MPI CORPORATION

Stock Code: **6223**

MPI Corporation

General Shareholders' Meeting 2017

2016 Annual Report

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Company Website:http://www.mpi.com.tw
Market Observation Post System Website:http://mops.twse.com.tw

I. Company spokesman and deputy spokesman:
Name of Spokesperson: Chiu, Ching-Pei
Job Title: Special Assistant of the Chairman of the Board
Tel. No.: 03-5551771
Email: amanda.chiu@mpi.com.tw

Deputy Spokesman's Name: Hsieh, Wei-Yun
Job Title: Assistant Manager of Resource Center
Tel. No.: 03-5551771
Email:anita.shieh@mpi.com.tw

II. Address and Tel. Nos. of the Company's Head Office, Branch and Plant:
Head Office: No. 151, No. 153 & No. 155, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
2nd Plant in Zhubei: No. 129, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
Xinpu Plant: No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County
Tel. No.: 03-5551771
Hukou Plant: 1F, Block B, No. 42, Guangfu Road, Hukou Township, Hsinchu County
Tel. No.: 03-5551771
Southern Taiwan Branch: No. 7, Luke 1st Road, Luzhu Dist., Kaohsiung City
Tel. No.: 07-9559966

III. Shares Registrar:
Name: Hua Nan Securities Co., Ltd.
Address: 4F, No. 54, Sec. 4, Minsheng E. Road, Taipei City
Website: http://www.entrust.com.tw
Tel. No.: 02-27186425

IV. External Auditors in the most recent year:
CPA: Wu, Kuei-Chen & Chen, Tsan-Huang, CPAs
CPA Firm: Nexia Sun Rise CPAs & Co.
Address: 2F, No. 33, Fuxing N. Road, Taipei City
Website: http://nexia.otc.gs
Tel. No.: 02-27510306

V. Name of any exchanges where the Company's securities are traded offshore: N/A

VI. Company Website: http://www.mpi.com.tw

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One. A Message to Shareholders

I. 2016 Business Review

(I) Business Plan and Result

In 2016, the Group made TWD 4,961,755,000 in net operating revenues, which was 24% higher than the TWD 4,013,170,000 made in 2015. Net income for 2016 was concluded at TWD 563,279,000, up 91% from TWD 294,820,000 in 2015 and represented an after-tax EPS of TWD 7.09.

This improvement had been the result of global economic recovery combined with consumers' ongoing demand for mobile communication (e.g. smartphones) and world's attention towards industrial automation and vehicle safety in 2016. New applications such as auto electronics, servers and Internet of Things are expected to grow. These new applications involved more advance production procedures, and now account for a higher percentage of revenues. With respect to wafer foundry, the industry's leading manufacturers continued to increase capital spending and adopt more advanced production procedures as a means to improve competitiveness. IC assembly and testing companies, have benefited from the miniaturization of semiconductor productions and devoted a higher percentage of their capacity on high-end chips. This trend favors demands for higher end probe cards.

With respect to the research and development of new technologies, the Company had successfully introduced signal testing and component temperature testing equipment for semiconductor engineering in 2016, and continued to develop new products and features to meet customers' requirements. This line of products contributes to customers' performance and competitiveness, and is therefore essential to the Company's future growth.

(II) Revenue and profitability analysis

Unit: TWD thousands

Item \ Year			2015	2016	Change (%)
Revenue	Net Sales		4,013,170	4,961,755	23.64%
	Gross profit		1,793,072	2,296,686	28.09%
	Post-tax profit or loss		294,820	563,279	91.06%
Profitability	ROA (%)		4.68	8.29	77.14%
	ROE (%)		7.96	14.74	85.18%
	Operating Income to Paid-in capital ratio (%)		40.18	86.17	114.46%
	EBT to Paid-in capital ratio (%)		45.16	81.84	81.22%
	Profit margin (%)		7.33	11.30	54.16%
	EPS (TWD)	Before retroactive	3.71	7.09	91.11%
		After retroactive	3.71	7.09	91.11%

(III) Research and development

The Company's research and development progress in 2016 included:

1. Precision automated photoelectric equipment:
   A. Multi-channel parallel LED die testing equipment
   B. Automated testing and sorting equipment for Laser Diode wafers and products
   C. Automated measuring module for OLED panels
2. Probe card:
   A. Developed vertical type micro-electromechanical probe card to meet the industry's need for wafer fabrication at micro LED level
   B. Developed high-speed wafer probe card to facilitate faster testing, and satisfy the need for high-speed transmission by new smart devices
3. Developed temperature control technology and completed development of temperature testing system for semiconductor components
4. Developed testing machinery for semiconductor engineering

II. Summary of 2017 Business Plan

(I) Business Policy

Technology is essential to maintain competitiveness. In light of the development of the microelectronic industry and technology requirements in the future, MPI Corporation undertakes the following strategic planning and commits its effort to sustain its competitive advantage:

A. To satisfy demands for miniaturized high-end IC production, the Company continued development of new technologies such as micro pitch testing and multilayer organic substrate, and thereby prepared itself for future technological advancements.
B. In response to the need for high-speed transmission by new smart devices, the Company will continue making enhancements to its high-speed wafer probe card to facilitate faster testing.
C. To meet the test demands of the photoelectric semiconductor industry (LED, LD, PD, OLED Lighting…etc), the Company has been improving and optimizing its automated testing and inspection equipment, and thereby develop the capacity to provide customers with comprehensive solutions.
D. Continue development of testing and inspection machinery for semiconductor engineering and testing, and thereby satisfy customers' diverse needs and applications.
E. Continue development of temperature control systems and products for testing of semiconductor and fiber communication components and environment.

(II) Vital production and sales policies

To ensure business growth and competitiveness, the Company not only invests resources into technology research and development, but also enhances service capacity in overseas markets. Service locations were established in China and USA for more direct access to customers, and thereby allow faster and more comprehensive technical service, higher market share, and risk diversification. MPI Corporation is devoted to helping customers raise competitiveness. It has positioned itself as customers' technology partner and adopted the policy to provide customers the top quality products, the best solutions, and the most timely technical services.

III. The development strategy of the future

(I) Utilizing the five main areas of expertise, namely prober, sorting, photoelectric testing, imaging detection and automated equipment, the Company will provide complete testing applications and solutions to meet the needs for mass production of the photoelectric semi-conductor industry.

(II) Given the possession of temperature control technology, the Company will continue to explore opportunities of component and environment temperature testing in industries such as semiconductor and fiber optic communication, and develop new product varieties to meet market applications.

(III) With respect to semiconductor engineering testing applications, the Company will continue developing more competitive products based on micro signal and high frequency testing technologies.

(IV) In response to consumers' demand for lighter, smaller, faster, more feature-rich and more power efficient applications, the Company has developed micro pitch and high-speed probe cards as means to improve test frequency and performance to customers' satisfaction, and thereby ensure competitiveness.

IV. The effect of the external competitive, legal and macroeconomic environment

Based on forecasts made by world's leading research institutions, the global economy should achieve higher growth than the previous year, while future applications such as artificial intelligence (AI), advanced driver assistance system (ADAS), Internet of Things (IoT) and Internet of Vehicles (IoV) will continue to grow. Uprise of China's semiconductor industry also created new opportunities. The Company has been anticipating this trend by investing resources into R&D to provide customers with faster, more economically viable, and better energy-saving solutions. Bringing the best, fastest and best quality solutions has always been the Company's goal; MPI will continue this path in the future and make ongoing improvements not just to compete, but to satisfy customers' needs and create long-term values for shareholders as well.

