policies

The Group's main target of financial risk management is to manage the market risk related to operating activity (including foreign currency risk, interest rate risk and other price risk) and other price risk, credit risk and liquidity risk. To reduce the potential and detrimental influence of the fluctuations in market on the Group's financial performance, the Group endeavors to identify, estimate and hedge the uncertainties of the market.

The Group's significant financial activity is reviewed and approved by the board of directors and audit committee in compliance with related regulations and internal control policy, and the authority and responsibility are delegated according to the operating procedures.

1) Market risk

a) Foreign currency risk

The Group has foreign currency sales, purchases and borrowings, which were exposed to foreign currency risk. The Group has designated a department to monitor exchange rate fluctuations in timely manner and change foreign currency position to control and mitigate such risks as soon as possible.

The sensitivity analysis focused on outstanding foreign currency denominated monetary assets and monetary liabilities (mainly USD and RMB) at the end of the reporting period. A positive number below indicates a decrease/increase in pre-tax loss associated with New Taiwan dollars strengthening/weakening 5% against the relevant currency.

	For the Year Ended December 31	
	2016	2015
<u>USD</u>		
Increase/decrease	\$ 19,393	\$ 11,832
<u>RMB</u>		
Increase/decrease	62,430	16,946

b) Interest rate risk

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.

	December 31	
	2016	2015
Fair value interest rate risk		
Financial assets	\$ 1,586,875	\$ 1,145,876
Financial liabilities	1,046,022	589,821
Cash flow interest rate risk		
Financial assets	3,308,373	1,675,245

The Group acquired better interest rate through long-term cooperation with banks; therefore, the effect of interest rate fluctuations is immaterial.

The sensitivity analyses below were determined based on financial assets and financial liabilities with floating interest rates at the end of reporting period. If interest rates had been 10 basis points (0.1%) higher/lower, the Group's pre-tax net income effect would have been as follows:

	<u>For the Year Ended December 31</u>	
	2016	2015
Increase/decrease	\$ 3,308	\$ 1,675

c) Other price risk

The Group was exposed to price risk through its investments in listed shares, TDR, corporate bonds and mutual funds. The Group has established a real-time control system for the price risk, and management does not anticipate any material loss due to this risk.

The sensitivity analyses of the above investment were determined based on financial assets which were measured at fair value at the end of reporting period. If market prices had been 5% higher/lower, the effects on the Group's pre-tax net income and other comprehensive income would have been as follows:

	<u>For the Year Ended December 31</u>	
	2016	2015
Pre-tax net income		
Increase/decrease	\$ 143,998	\$ 192,414
Other comprehensive income		
Increase/decrease	949	2,030

2) Credit risk

Credit risk represents the potential loss that would be incurred by the Group if the counterparties breached contracts. Generally, the maximum exposure to credit risk for financial assets at the balance sheet date are their carrying amounts.

The Group has delegated a department responsible for managing accounts receivable, establishing credit limits, credit approvals and other monitoring procedures to ensure the profitability of the Group. The Group only transacts with creditworthy financial institutions to reduce credit risk.

Since the counterparties are creditworthy financial institutions and enterprises and the concentration of credit risk is not significant, the credit risk is anticipated to be immaterial.

3) Liquidity risk

The Group has put in place inventory management system, procedures for collections and payments, and develops cash flow forecast to ensure the liquidity of operating capital. In addition, the Group invests idle funds in short-term market under consideration of liquidity, security and profitability. The Group also maintains banking facilities to ensure the liquidity of cash.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual terms.

December 31, 2016

	Less than 1 Year	1-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>				
Short-term bank loans	\$ 1,046,022	\$ -	\$ -	\$ 1,046,022

December 31, 2015

	Less than 1 Year	1-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>				
Short-term bank loans	\$ 589,821	\$ -	\$ -	\$ 589,821

The Group has sufficient working capital to meet the cash needs for their operations. Thus, no material liquidity risk is anticipated.

In addition, the Group's investments in mutual funds and listed shares are publicly-traded in an active market and can readily be sold in the market at their approximate fair values. However, the Group also invested in unlisted stocks, subordinate debenture bonds and convertible bonds with significant liquidity risks because these assets do not have quoted market prices in an active market.

26. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenue and expense between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Operating revenue

Line Items	Related Party Categories	For the Year Ended December 31	
		2016	2015
Sales	Associates	\$ 5,124	\$ 1,972
Service revenue	Associates	\$ 3,740	\$ 6,835

b. Purchases of goods

Related Party Categories	For the Year Ended December 31	
	2016	2015
Associates	\$ 49,636	\$ 170,024

c. Receivables from related parties

Line Items	Related Party Categories	December 31	
		2016	2015
Notes and accounts receivable	Associates	\$ 868	\$ 3,665

d. Payables to related parties

Line Items	Related Party Categories	December 31	
		2016	2015
Accounts payable	Associates	\$ <u>21,774</u>	\$ <u>56,112</u>

The product/service sales and purchase transactions with related parties were conducted under pricing terms similar to those for third parties, i.e., for purchases or sales of similar products/services, except those transactions on products/services with special specifications. Settlement terms for related-party transactions were similar to those for third parties.

e. Other assets acquired

Line Items	Related Party Categories	For the Year Ended December 31	
		2016	2015
Intangible assets	Associates	\$ <u>5,827</u>	\$ <u>-</u>

f. Other transactions with related parties

Line Items	Related Party Categories	For the Year Ended December 31	
		2016	2015
Service cost	Associates	\$ <u>20,381</u>	\$ <u>19,429</u>
Operating expenses	Associates	\$ <u>99</u>	\$ <u>105</u>

g. Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Short-term employee benefits	\$ 113,537	\$ 107,872
Post-employment benefits	3,404	3,605
Termination benefits	<u>-</u>	<u>1,303</u>
	<u>\$ 116,941</u>	<u>\$ 112,780</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

27. PLEDGED ASSETS

The following assets were pledged as collateral for bank loans, contract guarantees, and import duty guarantee:

	December 31	
	2016	2015
Property, plant and equipment - buildings, net	\$ 117,189	\$ 130,526
Pledged time deposits - current (included in other receivables)	160,085	199,942
Pledged time deposits - non-current (included in other non-current assets)	43,448	61,341
The shares of the Corporation (Note)	<u>581,000</u>	<u>531,000</u>
	<u>\$ 901,722</u>	<u>\$ 922,809</u>

Note: Hanmore pledged 10,000 thousand shares of the Corporation as of December 31, 2016 and 2015, and it was eliminated on consolidation.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2016 and 2015 were as follows:

- a. Unused letters of credit of the Corporation in aggregate amount were as follows:

December 31	
2016	2015
<u>\$ 749</u>	<u>\$ 739</u>

- b. Outstanding sales contracts of the Group in the amount were as follows:

December 31	
2016	2015
<u>\$ 8,446,499</u>	<u>\$ 6,834,628</u>

- c. The Group provided endorsements for Systex Solutions II, RTGI, Systek, SSSC, Systex Info, Systex Ucom, and Systex China up to \$300,000 thousand, \$48,375 thousand, \$16,125 thousand, \$1,000,000 thousand, \$258,000 thousand, \$34,868 thousand and \$923,940 thousand, respectively. TEDP provided endorsement for Medincom up to \$15,000 thousand. Ucom Shanghai provided endorsement for Systex China up to \$116,225 thousand. Systek provided endorsement for Systex China up to \$116,255 thousand.

