

# **IntelliEPI Inc. (Cayman)**

## **2017 Annual Shareholders Meeting Minutes (Translation)**

Time : 09:00 a.m. on Thursday, June 22, 2017

Place : Lane 193, Sec. 3, Zhongxiao E. Rd., Daan Dist., Taipei (GIS Taipei Tech Convention Center Room 302)

Total outstanding shares : 35,997,343 shares

Total shares represented by shareholders present in person or by proxy : 22,199,965 shares

Percentage of shares held by shareholders present in person or by proxy : 61.67 %

Chairman : Andrew Kang, the Chairman of the Board of Directors

Recorder : Vicky Cheng

Ordinary directors present :

Andrew Kang, Yung-Chung Kao and Virginia Shu

Independent directors (also as Audit Committee member and Compensation Committee member) present :

Jason Chen and Henry Chou

On leave director :

Kang-Lung Wang (ordinary director), Tom Chang (Independent director also as Audit Committee member and Compensation Committee member)

I. The aggregate shareholding of the shareholders present in person or by proxy constituted a quorum. The Chairman called the meeting to order.

II. Chairman Remarks (omitted)

### III. Reporting Items :

Proposed by the Board

#### **#1: Operation Report for Fiscal Year 2016**

Explanations:

The Company's annual operation report for fiscal year 2016 is attached as Attachment 1.

Proposed by the Board

#### **#2 : Audit Committee audit report for Fiscal Year 2016**

Explanation :

Audit Report by Audit Committee for Fiscal Year 2016 is attached as Attachment 2.

Proposed by the Board

#### **#3 : Distributions of 2016 bonuses to employees and non-independent directors.**

Explanations :

1. The Company's 2016 compensation distribution to employees and non-independent directors, adopted by the compensation committee, are NTD6,288,750 (cash only) and NTD2,641,275 (cash only) respectively, are submitted to the board of director for approval. The amounts are equivalent to 3.86% and 1.62% of annual profit. The percentage meet no less than 3% of its annual profit as employee bonuses, and no more than 3% of its annual profit as director bonuses from amended Articles of Incorporation. The "annual profit" in the preceding paragraph shall be a sum equal to the Company's pre-tax profit before deduction of the aforementioned employee bonuses and director bonuses.
2. Estimated expensed amount on 2016 compensation distribution to employees and non-independent directors are NTD6,321,645 and 3,257,443, which have NTD32,895 and 616,168 difference from proposed distribution amount. The difference will be booked in 2017.

**#4 : Implementation of Share Buyback**

Explanations :

Serial number of repurchase	1 <sup>st</sup>
Date of Board resolution	2016/12/9
Purpose of the buyback	Motivate employees and enhance employees' retention
Buyback period	2016/12/9~2017/2/8
Type and numbers of shares to be repurchased	2,000,000 common shares
Price range of the shares to be repurchased	NTD57.80~112.50
Type and number of shares bought back	189,000 Common shares
Total value of shares bought back	NTD15,702,256
The average buyback price per share	NTD83.08
Reason for incompleteness	In view of considering the market mechanism, the Company did not complete repurchase
Numbers of shares transferred to employees	50,800
Accumulated numbers of shares held by the Company	138,200
Accumulated numbers of shares held by the Company as a percentage of total outstanding shares	0.38%

IV. Ratification Items :

Proposed by the Board

#1 : Operation report and financial statements for 2016

Explanation :

1. The Company's Financial Statements were audited by independent auditors, Vincent Lien and Joseph Chou of PriceWaterhouse Coopers.
2. 2016 Operation report is attached as Attachment 1. Financial Statements are attached as Attachment 3.
3. The Company's operation report and financial statements for 2016 are submitted to the shareholders for ratification.

Voting results : shares represented at the time of voting : 22,199,965 shares

Votes	Voting shares	% of the total represented share present
Votes in favor	22,161,650	99.82%
Votes against	1,637	0.01%
Votes invalid	0	-
Votes abstained	36,678	0.17%

RESOLVED, that Operation report and financial statements for 2016 is hereby accepted as submitted.