Two. Introduction to Company

I. Introduction to Company

(I) Date of incorporation: July 25, 1995

(II) Company profile

July 1995	MPI Corporation was incorporated with the capital of TWD 5 million.
July 1996	Maintenance technology of Micronics Japan Co., Ltd. ("MJC") was transferred to MPI.
September 1996	Reorganized to incorporate MPI Corporation
December 1997	MJC technical guidance and training started.
March 1998	MJC technical guidance and training ended.
October 1998	Due to the capital increase in cash by TWD 55 million, the capital became TWD 60 million.
October 1998	MJC 8 DUT completed the technology transfer and official invested in MPI Corporation.
December 1998	Possessed the ability to maintain 32 DUT
March 1999	Possessed the ability to produce Fine pitch (50μm)
June 1999	Possess the MJC 8 DUT New Design ability
April 2000	Bldg. A of 1st Plant in Zhubei completed and activated
July 2000	Southern Taiwan Office and Customers Service Center established
July 2000	Due to the capital increase in cash and upon recapitalization of earnings, totaling TWD 40 million, the capital became TWD 100 million.
December 2000	Possess the MJC 16 DUT Production & New Design ability
December 2000	MPI TRADING CORP. incorporated with the registered capital USD1 million.
May 2001	Semi-auto prober released for LED wafer testing.
May 2001	Due to capital increase in cash and by recapitalization of earnings and employee bonus, totaling TWD 100 million, the capital became TWD 200 million.
July 2001	Proceed with the public offering upon approval of Securities and Futures Bureau, Ministry of Finance.
August 2001	Incorporated MMI HOLDING CO., LTD. with registered capital of TWD 10 million.
September 2001	Passed ISO9001/2000 certification
December 2001	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the first time.
June 2002	Due to succession to the shares of Chain-Logic International Corp. totaling TWD 50 million and capital increase by recapitalization of earnings and employee bonus, totaling TWD 50 million, the capital became TWD 300 million.
July 2002	Apply for registration of TPEx-listed stock.
July 2002	Ranked 8th place among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth.
August 2002	Trade stock in TPEx, and apply for TPEx-listed stock.
October 2002	Applied for TPEx-listed stock approved by Securities Listing Review Committee of TPEx-listed
January 2003	MPI stock traded in TPEx as the general class stock as of January 6, 2003.

January 2003	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the second time.
July 2003	Ranking 8th place for EPS among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth.
July 2003	Applied for approval of the plan on the development of new leading products "semi-conductor components analysis platform" with Industrial Development Bureau.
August 2003	Trial mass production by vertical type probe card.
October 2003	Bldg. B of 1st Plant in Zhubei completed and activated.
April 2004	Offer the domestic 1st unsecured convertible corporate bond totaling TWD 250 million.
April 2004	Incorporated Chia Hsin Investment Co., Ltd. and Yi Hsin Investment Co., Ltd. with capital of TWD 29 million respectively, both owned by MPI wholly.
May 2004	The application for stationing in Luchu Science Park was passed by the Luchu Science Park Review Committee.
June 2004	Bldg. C of 1st Plant in Zhubei completed and activated.
March 2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the third time.
April 2005	Southern Taiwan Branch (1st Plant in Luchu) completed and activated.
June 2005	Family Day and Charity Carnival for 10th anniversary celebration.
June 2005	Ranking 7th place for EPS of technology index TWSE/TPEx stock, 5th place for profit ratio and 7th place for return on equity (ROE) among the "TOP 100 Technological Companies in Taiwan" selected by CommonWealth in 2004.
September 2005	Conferred the Industrial & Technological Development - Excellent Enterprise Innovation Award of 13th Term by MOEA.
November 2005	Employee dormitory completed and activated.
December 2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fourth time.
May 2006	Received the approval letter for incorporation of Southern Taiwan Branch of MPI from MOEA.
September 2006	Listed as one of the candidates under the "Leading New product Development Guidance Plan - Special Report for 12 Candidates".
September 2006	Re-invested TWD 50 million in the Taiwan subsidiary of MJC, Taiwan MJC Co., Ltd.
November 2006	Applied for approval of the plan on the new leading products "RFID Automatic Flip Chip Bonder" with Industrial Development Bureau.
February 2007	Offer the domestic 2nd unsecured convertible corporate bond totaling TWD 400 million.
March 2007	2nd Plant in Luchu, Kaohsiung completed and activated.
March 2007	Trial mass production of solar chip dicing.
June 2007	Applied for approval of the plan on the new leading products "Advanced Micro Electro Mechanical SoC Probe Card" with Industrial Development Bureau.
January 2008	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fifth time.

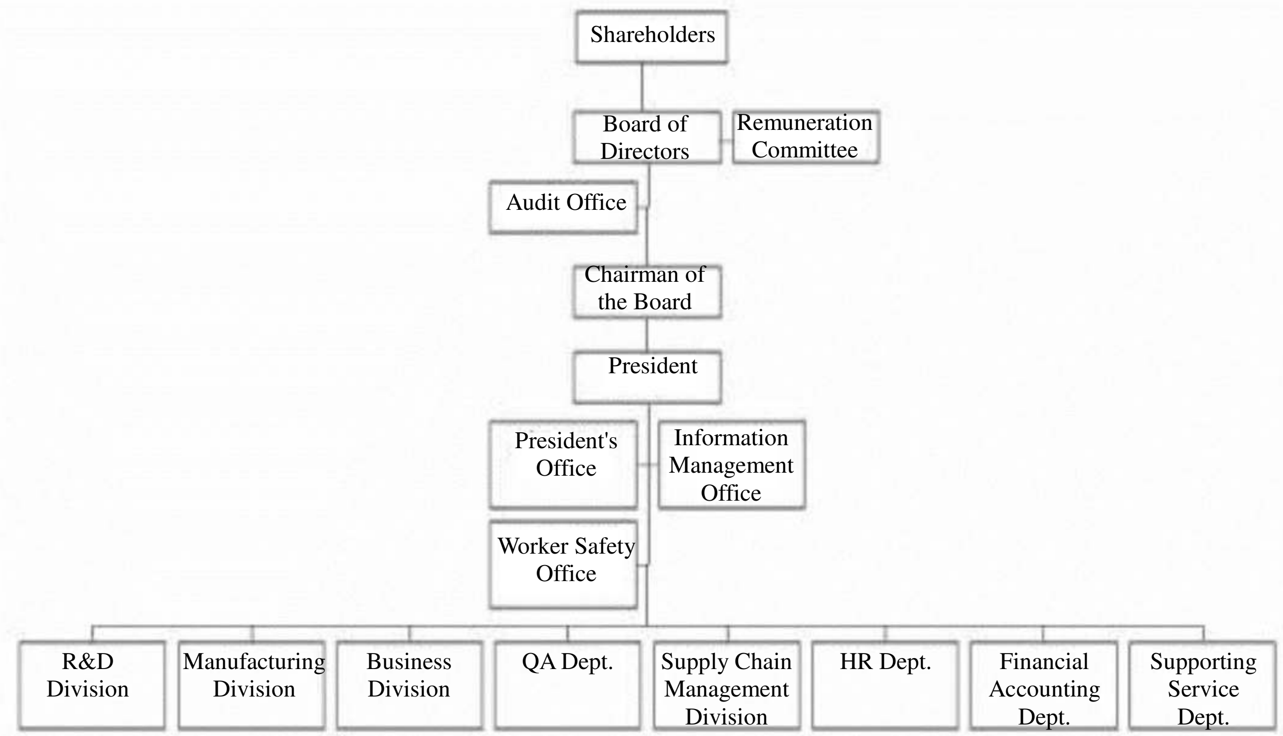
December 2008	Listed in the middle-sized enterprise rating among the "Top 73 Companies Which Make Most Money for Shareholders" selected by Global View Monthly.
February 2009	Taiwan Intellectual Property Office announced MPI as "2008 top 100 local innovative companies".
March 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the sixth time.
June 2009	Applied for approval of the plan on the development of new leading products "semi-conductor high-frequency components probe card for testing" with Industrial Development Bureau.
December 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the seventh time.
May 2010	Transfered the equity of Taiwan MJC Co., Ltd.
May 2010	Re-invested USD630 thousand in LEDA-ONE (Shenzhen) Co.
September 2010	Invested 900 million won in MEGTAS CO., LTD.
December 2010	Incorporated Won Tung Technology Co., Ltd. with capital of $500 thousand.
March 2011	Capital increase of MEGTAS CO., LTD. by 300 million won.
June 2011	TaisElec CO., LTD. made the investment by 750 million won
June 2011	Re-invested USD1,400 thousand in MMK (Kunshan).
March 2012	Capital increase of MEGTAS CO., LTD. by 300 million won.
May 2012	2nd Plant in Zhubei completed and activated.
June 2012	Re-invested USD1,170 thousand in LEDA-ONE (Shenzhen) Co.
October 2012	Honored as "Deloitte Technology Fast500 Asia Pacific 2012"
February 2013	Taiwan Intellectual Property Office announced MPI ranking at 88th place among the "2012 top 100 local companies which apply for patent".
May 2013	Ranking at 7th place in the "Global Probe Card Suppliers' Billboard Published by VLSI Research Inc. in 2012"
May 2013	Ranking at 4th place in the best sub-system suppliers investigated by VLSI Research 2012
January 2014	Identified on the name list of 69 potential medium-sized enterprises selected by Ministry of Economic Affairs in the second year
January 2014	Reinvested USD4 million in Lumitek (Changchou) Co. Ltd.
February 2014	Taiwan Intellectual Property Office announced MPI ranking at 67th place among the "2013 top 100 local companies which apply for patent".
March 2014	Re-invested TWD 50 million in Allstron Corporation.
April 2014	Ranking at 5th place in the global probe card suppliers' billboard in 2013 (by VSL Research)
September 2014	Purchased Xinpu Plant.
November 2014	United family day of 20th anniversary.
February 2015	Taiwan Intellectual Property Office announced MPI ranking at 79th place among the "2014 top 100 local companies which apply for patent".
February 2015	Reinvested USD7.5 million in Lumitek (Changchou) Co. Ltd.
April 2015	According to VLSI Research Inc., MPI was named world's No. 1 supplier of cantilever probe cards in 2014.
April 2015	According to VLSI Research Inc., MPI was named world's No. 4 supplier of vertical type probe cards in 2014.
April 2015	According to VLSI Research Inc., MPI was named world's No. 5 supplier of probe cards in 2014