- d. As of December 31, 2016, the Group had lease contracts for office premises, parking lots and warehouse with rentals paid monthly or annually, expiring between June 2017 and August 2020, and the refundable deposits for above lease contracts amounted to \$23,768 thousand (included in refundable deposits). Future rentals are as follows:

Year	Amount
2017	\$ 84,251
2018	22,483
2019	9,539
2020	280

29. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
RMB	\$ 312,365	4.65	\$ 1,452,185
USD	20,638	32.25	665,587
Non-monetary items			
Financial assets at fair value through profit or loss			
HKD	11,195	4.16	46,550
RMB	3,001	4.65	13,953
Investment accounted for using equity method			
RMB	44,407	4.65	206,448
USD	1,237	32.25	39,898
<u>Financial liabilities</u>			
Monetary item			
USD	8,611	32.25	277,719
RMB	43,792	4.65	203,588

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 17,500	32.83	\$ 574,448
RMB	67,047	5.06	338,923
HKD	2,845	4.24	12,050
Non-monetary items			
Financial assets at fair value through profit or loss			
HKD	11,195	4.24	47,412
RMB	3,001	5.06	14,992
Investment accounted for using equity method			
RMB	194,290	5.06	982,116
HKD	21,267	4.24	90,065
<u>Financial liabilities</u>			
Monetary item			
USD	10,291	32.83	337,815

For the years ended December 31, 2016 and 2015, unrealized net foreign exchange losses were \$47,775 thousand and \$35,007 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the Group entities.

30. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on financial information. The Group's reportable segments were as follows:

Financial business integration provides financial contents and information services. Customer market integration provides mobile payment, retail distribution, App development and O2O services. Ecological Integration provides information systems integration services, medical system development, government land system development, financial business solutions, mobile payment, telecommunications information platform and enterprises information services. Value-added service provides agency of word-class application software, tailored enterprise software purchase programs and in-depth industry solution, comprehensive professional education training courses, digital e-learning, book publishing and business intelligence solution. China group provides similar services in China. Investment department engages in investment activities.

a. Segment revenues and results

	Financial Business Integration	Consumer Market Integration	Ecological Integration	Value-added Business Integration	China Group	Investment Department	Adjustment and Elimination	Total
<u>2016</u>								
Sales to customers	\$ 1,203,667	\$ 2,038,302	\$ 3,409,520	\$ 5,641,512	\$ 3,917,379	\$ -	\$ -	\$ 16,210,380
Sales to other segments	<u>240,309</u>	<u>94,020</u>	<u>184,955</u>	<u>850,989</u>	<u>671,771</u>	<u>-</u>	<u>(2,042,044)</u>	<u>-</u>
Total sales	<u>\$ 1,443,976</u>	<u>\$ 2,132,322</u>	<u>\$ 3,594,475</u>	<u>\$ 6,492,501</u>	<u>\$ 4,589,150</u>	<u>\$ -</u>	<u>\$ (2,042,044)</u>	<u>\$ 16,210,380</u>
Segment income	<u>\$ 289,105</u>	<u>\$ 255,865</u>	<u>\$ 39,073</u>	<u>\$ 272,812</u>	<u>\$ 12,001</u>	<u>\$ 692,025</u>	<u>\$ -</u>	<u>\$ 1,560,881</u>
Corporate general expenses								<u>(315,021)</u>
Income before income tax								<u>\$ 1,245,860</u>
Segment depreciation and amortization expenses	<u>\$ 35,281</u>	<u>\$ 38,432</u>	<u>\$ 25,748</u>	<u>\$ 37,923</u>	<u>\$ 27,732</u>	<u>\$ -</u>		<u>\$ 165,116</u>
Non-segment depreciation and amortization expenses								<u>27,559</u>
Total depreciation and amortization expenses								<u>\$ 192,675</u>
Segment assets	<u>\$ 1,014,158</u>	<u>\$ 961,699</u>	<u>\$ 2,612,972</u>	<u>\$ 3,511,197</u>	<u>\$ 2,553,449</u>	<u>\$ 7,083,259</u>		<u>\$ 17,736,734</u>
General assets								<u>1,345,894</u>
Total assets								<u>\$ 19,082,628</u>
<u>2015</u>								
Sales to customers	\$ 1,418,938	\$ 1,950,919	\$ 3,566,457	\$ 5,600,048	\$ 3,776,726	\$ -	\$ -	\$ 16,313,088
Sales to other segments	<u>231,512</u>	<u>95,260</u>	<u>159,452</u>	<u>869,673</u>	<u>845,317</u>	<u>-</u>	<u>(2,201,214)</u>	<u>-</u>
Total sales	<u>\$ 1,650,450</u>	<u>\$ 2,046,179</u>	<u>\$ 3,725,909</u>	<u>\$ 6,469,721</u>	<u>\$ 4,622,043</u>	<u>\$ -</u>	<u>\$ (2,201,214)</u>	<u>\$ 16,313,088</u>
Segment income	<u>\$ 293,252</u>	<u>\$ 272,360</u>	<u>\$ 79,635</u>	<u>\$ 224,222</u>	<u>\$ 32,663</u>	<u>\$ 133,801</u>	<u>\$ -</u>	<u>\$ 1,035,933</u>
Corporate general expenses								<u>(330,714)</u>
Income before income tax								<u>\$ 705,219</u>
Segment depreciation and amortization expenses	<u>\$ 36,678</u>	<u>\$ 42,380</u>	<u>\$ 34,650</u>	<u>\$ 30,753</u>	<u>\$ 23,265</u>	<u>\$ -</u>		<u>\$ 167,726</u>
Non-segment depreciation and amortization expenses								<u>31,210</u>
Total depreciation and amortization expenses								<u>\$ 198,936</u>
Segment assets	<u>\$ 1,167,286</u>	<u>\$ 834,126</u>	<u>\$ 2,730,991</u>	<u>\$ 2,992,632</u>	<u>\$ 2,811,043</u>	<u>\$ 7,233,441</u>		<u>\$ 17,769,519</u>
General assets								<u>893,338</u>
Total assets								<u>\$ 18,662,857</u>

Segment income represented the income before tax earned by each segment without allocation of central administration costs and directors' salaries, rental revenue, interest income, gain or loss on disposal of property, plant and equipment, exchange gain or loss, interest expense and income tax expense.

b. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	Revenue from External Customers	
	2016	2015
Domestic	\$ 12,296,668	\$ 12,382,787
Asia	<u>3,913,712</u>	<u>3,930,301</u>
	<u>\$ 16,210,380</u>	<u>\$ 16,313,088</u>

		Non-current Assets	
		December 31	
		2016	2015
Domestic		\$ 3,230,256	\$ 3,257,047
Asia		485,374	1,571,781
Others		<u>102,928</u>	<u>241,381</u>
		<u>\$ 3,818,558</u>	<u>\$ 5,070,209</u>