Proposed by the Board

#2 : Profit distribution proposal for 2016

Explanation :

1. 2016 Profit Distribution Table as follows :

IntelliEPI Inc. (Cayman)	
2016 Profit Distribution Proposal	
	(NTD)
Net Profit After Tax of 2016	103,665,733
Deduct: Legal Reserve	(10,366,573)
Distributable Unappropriated Retained Earnings of 2016	93,299,160
Plus: Unappropriated Retained Earnings at the Beginning of 2016	275,806,042

Distributable Unappropriated Retained Earnings at the end of 2016	369,105,202
Distribution Items :	
Deduct: Cash Dividends (NT\$2.0 per share)	(71,891,586)
Unappropriated Retained Earnings at the end of 2016	297,213,616

2. According to the provisions of the Company's Articles of Incorporation, a profit distribution chart is proposed; including a cash dividend of NTD 2.0 per common share. Amount of cash dividend is NTD 71,891,586.
3. If any matter affecting the amount of total outstanding shares occur thereafter (including the Company's purchase of treasury shares, new issuance pursuant to the exercise of employee stock options, transfer of treasure shares to employees, or cancellation of shares, etc.), it is hereby proposed to authorize the chairman of the board of this Company to adjust the distribution ratio of the actual total outstanding shares at ex-dividend date pursuant to the total distribution amount for common share as adopted. The amount of cash dividend shall be calculated to the dollars; amount after decimal point is discarded and will be booked in other income. BOD or chairman is authorized to set the ex-dividend date and payment day after the shareholders' approval of this resolution.
4. The Company's profit distribution proposal for Fiscal Year 2016 is submitted to the shareholders for ratification.

Voting results : shares represented at the time of voting : 22,199,965 shares

Votes	Voting shares	% of the total represented share present
Votes in favor	22,062,502	99.38%
Votes against	4,686	0.02%
Votes invalid	0	-
Votes abstained	132,777	0.60%

RESOLVED, that Profit distribution proposal for 2016 is hereby accepted as submitted.

V. Discussion Items :

Proposed by the Board

**#1 : Amendment on “Procedures for Handling the Acquisition and Disposal of Assets”**

Explanations :

1. The Company and IET-US’ “Procedures for Handling the Acquisition and Disposal of Assets” is proposed to amend pursuant to the amendments on “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” as promulgated by the Financial Supervisory Commission and Taipei Exchange.
2. A comparison chart is provided as Attachment 4.
3. The amendment is submitted to the shareholders for discussion.

Voting results : shares represented at the time of voting : 22,199,965 shares

Votes	Voting shares	% of the total represented share present
Votes in favor	22,065,546	99.39%
Votes against	6,904	0.03%
Votes invalid	0	-
Votes abstained	127,515	0.58%

RESOLVED, that Amendment on “Procedures for Handling the Acquisition and Disposal of Assets” is hereby accepted as submitted.

VI. Questions and Motions—no motion

VII. Adjournment—at 09 : 34am

**IntelliEPI Inc. (Cayman)**  
**2016 Operation Report**

In 2016 we continued growing our business to a record high, sales increased by 3.3% from previous year. The sales growth was primarily driven by strong demand of InP epi wafer products such as APD and PIN for cloud computing and data center application. InP products sales percentage increased to 35% from 24.9% of prior year. Sales of GaAs wafers were flat in 2016; their percentage lowered to 48.8% from 51.8% of 2015. Sales mix of above 2 product categories reflected a better product mix. Total sales percentage from defense contracts, GaSb based infrared epi wafers, and other hardware business was 16.6%, down from 23.3% of 2015. The main reason for slower sales was due to reduced defense contract grants in 2016. We believe higher portion of commercial business would be beneficial to the company in the long run. Our new factory building had its ground break in September 2016; the building project is scheduled to be completed in 3<sup>rd</sup> quarter of 2017. We will install more of our production systems in new factory building afterwards, and the additional production capacity should be helpful to better 2017 operation results.

**1. 2016 Operation Report**

**1.1 Operation Results:**

The consolidated income for 2016 was up by 3.3% to NT\$885,355,000. Net income after tax for 2016 was NT\$103,719,000, equivalent to 11.7% profit margin. The overall after tax income was slightly down by NT\$8,992,000 compared to prior year result. After-tax earnings per share for 2016 was NT\$2.88.