August 2015	Reinvested USD600,000 in Lumitek (Changchou) Co. Ltd.
November 2015	Reinvested USD2.9 million in Lumitek (Changchou) Co. Ltd.
February 2016	Ranked 65th in the Intellectual Property Office's "2015 Top 100 Patent Applicants - Local Corporations"
December 2016	Invested USD 1 million into Lumitek (Changchou) Co. Ltd.
February 2017	Ranked 65th in "2016 Top 100 Patent Applicants - Local Corporations" and 94th in "2016 Top 100 Invention Patent Applicants - Local Corporations" by the Intellectual Property Office
April 2017	According to VLSI Research Inc., MPI was named world's No. 1 supplier of cantilever probe cards in 2016.
	According to VLSI Research Inc., MPI was named world's No. 1 supplier of vertical type probe cards in 2016.
	According to VLSI Research Inc., MPI was named world's No. 5 supplier of probe cards in 2016

Three. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Operations and functions

Audit Office	Responsible for processing the audit, maintenance, improvement and suggest under the internal control system throughout the Company, and helping various units resolve problems, take corrective actions and upgrade efficiency.
President's Office	Help the President with the management planning and control over various departments' functions and implementation thereof, in order to achieve the business goals.
Information Management Office	Responsible for computerization, access to network, emails, and planning and configuration of Internet throughout the Company
Worker Safety Office	Responsible for the management and promotion of employees' safety and health.
Manufacturing Division	Exert the most effective production planning and control with the simplest internal/external resources to secure successful production and delivery deadline, and output the products of quality that meets customers' requirement in a timely, effective and safe manner, and also responsible for warehousing and archiving of the Company's supplies and products.
R&D Division	Responsible for design, development and improvement of products
Business Division	Control the domestic/foreign market trend and status of competitors, and achieve the business goals effectively and continue expanding market share.

QA Dept.	Responsible for control over quality of the Company's products
Supply Chain Management Division	Responsible for purchasing raw materials, supplies and products for the Company
HR Dept.	Responsible for affairs related to personnel and labor laws & regulations
Financial Accounting Dept.	Responsible for the Company's finance, accounting, stock and tax affairs
Supporting Service Dept.	Responsible for administrative management, general affairs and plant affairs.

II. Information about Director, Supervisor, President, Vice President, Assistant Vice President, and Head of Department and the Branch:

1. Directors & supervisors:

Job title	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Shares held currently		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	and in any Other Company	Other Chiefs, Directors or Supervisors with Spouses, or Relatives Within the Second Degree of Kinship		
							Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
Chairman of the Board	R.O.C.	MPI Investment Co., Ltd.	-	June 12, 2015	3 years	April 16, 2001	8,334,626	10.44%	8,334,626	10.44%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
		Representative -- Ko, Chang-Lin	Male	June 12, 2015	3 years	July 11, 2016	1,425,994	1.79%	1,425,994	1.79%	427,781	0.54%	0	0.00%	Education: EMBA, National Chiao Tung University Career: Electronics Research & Service Organization, Industrial Technology Research Institute	In the Company: CEO In other companies: Chairman of Chain-Logic International Corp., Chairman of MPI Investment Co., Ltd., Chairman of MMI HOLDING CORP., Chairman of MPI TRADING CORP., Chairman of CHAIN-LOGIC TRADING CORP., Chairman of CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP., Chairman of Gordon Biersch Brewery Restaurant, and Chairman of Pang Yeh Co., Ltd.	N/A	N/A	N/A
Chairman of the Board (Note 1)	R.O.C.	MPI Investment Co., Ltd.	-	June 12, 2015	3 years	April 16, 2001	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
		Representative -- Steve Chen	Male	June 12, 2015	3 years	August 1, 2012	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Director	R.O.C.	MPI Investment Co., Ltd.	-	June 12, 2015	3 years	April 16, 2001	8,334,626	10.47%	8,334,626	10.44%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
		Representative -- Scott Kuo	Male	June 12, 2015	3 years	November 26, 2012	438,037	0.55%	438,037	0.55%	179	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	In the Company: President In other companies: Director of Chain-Logic International Corp., Supervisor of MPI Investment Co., Ltd., Director of MJC Microelectronics (Shanghai) Co., Ltd., Chairman of Allstron Corporation, and Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A

Director	Japan	MJC	-	June 12, 2015	3 years	April 16, 2001	6,548,576	8.23%	6,548,576	8.20%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
Director	Japan	Representative - Yuki katayama	Female	June 12, 2015	3 years	November 26, 2012	0	0.00%	0	0.00%	0	0.00%	0	0.00%	Education: School of Political Science and Economics, Meiji University Career: MJC	In the Company: N/A In other companies: Manager of Administration Department, MJC			
Director (Note 2)	Japan	MJC	-	June 12, 2015	3 years	April 16, 2001	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)
Director (Note 2)	Japan	Representative - Shinji Nomura	Male	June 12, 2015	3 years	June 24, 2016	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)

Background of directors and supervisors (1) Unit: April 30, 2017 shares; %

Background of directors and supervisors (1) Unit: April 30, 2017 shares; %

Job title	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Shares held currently		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	and in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
							Quantity	Shareholding Ratio	Quantity	Shareholding Ratio	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
Independent director	R.O.C.	Hsu, Mei-Fang	Female	June 12, 2015	3 years	April 16, 2001	244,441	0.31%	244,441	0.31%	1,050	0.00%	0	0.00%	Academic degree: Ming Chuan University, Accounting Department Major experience: Baker Tilly Clock & CO	In the Company: N/A In other companies: Responsible person of GREAT ASIA CAPS AND COMPANY; supervisor of 104 Corporation	N/A	N/A	N/A
Independent director	R.O.C.	Kao, Chin-Cheng	Male	June 12, 2015	3 years	April 16, 2001	162,414	0.20%	162,414	0.20%	17,944	0.02%	0	0.00%	Academic degree: Department of Law, National Chung Hsing University Major experience: Hui Lin Law Office	In the Company: N/A In other companies: Attorney-at-law of Lian Cheng Law Office	N/A	N/A	N/A