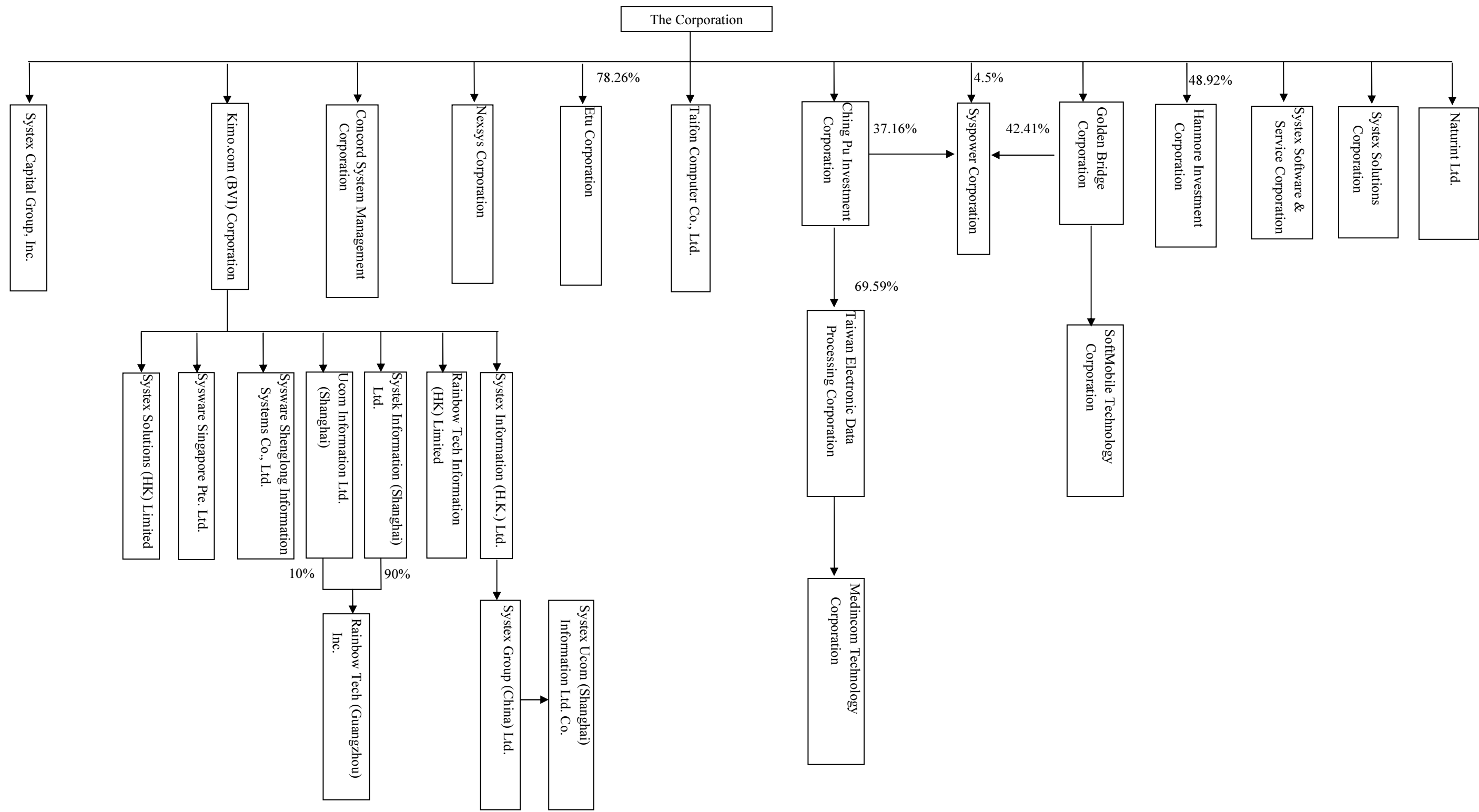
c. Major customers

No revenue from any individual customer exceeded 10% of the Group's total operating revenue for the years ended December 31, 2016 and 2015.

TABLE 1

SYSTEX CORPORATION AND SUBSIDIARIES

THE RELATIONSHIP AND PERCENTAGE OF OWNERSHIP OF COMPANIES IN THE GROUP
DECEMBER 31, 2016



Note: Percentage of ownership is 100% unless noted on the chart.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.1 Analysis of Financial Status

Unit: NT\$ thousands

Item \ Year	2016	2015	Difference	
			Amount	%
Current assets	15,264,070	13,592,648	1,671,422	12.30
Long-term investments	830,627	2,111,907	(1,281,280)	(60.67)
Fixed assets	2,009,673	2,089,497	(79,824)	(3.82)
Intangible assets	112,751	451,010	(338,259)	(75.00)
Other assets	865,507	417,795	447,712	107.16
Total assets	19,082,628	18,662,857	419,771	2.25
Current liabilities	6,064,585	5,240,030	824,555	15.74
Other liabilities	258,848	265,124	(6,276)	(2.37)
Total liabilities	6,323,433	5,505,154	818,279	14.86
Capital stock	2,693,933	2,688,383	5,550	0.21
Capital surplus	7,634,980	8,197,220	(562,240)	(6.86)
Retained earnings	3,467,402	3,046,792	420,610	13.81
Other adjustments	(1,068,123)	(830,718)	(237,405)	28.58
Total stockholders' equity	12,728,192	13,101,677	(373,485)	(2.85)
Analysis of changes in financial ratios:				
1. Decrease in Long-term investments by NT\$ 1,281,280 thousands mainly due to the investments held for sale, which recognized by equity method, has been reclassified to current asset.				
2. Decrease in Intangible assets by NT\$ 338,259 thousands mainly due to decrease in Goodwill by NT\$315,967 thousands.				
3. Increase in Other Assets by NT\$447,712 thousands mainly due to increase in Held-to-maturity financial assets - non-current by NT\$548,375 thousands and Held-to-maturity financial assets - non-current by NT\$62,079 and decrease in Long-term receivables by NT\$38,409 thousands.				
4. Decrease in Other Adjustments by NT\$237,405 thousands mainly due to decrease in Other equity by NT\$201,274 thousands.				

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.2 Analysis of Operating Results

Unit: NT\$ thousands

Item \ Year	2016		2015		Difference	
	Subtotal	Total	Subtotal	Total	Amount	%
Gross sales	16,341,943		16,372,780		(30,837)	(0.19)
Less: sales returns & allowances	131,563		59,692		71,871	120.40
Net sales		16,210,380		16,313,088	(102,708)	(0.63)
Cost of sales		11,878,320		12,012,602	(134,282)	(1.12)
Gross profit		4,330,060		4,300,486	31,574	0.73
Operating expenses		4,052,792		3,881,124	171,668	4.42
Operating income		279,268		419,362	(140,094)	(33.41)
Non-operating income and gains		1,579,329		531,003	1,048,326	197.42
Non-operating expenses and losses		612,737		245,146	367,591	149.95
Income before tax		1,245,860		705,219	540,641	76.66
Tax expense		155,532		141,892	13,640	9.61
Other comprehensive loss for the year, net of income tax		(215,734)		(21,568)	(194,166)	(900.25)
Total comprehensive income for the year		874,594		541,759	332,835	61.44

1. Analysis of changes in financial ratios:

- (1) Decrease in Operating Income by NT\$140,094 thousands mainly due to decrease in Operating Expenses-Employee expenses.
- (2) Increase in non-operating income and expenses by NT\$1,048,326 thousands mainly due to increase in Gain on sale of investments, net.
- (3) Increase in Non-operating Expenses and Losses by NT\$367,591 thousands mainly due to Impairment loss on assets.
- (4) Decrease in Other comprehensive loss for the year, net of income tax by NT\$194,166 thousands mainly due to decrease in the items that may be reclassified subsequently to profit or loss.

2. Mainly reason of expected sales growing up in 2017:

SYSTEX's goal this year is to become the "optimal partner in corporate digital transformation." To this end, the Company will focus on three major sectors, including "new retail - omni-channel multiple payment options," "intelligent finance," and "TMT" The Company shall continue to engage in innovative applications and increase the value of its services, lead the integration of the digital ecosystem, endeavor to acquire maximum client budgets in digital transformation and data value-added services, and increase profitability in digital transformation leadership and integration.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2016	2015	Variance (%)
Cash Flow Ratio (%)	24.64	19.61	25.62
Cash Flow Adequacy Ratio (%)	67.39	83.51	(19.30)
Cash Reinvestment Ratio (%)	1.97	(1.49)	232.01
Analysis of changes in financial ratios:			
1. Increase in Cash Flow Ratio by 26% mainly due to increase in net cash generated from operating activities by 45% and increase in current liabilities by 16%.			
2. Increase in Cash Reinvestment Ratio by 232% : mainly due to increase in net cash generated from operating activities by 45% and decrease in long-term investment and Other non-current assets by 51%.			