**1.2 Profitability:**

Gross margin of 2016 was 33.5%, 4% down versus 37.5% of previous year. Reduced gross margin largely caused by upfront spending for operation expansion. Research & development (R&D), and operation expenses increased by NT\$14,850,000 over 2015. Operation profit was NT\$145,093,000, down NT\$39,739,000 against prior year. However, 2015 had NT\$70,710,000 loss due to loss on financial asset at fair value through profit or loss, so 2016 income before income tax was resulted higher than 2015 and reached record high of \$NT\$149,367,000.

**1.3 Financial Position:**

Regarding financial and cash management of 2016, at year end Company's current assets to total assets ratio decreased to 35% from 56% previous year due to transfer fund of NT\$326,748,000 to long term certificate of deposits and accounting for that was recognized as other noncurrent assets. Overall capital resource was not reduced. Liabilities to assets ratio remained low even after additional recognized deferred tax liabilities of NT\$58,678,000. In summary, our financial position was consistently well managed.

#### 1.4 Research and Development :

2016 R&D expenses amounted to NT\$30,558,000, NT\$6,210,000 higher over prior year. The R&D project focused on optimizing performance of high speed InP-HBT, development of epi wafers for 5G communication, qualification of various types of vertical-cavity surface-emitting laser (VCSEL) wafers, and qualification of InP APD epi wafers. Company also invested on technology of epi ready InSb substrates manufacturing.

## 2. 2017 Plan and Strategy

In 2017, Company will continue implementation of quality management. At the same time explore sales to international markets with plans as below:

- Coordination schedule for new plant construction and capacity expansion, and the added capacity will be prioritized in order of products demand schedule and their potential upside to timely secure the market.
- Installation of dedicated production system for VCSEL epi wafers to speed up qualification process and improve production efficiency.
- Build wafer inventories for InP based high-speed (10G to 25G) PIN, and APD wafers to shorten delivery deadline and lower production costs.
- Secure commercial order of GaSb, InSb based infrared epi wafers. One approach is to provide high quality epi ready GaSb and InSb substrates to attract more infrared epi wafer business.

## 3. Business Outlook

For 2017 operation, Company will install more MBE systems in new factory upon finishing all construction works. Our equipment engineer and production teams have accumulated technical skills of all MBE technology know how so Company is confident to provide top quality epi wafers for each product line. Given the promising industry grow in 5G applications, cloud computing, anti-collision radar, internet of vehicles, and virtual reality sensors. We aim to generate more sales to each underlying business.

Chairman : Andrew Kang

President/CEO : Yung-Chung Kao

CFO : George Wang

Date: 2017/03/28



## Audit Committee's Report

The Board of Directors has prepared the Company's 2016 Operation Report, Financial Statements and proposal for profit distribution. Vincent Lien and Joseph Chou, the certified public accountants of PriceWaterhouseCoopers Taiwan, were retained by the Company to audit the financial statements and have issued an audit report relating to the financial statements. Operation report, financial statements and proposal for profit distribution have been reviewed and determined to be correct and accurate by the Audit Committee members of the Company. In accordance with Article 14-4 of the ROC Securities and Exchange Act we hereby submit this report.

To

2017 annual shareholders meeting

IntelliEPI Inc. (Cayman)

Convener of Audit Committee :

Tom Chang

Date : March 28, 2017

## Report of Independent Accountants

To the Board of Directors and Shareholders of IntelliEPI Inc. (Cayman)

### ***Opinion***

We have audited the accompanying consolidated balance sheets of IntelliEPI Inc. (Cayman) and its subsidiaries (the “Group”) as at December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

### ***Basis for opinion***

We conducted our audits in accordance with the “Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants” and generally accepted auditing standards in the Republic of China (ROC GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Certified Public Accountants in the Republic of China (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis 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 of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

## **Accuracy of income tax calculation**

### Description

Please refer to Note 4(20) for accounting policies on income tax.

The main operating entity of the Group is the subsidiary, Intelligent Epitaxy Technology, Inc. (IET-US), an American company. Under U.S. tax laws, the Internal Revenue Service (IRS) also considers the parent company, IET-Cayman, an American company. Thus, IET-US and IET-Cayman are required to file a joint tax return with the IRS. Management needs to calculate and recognize tax effects based on the tax laws substantively enacted at the balance sheet date.