Supervisor	R.O.C.	Li, Tu-Cheng	Male	June 12, 2015	3 years	April 16, 2001	599,349	0.75%	599,349	0.75%	914	0.00%	0	0.00%	Academic degree: Feng Chia University, Department of Business Administration Major experience: Chain-Logic International Corp.	In the Company: N/A In other companies: Chairman of Zen Voce Corporation, Chairman of Chen Ho Investment Ltd., Chairman of Zen Voce Technology (Taiwan) Co., Ltd., Director of Zen Voce Precision Equipment (Suzhou) Ltd., and Chairman of UNI-TEK SYSTEM, INC.	N/A	N/A	N/A
Supervisor	R.O.C.	Liu, Fang-Sheng	Male	June 12, 2015	3 years	April 16, 2001	255,471	0.32%	255,471	0.32%	0	0.00%	0	0.00%	Academic degree: Kaohsiung Medical University, School of Dentistry Major experience: Taipei City Hospital	In the Company: N/A In other companies: Physician of Cheng Tai Dental Clinic	N/A	N/A	N/A
Supervisor	R.O.C.	Tsai, Chang-Shou	Male	June 12, 2015	3 years	June 20, 2003	21,630	0.03%	21,630	0.03%	0	0.00%	0	0.00%	Academic degree: Chinese Culture University, Department of Accounting Major experience: Shang Ho CPA Office	In the Company: N/A In other companies: Practicing CPA of Shang Ho CPA Office; supervisor of Kung Long Batteries Industrial Co., Ltd.	N/A	N/A	N/A

(Note 1): Departed from the position of corporate director representative on July 11, 2016; departed from the position of Chairman on July 11, 2016
(Note 2): Departed from the position of corporate director representative on June 24, 2016

2. For director or supervisor who acts as a corporate shareholder's representative, please specify the major shareholders of the corporate shareholder.

Schedule 1: Major shareholders of the corporate shareholder

April 30, 2017

Name of the corporate shareholder	Major shareholders of the corporate shareholder	Ratio of shareholding
MJC (Micronics Japan Co.,LTD)	Masayoshi Hasegawa	6.15%
	Nippon Life Insurance Company	4.21%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.32%
	Katsumi Hasegawa	2.96%
	Takehiro Hasegawa	2.95%
	MTK Asset Co., Ltd	2.78%
	MICRONICS JAPAN CO., LTD. (※ Treasury stock)	2.67%
	Yoshiei Hasegawa	2.35%
	Japan Trustee Services Bank, Ltd. (Trust Account)	2.22%
	The Master Trust Bank of Japan, Ltd. (Trust account)	1.98%
	Sumitomo Mitsui Banking Corporation	1.84%
MPI Investment Co., Ltd.	Ko, Chang-Lin	40.76%
	Li, Tu-Cheng	27.17%
	Teng, Su-Ching	6.34%
	Steve Chen	9.06%
	Yeh, Chi-Wen	4.07%
	Hsieh, Wei-Yun	3.60%
	Scott Kuo	2.68%

Schedule 2: Major shareholders listed in Schedule 1 that are corporate shareholder representatives: The Company was unable to obtain information on major shareholders of Nippon Life Insurance Company, Bank of Tokyo-Mitsubishi UFJ, Ltd., MTK Asset Co., Ltd., MICRONICS JAPAN CO., LTD. (※treasury stock), Japan Trustee Services Bank Ltd. (trust account), The Master Trust Bank of Japan Ltd.(trust account), and Sumitomo Mitsui Banking Corporation and Japan Securities Finance Co., Ltd.

3. Information about directors & supervisors

Background of directors and supervisors (2)

April 30, 2017

Name (Note 1) \ Qualification		More than five (5) years of experience and the following professional qualifications			Status of independence										Number of public companies where the person holds the title as independent director
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities.	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company.	Required Work experience in commerce, law, finance, accounting or others required by the Company.	1	2	3	4	5	6	7	8	9	10	
Chairman of the Board	MPI Investment Co., Ltd. Representative - Ko, Chang-Lin			✓				✓			✓	✓	✓		N/A
Chairman of the Board	MPI Investment Co., Ltd. Representative -- Steve Chen	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)	(Note 3)
Director	MPI Investment Co., Ltd. Representative -- Scott Kuo			✓				✓			✓	✓	✓		N/A
Director	Representative of MJC - Yuki Katayama			✓				✓			✓	✓	✓		N/A
Director	Representative of MJC -- Shinji Nomura	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)	(Note 4)
Independent Director	Hsu, Mei-Fang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Independent Director	Kao, Chin-Cheng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Supervisor	Liu, Fang-Sheng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A
Supervisor	Li, Tu-Cheng			✓	✓			✓		✓	✓	✓	✓	✓	N/A
Supervisor	Tsai, Chang-Shou		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	N/A

Note 1: The number of spaces shall be adjusted subject to the actual circumstances.

Note 2: Respective directors and supervisors who meet the following qualifications two (2) years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

(1) Not employed by the Company or by any of its affiliated companies.

(2) Not a director or supervisor of the Company or its affiliated companies (except for independent directorship in the Company, its parent company, or subsidiaries to which the Company holds more than 50% direct or indirect voting interest).

(3) Does not hold more than 1% of the Company's outstanding shares in their own names or under the name of spouse, underage children, or proxy shareholder; nor is a top-10 natural-person shareholder of the

Company.

(4) Not a spouse, relative of second degree, or direct kin of third degree or closer to persons described in three preceding criteria.
(5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.
(6) Not a director, supervisor, manager, or shareholder with more than 5% ownership interest in any companies or institutions that have financial or business relationship with the Company.
(7) Not a professional who provides commercial, legal, financial, accounting, or consulting services to the Company or its affiliate, nor is an owner, partner, director, supervisor, or manager, or the spouse of any of the above, of a sole proprietorship, partnership, company, or organization that provides such services to the Company or its affiliated companies. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations on the Establishment of Remuneration Committees by TWSE/TPEx-listed Companies and their Exercise of Powers.
(8) Not a spouse or relative of second degree or closer to any other directors.
(9) Does not meet any of the conditions stated in Article 30 of The Company Act.
(10) Not elected as a government or corporate representative according to Article 27 of the Company Act.

Note 3: Departed from the position of corporate director representative on July 11, 2016; departed from the position of Chairman on July 11, 2016

Note 4: Departed from the position of corporate director representative on June 24, 2016

4. Information About President, Vice President, Assistant Vice President, and Head of Department and Branch:

April 30, 2017

Job title	Nationality	Name	Gender	Election (Appointment) Date	Shares held		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	and in any Other Company	Managers Within the Second Degree of Kinship		
					Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
President	R.O.C.	Scott Kuo	Male	June 16, 2010	438,037	0.55%	179	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. MPI Investment Co., Ltd. Director of MJC Microelectronics (Shanghai) Co., Ltd Director of Allstron Corporation Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A
Equipment Operation Center Vice President	R.O.C.	Fan, Wei-Ju	Male	July 1, 2008	75,034	0.09%	244	0.00%	0	0.00%	Academic degree: National Chiao Tung University, the Institute of Electrical and Control Engineering Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Chairman and also President of LEDA-ONE (Shenzhen) Co.	N/A	N/A	N/A
Marketing Vice President	R.O.C.	Liu, Yung-Chin	Male	June 20, 2011	20,211	0.03%	0	0.00%	0	0.00%	Academic degree: PhD, National Cheng Kung University, Department of Aeronautics and Astronautics Major experience: Mechanical and Systems Research	Director of Allstron Corporation	N/A	N/A	N/A

											Laboratories, Industrial Technology Research Institute				
Resource Center Assistant Manager	R.O.C.	Hsieh, Wei-Yun	Female	April 17, 2001	228,920	0.29%	0	0.00%	0	0.00%	Education: Department of Co-operative Economics, Feng Chia University Major experience: Chain-Logic International Corp.		N/A	N/A	N/A
Financial Accounting Dept. Manager	R.O.C.	Rose Jao	Female	March 9, 2007	72,251	0.09%	0	0.00%	0	0.00%	Academic degree: Minghsin University of Technology and Science, Department of Business Administration Major experience: Topco Quartz products Co., Ltd.	Supervisor of Chain-Logic International Corp. Supervisor of MPI Investment Co., Ltd. Supervisor of LEDA-ONE (Shenzhen) Co. Supervisor of Allstron Corporation	N/A	N/A	N/A