7.3.2 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

Estimated Cash Beginning Balance ①	Estimated Net Cash Flow from Operating Activities ②	Estimated Cash Inflow ③	Estimated Cash Ending Balance (Shortage) ① + ② + ③	Leverage of Cash Deficit	
				Investment Plans	Financing Plans
4,245,282	250,174	2,280,450	6,775,906	-	-
1. Analysis of change in cash flow in the current year:					
Item	Cash Inflow (Outflow)		Variance		Remarks
	2016	2015	Amount	%	
Operating activities	\$ 1,494,219	\$ 1,027,777	\$ 466,442	45	(1)
Investing activities	781,792	276,634	505,158	183	(2)
Financing activities	(786,722)	(851,348)	64,626	8	
(1) The increase of NT\$466,442 thousands in 2016 was mainly due to the increase of NT\$446,686 thousands in accounts payable, the increase of NT\$489,561 thousands in inventories, and the decrease of NT\$487,227 thousands in accounts receivable which caused increased cash flow of NT\$444,352 thousands.					
(2) The increase of NT\$505,158 thousands in 2016 was mainly due to the increase of NT\$1,361,442 thousands in investment funds disposed through the equity method, the expenditure of NT\$548,836 thousands in investment in debt instruments with no active market, and the decrease of NT\$273,168 thousands in the disposal of real property and equipment.					
2. Remedial action for cash deficit: N/A.					
3. Cash liquidity analysis for the next year: The Company expects business activities in the next year to generate positive cash flow. The cash outflow in the next year shall be primarily for the distribution of cash dividends that can be supported by the Company's cash balance and cash flow.					

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.4 Major Capital Expenditure Items: There are no any Major Capital Expenditure in 2016.

7.5 Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

7.5.1 Investment policy in the most recent year

The Company's investment policies follow established strategies to expedite expansion in business opportunities in Greater China and actively conduct optimization and integration of resources on both sides of the strait. The business strategies of outstanding regional development, transition to premium service sectors, and implementation of quality assurance activities have allowed SYSTEX to consolidate its leading position in the Taiwan market, actively expand operations in the Greater China market, deploy channels in the Asia Pacific, and bring SYSTEX closer to its corporate objectives.

7.5.2 The main reason for profit or loss and improvement plan for reinvestment enterprises

Unit: NT\$ thousands

Item \ Remarks	Book Value (Note1)	Net Income (Loss) 2016	Policies	Reasons for Gain or Loss	Action Plan
Ching Pu Investment Corp.	1,329,263	118,448	Shareholding in other companies and reinvestment business	Assessed net profit and income from dividends of financial assets	
Golden Bridge Information Corp.	230,087	(4,133)	Shareholding in other companies and reinvestment business	Net profit from investment income recognized by the equity method	Enhanced management of reinvestment businesses after investment to increase operating performance
Systex Capital Group, Inc.	2,462,507	(12,636)	Shareholding in other companies and reinvestment business	Assessed losses on financial instruments	Enhanced management of investment target
Kimo.com (BVI) Corp.	3,216,937	1,033,328	Shareholding in other companies and reinvestment business	Recognized profits from investments	
Systex Solutions (HK) Ltd.	1,997,310	1,056,180	Shareholding in other companies and reinvestment business	Revenue has reached economies of scale and generated profits for main business	
Concord System Management Corp.	288,727	15,891	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Nexsys Corp.	297,267	51,481	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	

VII. Review of Financial Conditions, Operating Results, and Risk Management

Item \ Remarks	Book Value (Note1)	Net Income (Loss) 2016	Policies	Reasons for Gain or Loss	Action Plan
Systex Software & Service Corp.	716,634	150,051	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Taifon Computer Co., Ltd	247,027	(7,382)	Horizontal integration and vertical expansion in the industry	Losses in main business	Continued business integration and adjustment
Systex Solutions Corp.	257,694	(3,930)	Horizontal integration and vertical expansion in the industry	Losses in main business	Continued business integration and adjustment
Syspower Corp. (Note2)	361,884	50,735	Horizontal integration and vertical expansion in the industry	Revenue has reached economies of scale and generated profits for main business	
Systex Information (H.K.) Ltd.	745,299	22,080	Developed overseas markets and distribution channels in Greater China	Revenue has reached economies of scale and generated profits for main business	
Systex Information (Shanghai) Ltd.	247,992	(30,564)	Developed overseas markets and distribution channels in Greater China	Losses from main business and recognized losses from reinvestments	Continued business integration and adjustment
Ucom Information Ltd. (Shanghai)	139,720	(9,755)	Developed overseas markets and distribution channels in Greater China	Losses in main business	Continued business integration and adjustment
Systex Group (China) Ltd.	270,344	(2,072)	Developed overseas markets and distribution channels in Greater China	Losses in main business	Continued business integration and adjustment
Systex Rainbow Tech Inc.	208,166	(10,654)	Developed overseas markets and distribution channels in Greater China	Losses in main business	Continued business integration and adjustment

Note 1: Refers to subsidiary companies with a carrying amount exceeding 5% of paid-in capital as of December 31, 2016.

Note 2: Held directly and indirectly by the Company.

7.5.3 Investment Plans for the Coming Year: None.

VII. Review of Financial Conditions, Operating Results, and Risk Management

7.6 Analysis of Risk Management

The Company has established functional committees that report to the Board of Directors in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" promulgated by the competent authority to enhance the supervision and management functions of the Board of Directors. Proposals are submitted to the Board for resolution to reduce risks in operating and financial decisions.

7.6.1 Risk management policies and organization

The Company's internal management system covers various business activities within the scope of its operations. Responsibilities for the management of risks in various operations are assigned to related units in accordance with the nature of business. The Company has also established the "Crisis Management Regulations," "M&A Management Regulations," and "Regulations on the Supervision and Management of Subsidiaries" to facilitate effective risk control.

(1) Crisis Management

The Company established the "Crisis Management Regulations" to ensure that the Company can effectively manage and respond to crises as they unfold and reduce the damage and impact caused by crises. The Company also established a Crisis Management Team to oversee crisis management and adopt management methods and measures to minimize the impact caused by crises to the Company. The organization and responsibilities of the Crisis Management Team are as follows:

Team Member	Person in Charge	Job Description
Convener	President or personnel assigned by President	Leader of the Crisis Management Team; convenes meetings and establishes guidance principles for crisis management; reports to top management periodically.
Spokesperson	Company Spokesperson and Acting Spokesperson	Responsible for external communication on behalf of the Company; responsible for responding to media and journalists.
Contact Person	Supervisor of General Affairs Division	Contact person for reporting crises; contact person for meetings of the Risk Management Team; follow up on meeting resolutions and progress.
Legal Affairs	Supervisor of Legal Affairs Department	Assists in investigations and clarification of legal liabilities; collects evidence and pursues legal actions.
Public Relations	Supervisor of Marketing, Planning, and Public Relations Division	Formulates statements, press releases, and Q&A drafts; arranges press conferences, interviews, delivery of press releases etc.; contact window for news media and journalists.
Human Resource	Supervisor of Human Resources Department	Verifies the list of employee casualties and consoles employees; explains reasons for crises and delivers crisis management principles to employees; assists employees in applying for insurance claims; assists in emergency personnel dispatch.
Procurement	Supervisor of Procurement Division	Assists in evaluation of the required time and cost of procuring equipment and raw material; assists front-line units in completing procurement procedures in the shortest time possible.
General Affairs	Supervisor of General Affairs Division	Conducts inventory and transfer of assets and materials; verifies insurance coverage scope and files claims.
Finance	Supervisor of CFO Office	Responsible for verifying whether incidents meet requirements in regulations on reports of public companies; assists Public Relations in formulating statements to stakeholders; assists in emergency funding operations.