Given the differences in the tax laws between the U.S. and Taiwan, and that the Group is required to comply with the provisions of the Alternative Minimum Tax in the U.S., the tax calculation was complex and the income tax expense for the year ended December 31, 2016 of NT\$ 46 million was material. Thus, we consider the accuracy of income tax calculation a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. We assessed the accuracy of parameters used in income tax calculation table and basic income tax calculation table, verified the parameters against the records, discussed operations with management, and assessed the completeness of aforementioned calculation tables;
- B. We checked whether the income tax was consistently calculated and recognized in accordance with the U.S. income tax laws;
- C. We obtained the latest supporting documents pertaining to payments to, and receipts from, tax authority, compared the difference between estimates of prior period and actual amount filed, checked whether there was any investigation and adjustment by tax authority, and assessed whether the difference adjustment, if any, was appropriate; and
- D. We obtained relevant correspondences with the tax authority to determine whether there are any matters that will impact the tax calculation and ascertain whether these items have been properly considered and presented.

## **Impairment assessment of property, plant and equipment**

### Description

Please refer to Notes 4(10) and (13) for accounting policies on acquisition and subsequent measurement of property, plant and equipment, and Note 5 for the uncertainty of accounting estimates and assumptions.

As of December 31, 2016, the carrying value of property, plant and equipment of IET-US was NT\$640 million (41% of total assets). The impairment assessment involves several assumptions such as identification of cash generating unit, determination of discount rates and expected growth rate, and the use of cash flow projections based on financial budgets prepared by management covering a five-year period for estimating future cash flows. As the estimates are subject to management's judgement and uncertainty, the recoverable amount and the impairment loss may be significantly affected. Thus, we consider the impairment assessment of property, plant and equipment of IET-US a key audit matter.

### How our audit addressed the matter

We performed the following audit procedures on the above key audit matter:

- A. We assessed the methodology used by management in estimating future cash flows, and ascertained whether the cash flows for the next 5 years are consistent with the budget approved by the Board of Directors and are in line with the Group's long-term objectives;
- B. We discussed with management the current operations of the Group and compared actual performance against the budget to determine whether budget forecast prepared by management is realistic;
- C. We assessed the reasonableness of assumptions used with respect to expected growth rates and discount rates in assessing impairment valuation, including procedures as follows:
  - (a) We compared expected growth rates with historical data, economic and industrial forecasts; discount rate with rate of returns of similar assets in the market, and examined the cost of capital assumptions of each cash generating unit, including comparing the weighted average cost of capital with that in the industry, as well as cost of equity capital with Beta coefficient of the industry and market risk premium.
  - (b) We examined the setting of parameters and formula used in performing the impairment assessment.

- D. We assessed the future cash flow sensitivity analysis prepared by management based on the assumptions used with respect to expected growth rates and discount rates, and confirming whether management has considered the potential impact of reasonably possible changes in these key assumptions.

***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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission, 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 audit committee, are responsible for overseeing the Group’s financial reporting process.

***Auditor’s responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ROC GAAS 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 ROC GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- A. 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.
- B. 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.
- C. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- D. 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- E. 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.
- F. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We 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 of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Vincent Lien  
For and on behalf of PricewaterhouseCoopers, Taiwan  
March 28, 2017

Chou, Chien-Hung

-----  
--

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

## INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETSDECEMBER 31,

(Expressed in thousands of New Taiwan dollars)