5. Remuneration to directors, supervisors, presidents and vice presidents of the Company in the most recent year

(1)Remuneration to directors:

December 31, 2016 Unit: TWD thousands

Job title	Name	Remuneration to directors								The sum of A, B, C and D as a percentage of net income		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)						
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company		All companies included into the financial statement.		The Company	All companies included into the financial statement.	
																In cash Amount	Stock dividends	In cash Amount	Stock dividends			
Chairman of the Board	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin																					
Chairman of the Board (Note 1)	Representative of MPI Investment Co., Ltd.: Steve Chen																					
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo																					
Director (Note 2)	Representative of MJC: Yuki Katayama	0	0	0	0	9,225	9,225	0	0	1.64%	1.64%	3,500	3,500	0	0	140	0	140	0	3.27%	3.28%	N/A
Director	Representative of MJC: Shinji Nomura																					
Independent director	Hsu, Mei-Fang																					
Independent director	Kao, Chin-Cheng																					

*Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: None

(Note 1): Departed from the position of corporate director representative on July 11, 2016; departed from the position of Chairman on July 11, 2016

(Note 2): Departed from the position of corporate director representative on June 24, 2016

Breakdown of Remuneration

<table>
<tr><td rowspan="3">Breakdown of remuneration paid to each director</td><td colspan="4">Name of Director</td></tr>
<tr><td colspan="2">The sum of (A+B+C+D)</td><td colspan="2">The sum of (A+B+C+D+E+F+G)</td></tr>
<tr><td>The Company</td><td>All companies included in the financial statement (I)</td><td>The Company</td><td>All companies included in the financial statement (J)</td></tr>
<tr><td>Less than TWD 2,000,000</td><td>Representative of MPI Investment: Ko, Chang-Lin
Representative of MPI Investment: Scott Kuo
Representative of MJC: Shinji Nomura
Hsu, Mei-Fang and Kao, Chin-Cheng</td><td>Representative of MPI Investment: Ko, Chang-Lin
Representative of MPI Investment: Scott Kuo
Representative of MJC: Shinji Nomura
Hsu, Mei-Fang and Kao, Chin-Cheng</td><td>Representative of MJC: Shinji Nomura
Hsu, Mei-Fang and Kao, Chin-Cheng</td><td>Representative of MJC: Shinji Nomura
Hsu, Mei-Fang and Kao, Chin-Cheng</td></tr>
<tr><td>TWD 2,000,000 (inclusive) ~ TWD 5,000,000 (exclusive)</td><td></td><td></td><td>Representative of MPI Investment: Ko, Chang-Lin
Representative of MPI Investment: Scott Kuo</td><td>Representative of MPI Investment: Ko, Chang-Lin
Representative of MPI Investment: Scott Kuo</td></tr>
<tr><td>TWD 5,000,000 (inclusive) ~ TWD 10,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>TWD 10,000,000 (inclusive) ~ TWD 15,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>TWD 15,000,000 (inclusive) ~ TWD 30,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>TWD 30,000,000 (inclusive) ~ TWD 50,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>TWD 50,000,000 (inclusive) ~ TWD 100,000,000 (exclusive)</td><td></td><td></td><td></td><td></td></tr>
<tr><td>TWD 100,000,000 or more</td><td></td><td></td><td></td><td></td></tr>
<tr><td>Total</td><td>5</td><td>5</td><td>5</td><td>5</td></tr>
</table>

(2)Remuneration to supervisors

December 31, 2016 Unit: TWD thousands

Job title	Name	Remuneration to supervisor						The sum of A, B and C to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Compensation (B)		Fees for practicing services (C)				
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	
Supervisor	Li, Tu-Cheng	0	0	5,535	5,535	0	0	0.98 %	0.99%	N/A
Supervisor	Liu, Fang-Sheng									
Supervisor	Tsai, Chang-Shou									

Breakdown of Remuneration

Breakdown of remuneration paid to each supervisor.	Supervisor	
	The sum of (A+B+C)	
	The Company	All companies included into the financial statement.
Less than TWD 2,000,000	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou	Li, Tu-Cheng; Liu, Fang-Sheng; Tsai, Chang-Shou
TWD 2,000,000 (inclusive) ~ TWD 5,000,000 (exclusive)		
TWD 5,000,000 (inclusive) ~ TWD 10,000,000 (exclusive)		
TWD 10,000,000 (inclusive) ~ TWD 15,000,000 (exclusive)		
TWD 15,000,000 (inclusive) ~ TWD 30,000,000 (exclusive)		
TWD 30,000,000 (inclusive) ~ TWD 50,000,000 (exclusive)		
TWD 50,000,000 (inclusive) ~ TWD 100,000,000 (exclusive)		
TWD 100,000,000 or more		
Total	3	3

(3) Remuneration to presidents and vice presidents

December 31, 2016 Unit: TWD thousands

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Remuneration to employees (D)				The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
								The Company		All companies included into the financial statement.				
		The Company	All companies included into the financial statement.	The Company (Note 1)	All companies included into the financial statement.	The Company	All companies included into the financial statement.	Cash dividends	Stock dividends	Cash dividends	Stock dividends	The Company	All companies included into the financial statement.	
President	Scott Kuo	7,726	7,726	322	322	4,855	4,855	292	0	292	0	2.34%	2.35%	N/A
Vice President Manager	Fan, Wei-Ju													
Vice President Manager	Liu, Yung-Chin													

Note 1: The pension to the President and Vice President refers to the contribution provided by the Company.

Breakdown of Remuneration

Breakdown of remuneration paid to each president and vice president	Names of president and vice president	
	The Company	All companies included into the financial statement
Less than TWD 2,000,000		
TWD 2,000,000 (inclusive) ~ TWD 5,000,000 (exclusive)	Fan, Wei-Ju; Liu, Yung-Chin	Fan, Wei-Ju; Liu, Yung-Chin
TWD 5,000,000 (inclusive) ~ TWD 10,000,000 (exclusive)	Scott Kuo	Scott Kuo
TWD 10,000,000 (inclusive) ~ TWD 15,000,000 (exclusive)		
TWD 15,000,000 (inclusive) ~ TWD 30,000,000 (exclusive)		
TWD 30,000,000 (inclusive) ~ TWD 50,000,000 (exclusive)		
TWD 50,000,000 (inclusive) ~ TWD 100,000,000 (exclusive)		
TWD 100,000,000 or more		
Total	3	3

(4) Remuneration to employees paid to managerial officers, and the status of allocation:

December 31, 2016 Unit: TWD thousands

	Job title	Name	Stock dividends	Cash dividends	Total	Proportion to Earnings After Tax (%)
Manager	President	Scott Kuo	0	643	643	0.11%
	Vice President	Fan, Wei-Ju				
	Vice President	Liu, Yung-Chin				
	Assistant Manager	Hsieh, Wei-Yun				
	Manager	Rose Jao				

6. Amount of remuneration paid in the last 2 years by the company and all companies included in the consolidated financial statements to the company's directors, supervisors, President, and Vice Presidents, and their respective proportions to standalone and consolidated net income, as well as the policies, standards, and packages by which they were paid, the procedures through which remunerations were determined, and their association with business performance and future risks:

Job title	2015		2016	
	Proportion to Earnings After Tax (%)		Proportion to Earnings After Tax (%)	
	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements
Director	5.10%	5.10%	2.28%	2.29%
Supervisor	0.91%	0.91%	0.98%	0.99%
President Vice President	3.78%	3.78%	2.34%	2.35%
Total	9.79%	9.79%	5.60%	5.63%

(1) Remuneration to directors and supervisors are paid according to the Company's Articles of Incorporation. Any pre-tax profits concluded from a financial year are subject to director and supervisor remuneration of no more than 3%; however, such earnings must first be taken to offset against cumulative losses if any, before the remainder is allocated for employee/director/supervisor remuneration according to the abovementioned percentages. Remuneration proposals are subject to review by the Remuneration Committee and the board of directors before presenting for final resolution at general shareholders' meeting.