VII. Review of Financial Conditions, Operating Results, and Risk Management

Front-Line Command Center	Highest Ranking Officer of Business Unit/Subsidiary	Reports the occurrence and affected scope of the incident; recommends crisis management principles and procedures; conducts recovery and processing on the front line in accordance with guidance principles; periodically reports processing procedures and files support requirements in accordance with conditions; formulates plans for resumption of work.
---------------------------	---	---

(2) M&A Case Management

The Company has established the "M&A Management Regulations" to effectively control the risks and performance of follow-up investment in Company's M&A (Merge & Acquisition) cases. The Regulations are applicable to cases where the Company acquires the operating rights, ownership, or specific assets of investees through acquisitions, mergers, business assignments, joint investments, demergers, or other methods. The responsibilities of each unit are as follows:

Department	Responsibilities
All Business Units	Responsible for the investment project; formulate business development strategies and seek potential investment targets; evaluate the business side of the investee or newly-established company and establish a business plan of at least three years; assess project risks; assess the value and investment structure design of the investment target.
Business Management Division	Review business plans submitted by Business Units; assists Business Units in assessing the value and investment structure design of the investment target; establishes subsidiary company management regulations; assists in the incorporation of operating procedures of investee companies into states manageable by the parent company; establishes standard operating procedures for supporting M&A operations.
Information Management Department	Plans the basic IT structure of the investee company or newly-established company and assists in the connection of its IT system with the parent company's IT system; establishes standard operating procedures for M&A IT.
Legal Department	Ensures legal compliance of all operations in the Company's M&A projects; formulates related legal documents for M&A cases; assesses the reasonableness of the investment structure; executes legal due diligence (DD); establishes legal standard operating procedures for M&A.
Marketing & Corporate Affairs Department	Organizes press conferences or publicizes information after the completion of investment plans; establishes standard operating procedures for M&A corporate communications.
Human Resources Division	Assists in the design of talent retention plans; establishes standard operating procedures for M&A personnel and general affairs.
CFO Office	Reviews assessment of the reasonableness of the investment structure; executes financial due diligence (DD); establishes financial standard operating procedures for M&A.

VII. Review of Financial Conditions, Operating Results, and Risk Management

(3) Subsidiary Supervision and Management

The "Regulations on the Supervision and Management of Subsidiaries" are established to implement business management, disclosure of financial and business information at appropriate times, internal control system, and auditing management of subsidiaries in order to ensure their business performance.

The responsibilities of each unit are as follows:

Department	Responsibilities
Business Management Division	Establishment and revision of parent-subsidary companies' operations and management guidelines; assists the supplement (revision) and review of related regulations of the operations and management of subsidiaries; provides supervision, support, and assistance for the operations of subsidiaries; conducts regular performance analyses and follow-up management on subsidiaries; reviews business strategies and plans of subsidiaries; facilitates communication between the parent company and subsidiaries (and between subsidiaries).
Information Management Department	Establishment and revision of parent-subsidary companies' IT system operating guidelines; assists in the supplement (revision) and review of related regulations of the IT systems of subsidiaries; provides supervision, support, and assistance for the IT systems of subsidiaries.
Legal Department	Establishment and revision of parent-subsidary companies' legal affairs system operating guidelines; assists the supplement (revision) and review of related regulations of legal affairs of subsidiaries; provides supervision, support, and assistance for legal affairs of subsidiaries.
Human Resources Division	Establishment and revision of parent-subsidary companies' human resources and general affairs operating guidelines; assists the supplement (revision) and review of related human resources regulations of subsidiaries; provides supervision, support, and assistance for human resources and general affairs of subsidiaries.
CFO Office	Establishment and revision of parent-subsidary companies' finance and accounting operating guidelines; assists the supplement (revision) and review of related finance and accounting regulations of subsidiaries; provides supervision, support, and assistance for finance and accounting operations of subsidiaries.
Audit Division	Assists the establishment of internal control systems, internal control self-inspection operations, and various business operations regulations of subsidiaries; audits and reviews the internal control systems and internal control self-inspection operations of subsidiaries.

7.6.2 Risks, Assessment, and Response Strategies

A. Market Risks: The Company's forecast risks, pricing risks, production capacity risks, and inventory risks caused by changes in the industry.

Risk Assessment: The characteristics of the IT service industry includes rapid changes in technologies, continuous flow of new products, continuous functional improvements, decline in cost, short product lifecycle, changes in customer requirements, and manufacturer standard specifications. Due to high uncertainties, market risks will influence company operations.

Response Strategy: Implement an annual budget system and rolling forecast system to fully account for the impact of market changes on revenue; organize monthly business review meetings to account for market conditions; actively increase the added-value of products and OEM product lines to maintain reasonable costs and comprehensive services; adopt full digitalization in the company, enhance education and training, and increase the efficiency of information delivery between departments to increase personnel productivity; adopt the principle of making purchases after receiving purchase orders to prevent excess inventory and control the value of inventories.

VII. Review of Financial Conditions, Operating Results, and Risk Management

B. Financial Risks: Additional risks imposed on the Company due to the use of financial leverages.

Risk Assessment: Changes in the Company's industry occur fast and pose high risks in operations. High financial leverage operations will put the Company in greater risk.

Response Strategy: The Company's source of funding consists mainly of equity funds; high financial leverage strategies are avoided. If financing is required, long-term funding obtained from the capital market shall be the primary means for financing to lower financial risks.

C. Fluidity Risks: Risks in which the Company cannot cash in on assets or obtain sufficient funding in time, leading to the inability to perform due responsibilities.

Risk Assessment: Due to high risks in the industry, the speed and capacity of cash flow will affect the Company's competitiveness and daily operations.

Response Strategy: The Company shall strengthen its cash flow forecast, strictly control inventory backlog, and payment/collection conditions and procedures to ensure the fluidity of the Company's operating cash. Conduct short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability. The Company shall also establish financing credit lines with banks to maintain fluidity of funds.

D. Credit Risks: Risks in which customers and suppliers cannot perform payment or delivery.

Risk Assessment: Due to industry characteristics, the Company faces longer payment cycles from clients. The unique transaction model of large projects also requires multiple suppliers of varying scales for which credit risks differ. The Company conducts various financial transactions with financial institutions in accordance with financial and business requirements. The credit risks of transaction partners shall also be taken into consideration.

Response Strategy: The Company shall establish a department dedicated to the management of accounts receivable and payable and establish authorization management regulations to enhance credit investigation procedures and strictly control the credit line of customers to safeguard the interests of the Company. The Company selects reputable financial institutions with high ratings to lower credit risks.

E. Legal Risks: Risks of serious impact or other negative impact on the Company's operations or finances due to illegal business activities of the Company or competitors' infringement of the Company's rights.

Risk Assessment: The Company conducts businesses honestly and does not take part in illegal activities. The Company maintains ownership of multiple intellectual property rights and comprehensive legal protection from infringements that affect company interests.

Response Strategy: The Company established a dedicated Legal Affairs Department to take charge of processing potential legal risks faced by the Company. The Legal Affairs Department also reviews all important contracts before signing to safeguard company interests.

F. Strategy and Business Risks: Risks of immediate or potential impact on the Company's profits or capital due to unfavorable business decisions, inappropriate execution of related strategies, or a lack of response measures to changes in the industry.

Risk Assessment: The Company operates in the technology industry which undergoes constant changes, numerous competitors, and therefore relatively higher operating risks. The implementation of strategies will affect overall normal operations.

Response Strategy: The Company regularly organizes domestic and international senior management business meetings to fully communicate and review the Company's operating strategies and adopt appropriate response measures. The Company also established an Audit Committee to

VII. Review of Financial Conditions, Operating Results, and Risk Management

strengthen the functions of the Board of Directors and to help the Company establish major business strategies and supervise the performance of the management team.

7.6.3 Analysis of Risk Management

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

(a) Interest rate

Unit: NT\$ thousands;%

Item \ Year	2015			2016		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Interest income	22,594	0.14%	5.39%	29,965	0.18%	10.73%
Interest expense	14,805	0.09%	3.53%	24,823	0.15%	8.89%

The Company's operating funds are readily available and the Company conducts short-term operations with idle funds under conditions of maintaining fluidity, security, and profitability.