Assets		Notes	2016		2015	
			Amount	%	Amount	%
<b>Current assets</b>						
1100	Cash	6(1)	\$ 227,479	14	\$ 362,209	23
1170	Accounts receivable, net	6(2)	115,172	7	93,928	6
1200	Other receivables		2,197	-	1,355	-
130X	Inventories	6(3)	157,151	10	137,636	9
1410	Prepayments		7,070	1	13,055	1
1479	Other current assets	6(4)	46,815	3	266,676	17
11XX	<b>Total current assets</b>		<u>555,884</u>	<u>35</u>	<u>874,859</u>	<u>56</u>
<b>Non-current assets</b>						
1600	Property, plant and equipment	6(5)	643,735	41	583,812	37
1780	Intangible assets	6(6)	44,191	3	54,552	4
1840	Deferred income tax assets	6(18)	8,537	-	42,983	3
1900	Other non-current assets	6(7)	326,748	21	7,087	-
15XX	<b>Total non-current assets</b>		<u>1,023,211</u>	<u>65</u>	<u>688,434</u>	<u>44</u>
1XXX	<b>Total assets</b>		<u>\$ 1,579,095</u>	<u>100</u>	<u>\$ 1,563,293</u>	<u>100</u>
<u>Liabilities and Equity</u>						
<b>Current liabilities</b>						
2120	Financial liabilities at fair value through profit or loss	6(8)	\$ -	-	\$ 1,246	-
2170	Accounts payable		49,873	3	52,945	3
2200	Other payables	6(9)	42,559	3	25,278	2
2310	Unearned revenue		353	-	-	-
21XX	<b>Total current liabilities</b>		<u>92,785</u>	<u>6</u>	<u>79,469</u>	<u>5</u>
2530	<b>Bonds payable</b>	6(8)	-	-	1,198	-
2XXX	<b>Total liabilities</b>		<u>92,785</u>	<u>6</u>	<u>80,667</u>	<u>5</u>
<b>Equity attributable to owners of parent</b>						
<b>Share capital</b>						
3110	Common share	6(11)	361,348	23	343,752	22
<b>Capital surplus</b>						
3200	Capital surplus	6(10)(12)	602,661	38	600,263	38
<b>Retained earnings</b>						
3310	Legal reserve	6(13)	55,745	4	44,477	3
3350	Unappropriated retained earnings		379,472	24	373,063	24
<b>Other equity</b>						
3400	Other equity		94,709	6	120,640	8
3500	<b>Treasury stock</b>	6(11)	( 8,109)	( 1)	-	-
31XX	<b>Equity attributable to owners of the parent</b>		<u>1,485,826</u>	<u>94</u>	<u>1,482,195</u>	<u>95</u>
36XX	<b>Non-controlling interest</b>		484	-	431	-
3XXX	<b>Total equity</b>		<u>1,486,310</u>	<u>94</u>	<u>1,482,626</u>	<u>95</u>
<b>Significant contingent liabilities and unrecognized contract commitments</b>						
<b>Significant events after the balance sheet date</b>						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 1,579,095</u>	<u>100</u>	<u>\$ 1,563,293</u>	<u>100</u>



**INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31,**

(Expressed in thousands of New Taiwan dollars, except earnings per share amounts)

Items	Notes	2016		2015	
		Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(14)	\$ 885,355	100	\$ 857,284	100
5000 <b>Operating costs</b>	6(3)(14)(15)	( 588,953)	( 67)	( 535,993)	( 63)
5950 <b>Net gross profit</b>		<u>296,402</u>	<u>33</u>	<u>321,291</u>	<u>37</u>
<b>Operating expenses</b>	6(15)(16)				
6100 Selling expenses		( 8,367)	( 1)	( 5,758)	( 1)
6200 General and administrative expenses		( 112,384)	( 13)	( 106,353)	( 12)
6300 Research and development expenses		( 30,558)	( 3)	( 24,348)	( 3)
6000 <b>Total Operating Expenses</b>		<u>( 151,309)</u>	<u>( 17)</u>	<u>( 136,459)</u>	<u>( 16)</u>
6900 <b>Operating income</b>		<u>145,093</u>	<u>16</u>	<u>184,832</u>	<u>21</u>
<b>Non-operating income and expenses</b>	6(17)				
7010 Other income		6,634	1	5,262	1
7020 Other gains and losses		( 2,348)	-	( 62,273)	( 7)
7050 Financial costs	6(8)	( 12)	-	( 13,699)	( 2)
7000 <b>Total non-operating income and expenses</b>		<u>4,274</u>	<u>1</u>	<u>( 70,710)</u>	<u>( 8)</u>
7900 <b>Income before income tax, net</b>		<u>149,367</u>	<u>17</u>	<u>114,122</u>	<u>13</u>
7950 Income tax expense	6(18)	( 45,648)	( 5)	( 1,411)	-
8200 <b>Net income for the year</b>		<u>\$ 103,719</u>	<u>12</u>	<u>\$ 112,711</u>	<u>13</u>
<b>Other comprehensive income, net</b>					
<b>Other comprehensive (loss) income that will not be reclassified to profit or loss</b>					
8341 Cumulative translation differences of foreign operations	4(4)	(\$ 25,931)	( 3)	\$ 50,141	6
8500 <b>Total comprehensive income for the year</b>		<u>\$ 77,788</u>	<u>9</u>	<u>\$ 162,852</u>	<u>19</u>
<b>Profit attributable to:</b>					
8610 Equity holders of the Company		\$ 103,666	12	\$ 112,685	13
8620 Non-controlling interest		53	-	26	-
<b>Total</b>		<u>\$ 103,719</u>	<u>12</u>	<u>\$ 112,711</u>	<u>13</u>
<b>Comprehensive income attributable to:</b>					
8710 Equity holders of the Company		\$ 77,735	9	\$ 162,826	19
8720 Non-controlling interest		53	-	26	-
<b>Total</b>		<u>\$ 77,788</u>	<u>9</u>	<u>\$ 162,852</u>	<u>19</u>
<b>Earnings per share</b>	6(19)				
9750 <b>Basic earnings per share (in New Taiwan dollars)</b>		<u>\$ 2.88</u>		<u>\$ 3.33</u>	
9850 <b>Diluted earnings per share (in New Taiwan dollars)</b>		<u>\$ 2.87</u>		<u>\$ 3.32</u>	

**INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31,**  
**(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)**

	Notes	Equity attributable to owners of the parent									Non-controlling interest	Total equity
		Common share	Capital surplus		Retained earnings			Cumulative translation differences of foreign operations	Treasury stock	Total		
			Paid-in capital in excess of par value	Share-based payment	Legal reserve	Unappropriated retained earnings						
<b>2015</b>												
Balance at January 1, 2015		\$ 300,552	\$ 264,937	\$ 17,020	\$ 27,245	\$ 322,693	\$ 70,499	\$ -	\$ 1,002,951	\$ 405	\$1,003,356	
Compensation cost of share-based payment	6(10)	-	-	2,392	-	-	-	-	2,392	-	2,392	
Appropriations of 2014 earnings												
Legal reserve		-	-	-	17,232	( 17,232 )	-	-	-	-	-	
Cash dividends		-	-	-	-	( 45,083 )	-	-	( 45,083 )	-	( 45,083 )	
Issuance of common stock for convertible bonds	6(8)(11)	42,905	315,763	-	-	-	-	-	358,668	-	358,668	
Issuance of common stock for stock option		295	849	( 703 )	-	-	-	-	441	-	441	
Net income for the year		-	-	-	-	112,685	-	-	112,685	26	112,711	
Other comprehensive income for the year		-	-	-	-	-	50,141	-	50,141	-	50,141	
Balance at December 31, 2015		<u>\$ 343,752</u>	<u>\$ 581,549</u>	<u>\$ 18,710</u>	<u>\$ 44,477</u>	<u>\$ 373,063</u>	<u>\$ 120,640</u>	<u>\$ -</u>	<u>\$ 1,482,195</u>	<u>\$ 431</u>	<u>\$1,482,626</u>	
<b>2016</b>												
Balance at January 1, 2016		\$ 343,752	\$ 581,549	\$ 18,710	\$ 44,477	\$ 373,063	\$ 120,640	\$ -	\$ 1,482,195	\$ 431	\$1,482,626	
Compensation cost of share-based payment	6(10)	-	-	101	-	-	-	-	101	-	101	
Appropriations of 2015 earnings	6(13)											
Legal reserve		-	-	-	11,268	( 11,268 )	-	-	-	-	-	
Cash dividends		-	-	-	-	( 68,791 )	-	-	( 68,791 )	-	( 68,791 )	
Stock dividends		17,198	-	-	-	( 17,198 )	-	-	-	-	-	
Issuance of common stock for convertible bonds	6(8)	203	2,103	-	-	-	-	-	2,306	-	2,306	
Issuance of common stock for stock option	6(10)	195	734	( 540 )	-	-	-	-	389	-	389	
Net income for the year		-	-	-	-	103,666	-	-	103,666	53	103,719	
Other comprehensive loss for the year	4(4)	-	-	-	-	-	( 25,931 )	-	( 25,931 )	-	( 25,931 )	
Purchase of treasury share	6(11)	-	-	-	-	-	-	( 8,109 )	( 8,109 )	-	( 8,109 )	
Balance at December 31, 2016		<u>\$ 361,348</u>	<u>\$ 584,386</u>	<u>\$ 18,270</u>	<u>\$ 55,745</u>	<u>\$ 379,472</u>	<u>\$ 94,709</u>	<u>( \$ 8,109 )</u>	<u>\$ 1,485,826</u>	<u>\$ 484</u>	<u>\$1,486,310</u>	