(2) Decisions involving appointment, dismissal and compensation of the President and Vice Presidents are made according to the Company's policies, and adjusted properly to reflect business performance. Once the Remuneration Committee has completed its review, the proposal will be presented to the board of directors and executed upon approval. The Company's compensation policies are associated with earnings, and are unrelated to future risks.

III. Status of corporate governance

(I) Operations of the Board

A total of 7 (A) board meetings were held in 2016; below are directors' and supervisors' attendance records:

Job title	Name	Actual attendance rate (%) (B)	Proxy attendance	Actual attendance rate (%)(B/A)	Remark
Chairman of the Board	Representative of MPI Investment Co., Ltd. - Ko, Chang-Lin	3	0	100%	Assumed the position of corporate director representative since July 11, 2016 Assumed the position of Chairman since July 11, 2016
Chairman of the Board	Representative of MPI Investment Co., Ltd.: Steve Chen	4	0	100%	Departed from the position of corporate director representative on July 11, 2016
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	7	0	100%	Re-elected on June 12, 2015
Director	Representative of MJC -- Yuki Katayama	3	0	100%	Assumed the position of corporate director representative since June 24, 2016
Director	Representative of MJC -- Shinji Nomura	4	0	100%	Departed from the position of corporate director representative on June 24, 2016
Independent director	Kao, Chin-Cheng	6	1	86%	Re-elected on June 12, 2015
Independent director	Hsu, Mei-Fang	7	0	100%	Re-elected on June 12, 2015
Supervisor	Li, Tu-Cheng	4	0	57%	Re-elected on June 12, 2015
Supervisor	Liu, Fang-Sheng	7	0	100%	Re-elected on June 12, 2015
Supervisor	Tsai, Chang-Shou	7	0	100%	Re-elected on June 12, 2015

Other notes:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions: None.
   (1) Conditions described in Article 14-3 of the Securities and Exchange Act.
   (2) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above.

II. Disclosure regarding avoidance of interest-conflicting agendas, including the names of directors concerned, the agendas, the nature of conflicting interests, and the voting process: Not applicable.

III. Enhancements to the functionality of the board of directors in the current and the most recent year (e.g. establishment of an Audit Committee, improvement of information transparency etc), and the progress of such enhancements:
   (1) The Company defined its "Parliamentary Rules for Directors' Meeting" in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and would also enter the status of directors' attendance into the Market Observation Post System (MOPS) and disclose the important resolutions made by the directors' meeting on the Company's website.
   (2) The Company elected two independent directors who should meet at least once per quarter, responsible for the adequate expression of the Company's financial statement, external auditor's independence, effective implementation of internal control, compliance with laws & rules, and assessment and control over the Company's risk.
   (3) The Company established the remuneration committee on December 30, 2011. The committee should evaluate the Company's policies and systems of remuneration to directors, supervisors and managers, in a professional and optimistic manner, and should submit suggestions to the Board of Directors as the reference for decision-making.

(II) Status of audit committee: The Company has not yet established the audit committee.

(III) Supervisors' participation in the function of Board of Directors

A total of 7 board meetings (A) were held in 2016; below are the attendance records:

Job title	Name	Actual attendance (B)	Actual attendance rate (%)	Remark
Supervisor	Li, Tu-Cheng	4	57%	Re-elected on June 12, 2015
Supervisor	Liu, Fang-Sheng	7	100%	Re-elected on June 12, 2015
Supervisor	Tsai, Chang-Shou	7	100%	Re-elected on June 12, 2015

Other notes:

I. The organization of supervisors and their duties:

(I) Communications between the Supervisors and the employees and shareholders: If the supervisors deem necessary, they may communicate with the Company's employees and shareholders directly.

(II) Communication between supervisors and internal audit officers and CPA: The Company's supervisors may check the Company's business and finance at any time, and ask the Board of Directors or managers to submit the relevant report. If necessary, the supervisors would contact the CPA. The internal audit director shall submit the audit report to supervisors periodically.

II. If any supervisor attends the meeting of the board of directors to state their opinion, it is necessary to specify the date, session, motions and resolution of the meet of the board of directors, and the Company's response to the opinion stated by the supervisor: None

(IV) Status of Corporate Governance, and any nonconformity to the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Whether the Company has established rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx-listed Companies?	√		The Company has established its rules of corporate governance in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx-listed Companies", and disclosed the same on the Company's website and MOPS.	No non-conformity
II. Equity structure and shareholders' equity				

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
(I) Whether the Company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	√		The Company has defined its parliamentary rules for shareholders' meeting, and also established the spokesman and deputy spokesman systems as required. The Company appointed dedicated personnel to deal with the investors relation and issues related to shareholders. The contact No. and email address may be viewed in the investor section on the Company's website.	No non-conformity
(II) Whether the Company controls the list of major shareholders and the controlling parties of such shareholders?	√		The Company appointed a shares registrar, and would update the roster of shareholders periodically to control the name list of parties who control the Company's equity ultimately.	No non-conformity
(III) Whether the Company establishes or implements some risk control and firewall mechanisms between the Company and its affiliates?	√		The Company has defined such control system as "Regulations Governing Supervision of Subsidiaries" and "Regulations Governing Transactions Between Specific Company Group and Related Party".	No non-conformity
(IV) Has the company established internal policies that prevent insiders from trading securities against non-public information?	√		(4) Does the Company set up internal norms to prohibit the insiders from utilizing the undisclosed information to trade securities?	No non-conformity
III. The organization of Board of Directors and its duties:				

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
(I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	√		The Company has appointed two independent directors, including one female director. Each of the directors has some professional backgrounds covering laws, accounting, industries, finance, marketing, R&D, business administration, expertise and industrial experience, et al. Diversified policies are implemented substantively according to the composition of the members.	No non-conformity
(II) Does the Company, in addition to setting up the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?		√	The Company has set up the Remuneration Committee and Audit Committee lawfully, but has had not other functional committee set up voluntarily so far.	No non-conformity
(III) Does the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year?		√	The Company has not yet established any performance evaluation rules and methods so far.	No non-conformity
(IV) Does the Company have the independence of the public accountant evaluated regularly?	√		The Company's Board of Directors would assess the independence, competency and professionalism of the external auditor regularly in accordance with the relevant laws and regulations.	No non-conformity
IV. Where the company is a TWSE/TPEx-listed company, has the company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc.)?	√		The Company has a share service department that oversees matters relating to each board of directors meeting and general shareholders' meeting, including: preparation of board/shareholder meeting minutes, company registration and changes, and regular review and amendment of the Company's Corporate Governance Principles and related policies.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
V. Does the company have any means to communicate with stakeholders (including but not limited to shareholders, employees, customers etc), and has the company created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders?	√		The Company has created a section on its website that is dedicated to stakeholder communications.	No non-conformity
VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	√		The Company has commissioned the professional stock service agent, Share Registration Agency Service Department, Hua Nan Securities, to handle the shareholders' affairs.	No non-conformity
VII. Information disclosure				
(I) Has the company established a website that discloses financial, business, and corporate governance-related information?	√		The Company's stock code is 6223. The status of the Company's finance and corporate governance may be accessed at the MOPS, and on the website established by the Company at http://www.mpi.com.tw.	No non-conformity
(II) Has the company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	√		The website established by the Company provides the English version. The Company has also delegated the spokesman and deputy spokesman to collect and disclose the Company's information, to fulfill the spokesman system.	No non-conformity
VIII. Does the company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?	√		Note 1	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	

IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified:

The following is a summary of defects found in the 2016 corporate governance evaluation and the improvements made:

Indicator	Improvement progress
Does the Articles of Incorporation impose a nomination system for director/supervisor elections?	An amendment was made to the Articles of Incorporation in March 2017 to implement a nomination system for all director and supervisor elections. The proposal was presented for discussion and was passed during the 2017 general shareholders' meeting.
Has the company disclosed clearly its dividend policy in the annual report?	The Company's dividend policy has been disclosed clearly in its 2016 annual report.