The Company maintains close relations with banks in long-term collaboration and uses the banks' assistance to obtain favorable interest rates and conditions. The Company's income on interest remains higher than interest expenses and therefore changes in interest rates have limited effects on the Company's profitability. The Company shall continue to monitor trends in interest rate changes and maintain a high degree of profitability while taking into account the requirements for security and fluidity in order to reduce the impact of changes in interest rates.

(b) Foreign exchange rates

Unit: NT\$ thousands;%

Item \ Year	2015			2016		
	Amount	Percentage of Net Sales	Percentage of Profit from Operation	Amount	Percentage of Net Sales	Percentage of Profit from Operation
Foreign exchange loss, net	35,007	0.21%	8.35%	69,545	0.43%	24.90%

Due to fluctuations in the RMB-USD exchange rates in 2016 that caused the net loss in exchange to increase from the previous year, the Company's corporate financing personnel used transactions with financial institutions and the Internet to collect information on changes in exchange rates, adjusted the Company's foreign exchange positions, and estimated the cash flow in foreign currency expenditure for the purpose of controlling risks as early as possible. In principle, the Company uses income in foreign currencies to pay for foreign currency expenditures to achieve natural hedging effects and therefore changes in interest rates have limited impact on the Company's profits and losses.

(c) Inflation

The Company maintains close and good relations with suppliers and customers and pays attention to fluctuations in market prices in order to make timely adjustments in response to market fluctuations in purchase and sales prices as well as to lower the impact of changes in inflation.

The Company's main suppliers are IT firms and the Company pays attention to the changes in prices of products from original manufacturers at all times to prevent major impact of changes in cost on the Company's profits and losses.

VII. Review of Financial Conditions, Operating Results, and Risk Management

B. Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company does not conduct high-risk and high-leverage investments. The Company provides loans to others, endorsement or guarantee, and trade in derivatives in accordance with the Company's policies and response measured established in the Company's "Procedures for the Acquisition or Disposal of Assets," "Operating Procedures for Fund Lending," and "Procedures for Making Endorsements and Guarantees."

No breaches of contract that caused profits or losses have occurred in Company's endorsements, guarantees, and loans to subsidiary companies for their financing requirements.

C. Future Research & Development Projects and Corresponding Budget

Research Projects	Completion (%)	Expected Research Expenditure (NT\$ ten thousand)	Expected Completion Schedule	Major Risk Factors
mOpen	Planning	150	2017/06	Human Resources and Core Technology
Upgrade of re-consigned trading planform	10%	500	2017/06	Human Resources and Core Technology
Upgrade of Fmidst	30%	70	2017/06	Human Resources and Core Technology
New Function of DQ2	Planning	200	2017/10	Human Resources and Core Technology
Others	Planning	900	2017/2H	Human Resources and Core Technology

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

As the effects of the new system of one-by-one matching take hold, future market transactions shall be made mainly by corporate investors. The competition between financial institutions will increase demand for electronic and program transactions. With extensive experience in long-term product development and services, Systex shall effectively assist customers in the development of competitive products. The Company shall also focus on latest development in global economic trends, consider market demand, integrate multiple financial product information, provide comprehensive transnational and information one-stop service to satisfy customer demands in financial markets in China, Hong Kong, Taiwan, and various domestic and foreign markets and demonstrate the value of integration.

Changes in shareholder services regulations have reduced the amount of mailing for printed materials. Systex has ventured into markets such as insurance policy forms and notification market in order to supplement the gap in black-and-white printing. The Company has now completed installation and successfully obtained life insurance clients.

Government reorganization and information service outsourcing have become established policies and IoT development is gradually gaining attention. The government has increased budgets for smart city development, implementation of the Personal Information Act, and extension of cloud-based services. The Company shall seek business opportunities in government organizational adjustments such as demand in software/hardware equipment replacement, integrated account single login services, equipment transfer services, computer room performance adjustment/shared structure services, maintenance contracts, and increased value. At the same time, the Company shall be required to gain core technologies in land administration to facilitate the growth of land administration ITO and create differentiation in services.

VII. Review of Financial Conditions, Operating Results, and Risk Management

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

In response to development trends in FinTech, Systex shall continue to provide finance and corporate service mobilization plans, designs, and introduction services for finance operators to quickly adopt and build service plans. The Company has established the Financial Digital Content Developing Center (FDC) to develop new products for finance databases and high-end financial applications that meet customer requirements. It shall remain focused on the development of intensified and wide-ranged international financial information content to gain key positions on the market and expand the lead over competitors.

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

The Company has always upheld the operation principles of professionalism and integrity as well as its emphasis on corporate image and risk management. Therefore the corporate image has been well-maintained and there has been no major incident detrimental to corporate image.

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

H. Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans : None.

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

The Company maintains good relations with multiple domestic and international suppliers to ensure the diversity of products and security of sources. The Company's sales customers are distributed across the government, finance industry, telecommunications, distribution, and education. Customers are numerous and dispersed and the Company uses the dispersion strategy to reduce the risk of concentrated purchases or sales.

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

With the exception of share transfers conducted for personal investment, financing, and taxation plans made by the Company's Directors or major shareholders holding over 10% of the Company's shares in the most recent year and as of the printing date of the prospectus, stable shareholding ratios were mostly maintained and have no major negative effect on the Company's operations.

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

L. Litigation or Non-litigation Matters: None.

7.7 Other Major Risks: None.

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

8.1.1 SYSTEX's Subsidiaries

Unit: NT(USD,RMB,HKD,SGD)\$ thousands As of December 31, 2016

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Taifon Computer Co., Ltd	1992.10.14	Taipei, Taiwan	200,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
Systex Solutions Corp.	2014.04.29	Taipei, Taiwan	260,000	Design, construction, and sales of telecommunications, electronic calculators, and computer installation projects etc.
Concord System Management Corp.	1982.10.19	Taipei, Taiwan	202,217	Design of computer system software and software application programs, assessment and planning of computer systems etc.
Systex Software & Service Corp.	2011.08.25	Taipei, Taiwan	544,500	IT software and data processing services, retail and services for IT software.
SoftMobile Technology Corp.	2011.08.02	Taipei, Taiwan	27,125	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.
Nexsys Corp.	2000.05.16	Taipei, Taiwan	155,000	Manufacture of electronic wired communication machinery and equipment, manufacture of electronic components, manufacture of computers and peripheral equipment, installation of computer equipment, IT software retail, computer and office appliance wholesale and retail.

VIII. Special Disclosure

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Naturint Ltd.	2016.07.19	Taipei, Taiwan	20,000	Installation and sales of computer software and related equipment, IT software, data processing, and other consulting services, network certification, software publication etc.
Etu Corp.	2015.02.26	Taipei, Taiwan	115,000	IT software and data processing services, retail and services for IT software.
Syspower Corp.	1988.09.05	Taipei, Taiwan	200,000	Design, installation, and maintenance of computer information and telecommunication construction, design and sales of computer system software.
Taiwan Electronic Data Processing Corp.	1969.05.22	Taipei, Taiwan	258,537	Design, assessment, and planning of computer system software and software application programs, sales and lease of data processing systems, computer peripheral hardware equipment and their components.
Mendincom Technology Corp.	2009.03.06	Taipei, Taiwan	100,000	Wholesale and retail of medical equipment, retail of precision instruments etc.
Ucom Information Ltd. (Shanghai)	2003.03.26	Shanghai, China	USD14,800	IT software services, IT software wholesale, IT software retail.
Systex Information (Shanghai) Ltd.	2000.11.27	Shanghai, China	USD16,300	Data processing services, IT supply services, IT software services, international trade.
Sysware Shenglong Information Systems Co., Ltd.	2007.10.16	Shanghai, China	USD5,000	Research, development, and production of computer software and hardware, sales of self-manufactured products, technical consulting services, technical services, training and transfer.