INTELLIEPI INC. (CAYMAN) AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,  
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Income before tax for the year		\$ 149,367	\$ 114,122
Adjustments to reconcile income before tax to net cash provided by operating activities			
Income and expenses having no effect on cash flows			
Depreciation	6(5)	76,615	65,090
Amortization	6(6)	10,005	9,822
Compensation cost of share-based payment	6(10)	101	2,392
Loss on disposal of property, plant and equipment	6(5)	-	51
Interest income	6(17)	( 6,567 )	( 4,540 )
Interest expense	6(17)	12	13,699
(Gain) loss on valuation of financial liabilities at fair value through profit or loss	6(8)	( 150 )	66,951
Exchange gain on convertible bonds	10(4)	( 19 )	( 1,795 )
Changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable	6(2)	( 22,889 )	( 13,277 )
Inventories	6(3)	( 21,925 )	( 8,328 )
Prepayments		5,757	( 3,235 )
Other receivables		( 866 )	( 404 )
Other current assets		-	( 2,757 )
Net changes in liabilities relating to operating activities			
Accounts payable		( 2,144 )	14,656
Other payables	6(9)	17,723	8,429
Unearned revenue		353	( 1,270 )
Cash provided by operations		<u>205,373</u>	<u>259,606</u>
Income tax paid	6(18)	( 10,191 )	( 7,204 )
Interest received		<u>5,132</u>	<u>4,540</u>
Net cash provided by operating activities		<u>200,314</u>	<u>256,942</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment	6(5)	( 139,898 )	( 21,799 )
Acquisition of intangible assets	6(6)	( 593 )	( 2,235 )
Increase in other non-current assets	6(7)	( 326,748 )	( 45,662 )
Decrease in other current assets	6(4)	215,189	-
Net cash used in investing activities		<u>( 252,050 )</u>	<u>( 69,696 )</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Cash dividends paid	6(13)	( 68,791 )	( 45,083 )
Exercise of employee stock warrants	6(10)	389	441
Purchase of treasury share	6(11)	( 1,680 )	-
Net cash used in financing activities		<u>( 70,082 )</u>	<u>( 44,642 )</u>
Effect of exchange rate changes on cash		<u>( 12,912 )</u>	<u>14,096</u>
(Decrease) increase in cash		<u>( 134,730 )</u>	<u>156,700</u>
Cash at beginning of year		<u>362,209</u>	<u>205,509</u>
Cash at end of year		<u>\$ 227,479</u>	<u>\$ 362,209</u>

Attachment 4

Article	After Amendment	Before Amendment	Description
6.5.2	<p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <del>domestic</del> money market funds <u>issued by domestic securities investment trust enterprises</u>, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p>	<p>When the Company intends to acquire or dispose of real property from or to a related party, or when it intends to acquire or dispose of assets other than real property from or to a related party and the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more, except in trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds, the company may not proceed to enter into a transaction contract or make a payment until the following matters have been approved by the board of directors and recognized by the supervisors:</p>	<p>In accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p>
6.7.1	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage. <u>However, the requirement of obtaining an aforesaid opinion on reasonableness issued by an expert may be exempted in the case of a merger by a public company of a subsidiary in which it directly or indirectly holds 100 percent of the issued shares or authorized capital, and in the case of</u></p>	<p>The Company that conducts a merger, demerger, acquisition, or transfer of shares, prior to convening the board of directors to resolve on the matter, shall engage a CPA, attorney, or securities underwriter to give an opinion on the reasonableness of the share exchange ratio, acquisition price, or distribution of cash or other property to shareholders, and submit it to the board of directors for deliberation and passage.</p>	<p>In accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”</p>