Priority enhancements and measures for areas of weakness:

Indicator	Improvement progress
Has the Company adopted electronic voting in general shareholders' meetings?	The Company will adopt electronic voting in line with the authority's policies starting from the 2018 general shareholders' meeting.
Has the Company adopted electronic voting and nomination system for director/supervisor elections at general shareholders' meetings?	The Company will adopt electronic voting and nomination system for director/supervisor elections starting from the 2018 general shareholders' meeting.

Note 1: Establishment of nomination committee or other functional committees, and the status of their operations.

The Company has established the remuneration committee. The committee will call a meeting at least twice per year, dedicated to appraising the performance of directors and managers, and the policies of remuneration. The Company has not yet established any nomination committee or other functional committees.

1. Information about remuneration committee members

ID	Qualification / Name	More than five (5) years of experience and the following professional qualifications: Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities.	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	Status of independence: 1	2	3	4	5	6	7	8	Number of public companies where the person holds the title as Remuneration Committee member	Remark
Independent director	Kao, Chin-Cheng		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A
Independent director	Hsu, Mei-Fang		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A
Others	Su, Hsien-Teng		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A

Note 1: Please specify director, independent director or others.

Note 2: Respective members who meet the following qualifications two (2) years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

(1) Not an employee of the Company or its affiliates.
(2) Not a director or supervisor of the Company or its affiliates , but excluding the capacity of independent director of the Company or its parents, or a subsidiary directly or indirectly held by the Company with more than a 50% stake.
(3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.
(4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).
(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons.
(8) Not under any of the categories stated in Article 30 of the Company Law.

2. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of three (3) members.
(2) Duration of service of the current board: from August 7, 2015 to June 11, 2018. The Remuneration Committee held 3 meetings in 2016.

The qualifications and attendance record of the Committee members is summarized as follows:

Job title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remark
Convener	Kao, Chin-Cheng	3	0	100%	Re-elected on August 7, 2015
Member	Hsu, Mei-Fang	3	0	100%	Re-elected on August 7, 2015
Member	Su, Hsien-Teng	3	0	100%	Re-elected on August 7, 2015

Other notes:

I. If the Board of Directors does not adopt, or amends, the Remuneration Committee's suggestions, please specify the meeting date, term, contents of motion, resolution of the board of directors, and the Company's handling of the Remuneration Committee's opinions (If the remuneration ratified by the board of directors is superior than that suggested by the Remuneration Committee, please specify the deviation and reasons thereof): None

II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions:

None.

Note:

(1) Where a committee member may be relieved from duties before the end of the fiscal year, please specify the date of his/her discharge in the 'Remarks" Section. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

(2) Where an election may be held for filling the vacancies of committee member before the end of the fiscal year, please list out both the new and the discharged committee members, and specify if they are the former members or newly elected, re-elected, and also the date of the reelection. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

3. Other information useful to the understanding of corporate governance practices:

(1) The Company defines its work rules in accordance with the relevant laws and regulations, which provide written provisions about protection of human rights and employee's interest and right. Meanwhile, the Company will maintain the reciprocal cooperation relationship with suppliers and customers trading with the Company.
(2) The Company has not yet defined its own corporate governance best-practice principles. Therefore, no relevant information is available for the time being.
(3) The Company's directors and supervisors are able to perform their duties honestly and exercise their powers as good administrators.
(4) The Company has purchased liability insurance for directors/supervisors in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx-listed Companies". For the relevant information, please visit the MOPS.
(5) In order to enhance the corporate governance, the Company's Board of Directors will call a meeting at least once per quarter.
(6) Progress of "Directors' and Supervisors' Education" has been disclosed on "Market Observation Post System" (http://newmops.tse.com.tw)

Status of continuing education of directors & supervisors:

Job title	Name	Organizer	Date	Course name	Hours	Conformity with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE-listed and TPEx-listed Companies"
Chairman of the Board	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	N/A	N/A	N/A	N/A	No
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	N/A	N/A	N/A	N/A	No
Director	Representative of MJC: Yuki katayama	N/A	N/A	N/A	N/A	No
Independent director	Kao, Chin-Cheng	N/A	N/A	N/A	N/A	No
Independent director	Hsu, Mei-Fang	National Federation of Certified Public Accountant Associations	March 3, 2016	(Taipei session 1) Notes and Clarifications on 2015 Business Income Tax Filing	6	Yes
			September 8, 2016	(Taipei session) Transfer and Trust of Estate	6	Yes

		of the Republic of China				
Supervisor	Li, Tu-Cheng	N/A	N/A	N/A	N/A	No
Supervisor	Liu, Fang-Sheng	N/A	N/A	N/A	N/A	No
Supervisor	Tsai, Chang-Shou	N/A	N/A	N/A	N/A	No

(5) Implementation of Corporate Social Responsibility

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Promote the implementation of corporate governance				
(I) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?		√	The Company's "Corporate Social Responsibility Principles" were established following the discussion at board meeting dated August 2016.	No non-conformity
(II) Does the Company organize social responsibility training on a regular basis?		√	The Company does not organize social responsibility training on a regular basis.	Under research
(III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?		√	The Company does not have any unit that specializes (or is involved) in CSR practices.	Under research
(IV) Does the Company have a reasonable salary and remuneration policy setup, have the employee performance evaluation system combined with corporate social responsibility policies, and have a clear and effective reward and punishment system established?	√		The Company organizes regular orientations to train new recruits on topics such as corporate culture, work rules, quality management, safety etc. Training is designed to give employees an understanding of the Company's organization and management policy.	No non-conformity
II. Development of a sustainable environment				
(I) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	√		The Company recycles various materials and supplies, and adopts the use of less pollutive materials in its production for low environmental impact.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
(II) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	√		The Company handles the environment management-related affairs pursuant to the environmental protection and labor safety laws and regulations.	No non-conformity
(III) Whether the Company is mindful of the impact of climate change on its operations, and implements greenhouse gas check and develops a strategy to reduce carbon emissions and other greenhouse gas?	√		The Company works hard to boost such measures for classification of garbage and reduction of waste, reduction of detergent (replaced with camellia powder), usage of disposable bowls and chopsticks, and saving of water and power consumption, in order to achieve the goal for saving energy and reducing carbon and greenhouse gas.	No non-conformity
III. Social welfare				
(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	√		The Company defines its work rules in accordance with Article 70 of the Labor Standard Law, and reports the same to the competent authority for approval and disclosure.	No non-conformity
(II) Does the Company have the complaint mechanism and channel established for employees and have it handled properly?	√		The Company provides diversified communication management to enhance the interaction between the Company and employees.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	√		The Company organizes the operating environment test, employees' health examination, health symposiums, safety and sanitation education and training, and on-site health inquiry with physician, and also establishes the breastfeeding room, medical room, lounge for employees, and parking lots exclusive for the mother-to-be, in order to provide a working environment where it is safe and comfortable and employees are pleased to work.	No non-conformity
(IV) Whether the Company establishes the mechanism for periodic communication with employees, and sends notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	√		The Company will organize a management meeting on a monthly basis. Each department will also organize its monthly meeting to provide the communication channel between heads and employees for correction of problems.	No non-conformity
(V) Does the Company have an effective career capacity development training program established for the employees?	√		The Company organizes the career capacity development training program for employees on a regular basis.	No non-conformity
(VI) Has the Company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	√		The Company's Business Dept. and QA Dept. are responsible for dealing with any extraordinary circumstances about products for customers, and the Company also establishes the exclusive taskforce dedicated to providing related services.	No non-conformity
(VII) Has the Company complied with laws and international standards with regards to the marketing and labeling of products and services?	√		The Company has complied with laws and international standards with regards to the marketing and labeling of products and services.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
(VIII) Does the Company evaluate suppliers' environmental and social conducts before commencing business relationships?		√	Currently, the Company does not evaluate suppliers' previous environmental and social conducts before commencing business relationship.	Under research
(IX) Is the company entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society?		√	Currently, none of the supply contracts entitle the Company to terminate contract at any time if a supplier is found to have violated its corporate social responsibilities and caused significant impact against the environment or society.	Under research
IV. Strengthening information disclosure				
(I) Has the Company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?		√	The Company has disclosed relevant and reliable corporate social responsibility information on its website and at Market Observation Post System.	No non-conformity
V. If the company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx-listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No material deviation is found.				
VI. Other important information relevant to the understanding of actual corporate governance: N/A				
VII. Verification of the Company's Corporate Social Responsibility Report according to the standards of relevant certifying organizations, if any: N/A				