VIII. Special Disclosure

Company	Date of Incorporation	Place of Registration	Capital Stock	Business Activities
Systex Group (China) Ltd.	2012.09.28	Shanghai, China	USD10,000	Business management and consulting services, market management and sales services, financial management services for fund operations etc.
Systex Rainbow Tech Inc.	2001.03.16	Guangzhou, China	RMB50,000	Computer software and hardware technologies, research, development, installation, wholesale, and trade of computer network systems etc.
Systex Ucom(Shanghai) Information Ltd. Co.	2015.01.13	Shanghai, China	RMB2,000	IT software services, IT software wholesale, IT software retail.
Systex Information (H.K.) Ltd.	1999.12.02	Hong Kong	HKD 158,448	Sales of computers and peripherals.
Ranibow Tech Information (HK) Limited	2012.04.26	Hong Kong	HKD2,000	Sales of computers and peripherals.
Sysware Singapore Pte. Ltd.	2003.03.31	Singapore	SGD2,769	Computer information integration services, computer software.
Ching Pu Investment Corp.	1988.09.02	Taipei, Taiwan	1,261,519	General investment.
Golden Bridge Information Corp.	2011.08.25	Taipei, Taiwan	230,000	General investment.
Hanmore Investment Corp.	1989.04.21	Taipei, Taiwan	197,065	General investment.
Kimo.com (BVI) Corporation	1999.08.12	British Virgin Islands	USD28,500	Financial trust, shareholding and other investment businesses.
Systex Capital Group, Inc.	2000.02.23	British Virgin Islands	USD4	Financial trust, shareholding and other investment businesses.
Systex Solutions (HK) Ltd.	2011.10.03	Hong Kong	HKD 136,000	Financial trust, shareholding and other investment businesses.

VIII. Special Disclosure

8.1. 2 SYSTEX's Subsidiaries Chart (December 31, 2016): Please refer to page 184.

8.1.3 Shareholders in Common of SYSTEX and Its Subsidiaries with Deemed Control and Subordination: None.

8.1.4 Rosters of Directors, Supervisors, and Presidents of Systex's Subsidiaries :

As of December31, 2016

Company	Title	Name	Shareholding	
			Shares (Investment Amount)	% (Investment Holding)
Taifon Computer Co.,Ltd	Chairman & President	SYSTEX Corp. Rep.: Yang, Yun-Chang	20,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou (Note1)		
	Director	SYSTEX Corp. Rep.: Liu, Kuan-Lin (Note 1)		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Systex Solutions Corp.	Chairman	SYSTEX Corp. Rep.: Lee, Chien-Lung (Note 2)	26,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou (Note1)		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	President	Lin, Wen-Kuei	-	-
Concord System Management Corp.	Chairman & President	SYSTEX Corp. Rep.: Tao, Ya-Kuang	20,221,673	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou (Note1)		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Systex Software & Service Corp.	Chairman	SYSTEX Corp. Rep.: Lin, Lung-Fen	54,450,000	100.00%
	Director & President	SYSTEX Corp. Rep.: Lee, Su-Yue		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
SoftMobile Technology Corp.	Chairman	Golden Bridge Information Corp. Rep.: Fan, Jee-Der	2,712,500	100.00%

VIII. Special Disclosure

	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Director	Golden Bridge Information Corp. Rep.: Hsieh, Shu-Heng		
	Supervisor	Golden Bridge Information Corp. Rep.: Chung, Chih-Chun		
	President	Wu, Wen-Shun	-	-
Nexsys Corp.	Chairman	SYSTEX Corp. Rep.: Pan, Tieh-I	15,500,000	100.00%
	Director & President	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Yang, Shih-Chung		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	President	Chung, Cheng-Wen	-	-
Naturint Ltd.	Chairman & President	SYSTEX Corp. Rep.: Fan, Jee-Der	2,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Hsieh, Shu-Heng		
	Supervisor	SYSTEX Corp. Rep.: Chung, Chih-Chun		
Etu Corp.	Chairman	SYSTEX Corp. Rep.: Lin, Lung-Fen	9,000,000	78.26%
	Director & President	SYSTEX Corp. Rep.: Chiang, Chi-Yu		
	Director	SYSTEX Corp. Rep.: Chen, Chao-Yu (Note 3)		
	Supervisor	Chung, Chih-Chun	25,000	0.22%
Syspower Corp.	Chairman	Golden Bridge Information Corp. Rep.: Fan, Jee-Der	8,481,884	42.41%
	Director & President	Golden Bridge Information Corp. Rep.: Chen, Kuo-Chen		
	Director	Golden Bridge Information Corp. Rep.: Lin, Lung-Fen		
	Supervisor	Ching Pu Investment Corp. Rep.: Cheng, Yuan-Yih	7,432,586	37.16%
Taiwan Electronic Data Processing Corp.	Chairman	Ching Pu Investment Corp. Rep.: Lin, Lung-Fen	17,990,326	69.59%

VIII. Special Disclosure

	Director	Ching Pu Investment Corp. Rep.: Fan, Jee-Der (Note 1)		
	Director	Ching Pu Investment Corp. Rep.: Cheng, Yuan-Yih		
	Supervisor	Chung, Chih-Chun	-	-
	President	Chen, Kuo-Chen	-	-
Mendincom Technology Corp.	Chairman	Taiwan Electronic Data Processing Corp. Rep.: Lin, Lung-Fen	10,000,000	100.00%
	Director	Taiwan Electronic Data Processing Corp. Rep.: Chung, Chih-Chun		
	Director	Taiwan Electronic Data Processing Corp. Rep.: Fan, Jee-Der (Note 1)		
	Supervisor	Taiwan Electronic Data Processing Corp. Rep.: Cheng, Yuan-Yih		
Ucom Information Ltd. (Shanghai)	Chairman	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan	(Investment) USD14,800,000	100.00%
	Director & President	Kimo.com (BVI) Corp. Rep.: Li, Jing		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen		
	Supervisor	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou		
Systex Information (Shanghai) Ltd.	Chairman	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan	(Investment) USD16,300,000	100.00%
	Director & President	Kimo.com (BVI) Corp. Rep.: Tan, Chien-Jung		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen		
	Supervisor	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou		
Sysware Shenglong Information Systems Co., Ltd.	Chairman & President	Kimo.com (BVI) Corp. Rep.: Fan, Jee-Der	(Investment) USD5,000,000	100.00%
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen		
	Director	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan		
	Supervisor	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou		

VIII. Special Disclosure

Systex Group (China) Ltd.	Chairman & President	Systex Information (H.K.) Ltd. Rep.: Cheng, Deng-Yuan	(Investment) USD10,000,000	100.00%
	Director	Systex Information (H.K.) Ltd. Rep.: Lin, Lung-Fen		
	Director	Systex Information (H.K.) Ltd. Rep.: Chung, Chih-Chun		
	Supervisor	Systex Information (H.K.) Ltd. Rep.: Lin, Wen-Chou		
Systex Rainbow Tech Inc.	Chairman	Systex Information (Shanghai) Ltd. Rep.: Cheng, Deng-Yuan	(Investment) RMB45,000,000	90.00%
	Director & President	Systex Information (Shanghai) Ltd. Rep.: Tan, Chien-Jung		
	Director	Ucom Information Ltd. (Shanghai) Rep.: Yen, Jung-Chung	(Investment) RMB5,000,000	10.00%
	Supervisor	Ucom Information Ltd. (Shanghai) Rep.: Lin, Wen-Chou		
Systex Ucom (Shanghai) Information Ltd.Co.	Executive Director	Systex Group (China) Ltd. Rep.: Li, Jing	(Investment) RMB2,000,000	100.00%
Systex Information (H.K.) Ltd.	Chairman	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan	103,800,000	100.00%
	Director & President	Kimo.com (BVI) Corp. Rep.: Hu, Hsiao-Tung		
	Director	Kimo.com (BVI) Corp. Rep.: Lin, Wen-Chou		
Ranibow Tech Information (HK) Limited	Chairman	Kimo.com (BVI) Corp. Rep.: Cheng, Deng-Yuan	2,000,000	100.00%
Sysware Singapore Pte. Ltd.	Chairman	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen	2,769,000	100.00%
	Director & President	Kimo.com (BVI) Corp. Rep.: Lin, Tsung-Ying		
	Director	Kimo.com (BVI) Corp. Rep.: Chek Khai Juat		
Ching Pu Investment Corp.	Chairman	SYSTEX Corp. Rep.: Huang, Tsong-Jen	126,151,931	100.00%
	Director & President	SYSTEX Corp. Rep.: Lin, Lung-Fen		
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		