	<u>a merger between subsidiaries in which the public company directly or indirectly holds 100 percent of the respective subsidiaries' issued shares or authorized capital.</u>		
6.8.1	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days <u>counting inclusively commencing immediately</u> from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of <u>money market funds issued by domestic securities investment trust enterprises</u> <del>domestic money market funds</del>.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> <li>4. <u>Where the type of asset acquired or disposed is equipment for business use, the trading counterparty is not a related party, and the transaction amount</u></li> </ol>	<p>Under any of the following circumstances, the Company acquiring or disposing of assets shall publicly announce and report the relevant information on the FSC's designated website in the appropriate format as prescribed by regulations within 2 days commencing immediately from the date of occurrence of the event:</p> <ol style="list-style-type: none"> <li>1. Acquisition or disposal of real property from or to a related party, or acquisition or disposal of assets other than real property from or to a related party where the transaction amount reaches 20 percent or more of paid-in capital, 10 percent or more of the Company's total assets, or NT\$300 million or more; provided, this shall not apply to trading of government bonds or bonds under repurchase and resale agreements, or subscription or redemption of domestic money market funds.</li> <li>2. Merger, demerger, acquisition, or transfer of shares.</li> <li>3. Losses from derivatives trading reaching the limits on aggregate losses or losses on individual contracts set out in the procedures adopted by the Company.</li> </ol>	<p>In accordance with "Regulations Governing the Acquisition and Disposal of Assets by Public Companies"</p>

	<p><u>meets any of the following criteria:</u></p> <p><u>A. For the Company whose paid-in capital is less than NT\$10 billion, the transaction amount reaches NT\$500 million or more.</u></p> <p><u>B. For the Company whose paid-in capital is NT\$10 billion or more, the transaction amount reaches NT\$1 billion or more.</u></p> <p>5. <u>Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</u></p> <p>6. Where an asset transaction other than any of those referred to in the preceding <u>five</u> <del>three</del> subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of government bonds.</p> <p>B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription <u>by investment professionals of ordinary corporate bonds or of general bank debentures without</u></p>	<p>4. Where an asset transaction other than any of those referred to in the preceding three subparagraphs, a disposal of receivables by a financial institution, or an investment in the mainland China area reaches 20 percent or more of paid-in capital or NT\$300 million; provided, this shall not apply to the following circumstances:</p> <p>A. Trading of government bonds.</p> <p>B. Securities trading by investment professionals on foreign or domestic securities exchanges or over-the-counter markets, or subscription of securities by a securities firm, either in the primary market or in accordance with relevant</p>	
--	---	--	--

	<p><u>equity characteristics that are offered and issued in the domestic primary market, or subscription by a securities firm of securities as necessitated by its undertaking business or as an advisory recommending securities firm for an emerging stock company, in accordance with the rules of the Taipei Exchange of securities by a securities firm, either in the primary market or in accordance with relevant regulations.</u></p> <p>C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds issued by domestic securities investment trust enterprises.</p> <p><del>D. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</del></p> <p>E. <del>Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</del></p>	<p>regulations.</p> <p>C. Trading of bonds under repurchase/resale agreements, or subscription or redemption of domestic money market funds.</p> <p>D. Where the type of asset acquired or disposed is equipment/machinery for business use, the trading counterparty is not a related party, and the transaction amount is less than NT\$500 million.</p> <p>E. Where land is acquired under an arrangement on engaging others to build on the Company's own land, engaging others to build on rented land, joint construction and allocation of housing units, joint construction and allocation of ownership percentages, or joint construction and separate sale, and the amount the Company expects to invest in the transaction is less than NT\$500 million.</p>	
--	---	---	--

6.8.3	When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety <u>within two days counting inclusively from the date of knowing of such error or omission.</u>	When the company at the time of public announcement makes an error or omission in an item required by regulations to be publicly announced and so is required to correct it, all the items shall be again publicly announced and reported in their entirety.	In accordance with “Regulations Governing the Acquisition and Disposal of Assets by Public Companies”
-------	---	--	---