VIII. Special Disclosure

Golden Bridge Information Corp.	Chairman & President	SYSTEX Corp. Rep.: Lin, Lung-Fen	23,000,000	100.00%
	Director	SYSTEX Corp. Rep.: Chung, Chih-Chun		
	Director	SYSTEX Corp. Rep.: Lin, Jen-Shou(Note 1)		
	Supervisor	SYSTEX Corp. Rep.: Cheng, Yuan-Yih		
Hanmore Investment Corp.	Chairman & President	Joray CO.,LTD Rep.: Wu, Cheng-Huan	18,768	0.10%
	Director	Joray CO.,LTD Rep.: Lin, Chih-Min		
	Director	SYSTEX Corp. Rep.: Cheng, Yuan-Yih	9,640,680	48.92%
	Supervisor	Chung, Chih-Chun	-	-
Kimo.com (BVI) Corp.	Director	SYSTEX Corp. Rep.: Huang, Tsong-Jen	28,500,000	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
Systex Capital Group, Inc.	Director	SYSTEX Corp. Rep.: Huang, Tsong-Jen	3,550	100.00%
	Director	SYSTEX Corp. Rep.: Lin, Lung-Fen		
Systex Solutions (HK) Ltd.	Director	Kimo.com (BVI) Corp. Rep.: Lin, Lung-Fen	136,000,000	100.00%
	Director	Kimo.com (BVI) Corp. Rep.: Chung, Chih-Chun		

Note 1 : Be assigned at January 3, 2017.

Note 2 : Be assigned at January 5, 2017.

Note 3 : Be assigned at February 2, 2017.

VIII. Special Disclosure

8.1.5 Operational Highlights of SYSTEX's Subsidiaries

Unit: NT\$ thousands, except EPS (\$) As of December 31, 2016

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Taifon Computer Co., Ltd	200,000	452,308	202,909	249,399	609,170	(9,404)	(7,382)	(0.37)
Systex Solutions Corp.	260,000	545,172	287,478	257,694	830,251	(2,337)	(3,930)	(0.15)
Concord System Management Corp.	202,217	567,971	278,675	289,296	869,990	31,078	15,891	0.79
Systex Software & Service Corp.	544,500	2,355,099	1,630,586	724,513	4,425,479	174,216	150,051	2.76
SoftMobile Technology Corp.	27,125	52,028	23,012	29,016	98,558	254	270	0.10
Nexsys Corp.	155,000	364,269	90,065	274,204	378,347	63,723	51,481	3.32
Naturint Ltd.	20,000	21,023	951	20,072	1,000	57	73	0.04
Etu Corp.	115,000	28,080	18,606	9,474	21,493	(64,928)	(58,537)	(5.09)
Syspower Corp.	200,000	545,191	114,682	430,509	492,992	57,888	50,735	2.54
Taiwan Electronic Data Processing Corp.	258,537	119,331	9,024	110,307	1,226	(3,071)	(26,724)	(1.03)
Mendincom Technology Corp.	100,000	112,591	121,597	(9,006)	134,581	(24,528)	(26,008)	(2.60)
Ucom Information Ltd. (Shanghai)	517,995	294,697	154,977	139,720	266,187	2,029	(9,755)	-
Systex Information (Shanghai) Ltd.	580,483	486,992	239,000	247,992	326,361	(15,530)	(30,564)	-
Sysware Shenglong Information Systems Co., Ltd.	173,119	47,535	8,790	38,745	40,192	4,149	3,932	-
Systex Group (China) Ltd.	293,129	1,135,143	864,799	270,344	2,012,695	(5,982)	(2,072)	-
Systex Rainbow Tech Inc.	232,450	560,804	362,734	198,070	760,462	(10,368)	(10,654)	-
Systex Ucom (Shanghai) Information Ltd. Co.	9,298	47,151	33,351	13,800	139,955	11,215	11,231	-

VIII. Special Disclosure

Company	Capital Stock	Assets	Liabilities	Net Worth	Net Revenues	Income (Loss) from Operation	Net Income (Loss)	EPS
Systex Information (H.K.) Ltd.	658,827	933,413	188,115	745,298	1,063,184	15,802	22,080	-
Ranibow Tech Information (HK) Limited	8,316	15,360	7,116	8,244	20,237	1,472	1,472	-
Sysware Singapore Pte. Ltd.	61,721	8,995	37,238	(28,243)	30,493	(7,234)	(63)	-
Ching Pu Investment Corp.	1,261,519	2,083,541	611	2,082,930	0	(444)	118,448	0.94
Golden Bridge Information Corp.	230,000	232,826	120	232,706	0	(177)	(4,133)	(0.18)
Hanmore Investment Corp.	197,065	1,267,896	172,660	1,095,236	0	(3,941)	45,779	2.32
Kimo.com (BVI) Corp.	919,125	3,220,471	2,012	3,218,459	0	(9,898)	1,033,328	-
Systex Capital Group, Inc.	114	2,462,596	89	2,462,507	0	(560)	(12,636)	-
Systex Solutions (HK) Ltd.	565,488	2,205,352	208,042	1,997,310	0	(230)	1,056,180	-

8.1.6 Subsidiaries' Consolidated Financial Statements: Please refer to pages 115-184.

8.2 Private Placement Securities in the Most Recent Years: N/A

VIII. Special Disclosure

8.3 Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Years

Unit: NT\$ thousands ; shares ; %

Name of Subsidiary	Paid-in Capital	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed	Investment Gain (Loss)	Shareholdings and Amount as of the printing date of this annual report (Note1)	Mortgage	Endorsement Amount Made for the Subsidiary	Amount Loaned to the Subsidiary
Hanmore Investment Corp.	NT\$ 197,065 thousands	Own funds and bank loans	48.9%	2016/01	1,236,000 shares NT\$61,456 thousands	-	-	21,316,678 shares NT\$1,372,794 thousands	10 million shares (Note2)	-	-
				2016/11	242,000 shares NT\$12,399 thousands	-	-				
Ching Pu Investment Corp.	NT\$ 1,261,519 thousands	Own funds	100.0%	-	-	-	-	12,981,476 shares NT\$836,007 thousands	-	-	-

Note 1: The amount held is the fair market value as of March 31, 2017.

Note 2: Hanmore Investment Corp. pledged 10 million of the Company's shares as collateral; the pledge does not affect the Company's financial performance or financial status.

8.4 Other Necessary Supplement: None.

8.5 Any Events in 2016 and as of the Date of this Annual Report that Had Significant Impacts on Shareholders' Right or Security Prices as Stated in Item 3 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan: None.

SYSTEX Corporation

Chairman: Huang, Tsong-Jen



SYSTEX CORPORATION

No.318, Ruiguang Rd., Neihu Dist.,
Taipei City 114, Taiwan
Tel +886-2-7720-1888

Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.