(VI) Implementation of ethical business practices

Items under evaluation	Status			Any nonconformity to the Ethical Business Best Practice Principles for TWSE/TPEx-listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Establish ethical business policies and programs				
(I) Has the Company stated in its Articles of Incorporation or external correspondence about the polices and practices it has to maintain ethical management? Are the	√		The Company adheres to the ethical business principle, and aims at creating the maximum interest for shareholders and employees. The Board of Directors and management also work hard to fulfill the ethical business.	No non-conformity

board of directors and the management committed in fulfilling this commitment?				
(II) Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions, and complaints system declared explicitly, and also have it implemented substantively?	√		According to the Company's "Service Agreement", employees are required to maintain the highest ethical business conduct. The Agreement also expressly states the SOP and guidance for ethical behavior.	No non-conformity
(III) Has the company taken steps to prevent against occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-listed Companies" or business conducts that are prone to integrity risks?	√		All of the Company's employees need to comply with the Company's "Service Agreement" and to prevent bribery and acceptance of bribery, and illegal political contribution.	No non-conformity
II. Implementation of ethical business practices				
(I) Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any ethical management clauses in the agreements it signs with business partners?	√		The Company has already signed the "Non-Disclosure Agreement" which expressly defines the clauses about ethical behavior with its trading counterparts.	No non-conformity
(II) Does the Company have a specific (part-time) unit set up under the board of directors to advocate ethical corporate management and to report its implementation to the Board on a regular basis?		√	The Company has not yet set up any specific (part-time) unit to advocate ethical corporate management.	Under research
(III) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	√		The Company defines the conflict of interest policy to avoid any conflict with personal interest and the Company's interest.	No non-conformity
(IV) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining business integrity? Are these systems reviewed by	√		The Company establishes the effective accounting system and internal control system. Auditors would also audit the compliance with the systems periodically.	No non-conformity

internal or external auditors on a regular basis?				
(V) Does the Company organize internal or external training on a regular basis to maintain ethical management?		√	The Company has not yet organized any educational training about ethical management.	Under research
III. Reporting of misconducts				
(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	√		The Company defines the "administrative disciplinary" measures. Any complaint may be filed via the email exclusive for employees' complaining.	No non-conformity
(II) Has the Company implemented any standard operating procedures or confidentiality measures for handling reported misconducts?	√		The Company has implemented standard operating procedures or confidentiality measures for handling reported misconducts.	No non-conformity
(III) Has the Company provided proper whistle blower protection?	√		The Company will keep the complainant's personal information confidential and take appropriate protective measures.	No non-conformity
IV. Strengthening information disclosure				
(I) Has the Company disclosed its ethical management principles and progress onto its website and Market Observation Post System (MOPS)?	The Company has disclosed "Integrity Code of Conduct" on its website and at Market Observation Post System.			No non-conformity
V. If the company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEx-listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No deviation is found.				
VI. Other important information regarding the Company's ethical management (e.g., the Company's reviewing and amending the Company's ethical management best practice principles, etc.): N/A				

(VII) Please disclose the access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any: N/A

(VIII) Other information enabling better understanding of the Company's corporate governance: N/A

(IX) Disclosure of internal control system

1. Internal Control Declaration:

MPI Corporation
Declaration of International Control System

Date: March 24, 2017

The following declaration has been made based on the 2016 self-assessment of the Company's internal control system:

I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.

II. The internal control system is designed with inherent limitations. No matter how perfect the internal control system is, it can only provide a reasonable assurance to the fulfillment of the three objectives referred to above. Moreover, the effectiveness of the internal control system could be affected by the changes of environment and circumstances. The Company's internal control system is designed with a self-monitoring mechanism; therefore, corrective actions will be activated upon identifying any nonconformity.

III. The Company has assessed the effectiveness of the internal control system design and implementation in accordance with the criteria provided in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as "the Regulations"). The criteria defined in "the Regulations" include five elements depending on the management control process: 1. environment control, 2. risk assessment, 3. control process, 4. information and communication, and 5. supervision. Each of the five elements is then divided into a sub-category. Please refer to "the Regulations" for details.

IV. The Company has implemented the criteria of the internal control system referred to above to inspect the effectiveness of internal control system design and implementation.

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2016. This system (including the supervision and management of subsidiaries) has provided reasonable assurance with regards to the Company's business results, efficiency, target accomplishment, reliability, timeliness and transparency of reported financial information, and compliance with relevant laws.

VI. The Declaration of Internal Control System is the main content of the Company's annual report and prospectus published. Any false and concealment of the published contents referred to above involves the liability illustrated in Article 20, Article 32, Article 171, and Article 174 of the Securities and Exchange Act.

VII. This declaration was passed unanimously without objection by all 5 Directors present at the board meeting dated March 24, 2017.

MPI Corporation

Chairman: Ko, Chang-Lin (affixation of seal)
President: Scott Kuo (affixation of seal)

2. The internal control audit report issued by the CPA commissioned to conduct an internal control audit, if any: N/A

(X) Punishment of the Company or its internal personnel in accordance with law, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of publication of this annual report: N/A

(XI) Resolutions reached in the shareholder's meeting or by the Board of Directors during the most recent year and up to the date of publication of this annual report:

Important resolution reached by the Board of Directors:

Name of Meeting	Date of Meeting	Important resolution	Result
Board of Directors	January 27, 2016	Discussion about the Company's business plan (financial budget) 2016	Unanimously approved by the present directors, and the President was authorized to deal with the related matters with full power.
		Discussion about allocation ratios for remuneration to employees, directors and supervisors in 2016	Unanimously approved by the present directors, and the CEO was authorized to deal with the related matters with full power.
		Discussion about remuneration to the Company's managers reviewed by Remuneration Committee	CEO appointed the independent director, Mr. Kao, Chin-Cheng, to act as the chairperson. The other present directors approved the motion unanimously.
Board of Directors	March 9, 2016	Discussion about transfer of the Company's treasury stock to employees and managers reviewed by Remuneration Committee	Unanimously aUnanimously approved by the present directors
		Discussion about transfer of the repurchased shares to employees pursuant to the Company's "Regulations Governing Transfer of Shares Re-purchased by the Company for the First Time to Employees 2015"	Unanimously approved by the present directors, and March 9, 2016 was set as the record date of the subscription.
Board of Directors	March 23, 2016	Discussion about allocation of remuneration to employees and directors/supervisors in 2015	Unanimously aUnanimously approved by the present directors
		Discussion about the individual financial statement and business report 2015	Unanimously approved by the present directors, and submitted to the general shareholders' meeting for ratification.
		Discussion about the consolidated financial statements 2015	Unanimously approved by the present directors, and submitted to the general shareholders' meeting for ratification.
		Discussion about allocation of earnings 2015	Unanimously approved by the present directors, and submitted to the general shareholders' meeting for ratification.

		Discussion about capital increase by recapitalization of earnings and offering of new shares	0 share to be allocated per 1,000 shares of stock dividend, and NT$3 to be allocated per share of cash dividend, preliminarily
		Discussion about the Declaration of International Control System 2015	Unanimously aUnanimously approved by the present directors
		Discussion about date, location and agenda of the general shareholders' meeting 2016	Unanimously approved by the present directors, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	May 11, 2016	Discussion regarding disposal of long-term investment by subsidiaries	Unanimously approved by the present directors, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	July 11, 2016	Discussion regarding distribution of cash dividends to the Company's shareholders	Unanimously approved as proposed by all attending directors; the Chairman is fully authorized to execute the resolution.
		Election of Chairman	Independent Director Kao, Chin-Cheng nominated Mr. Ko, Chang-Lin, and approval was granted unanimously by all attending directors to appoint Mr. Ko, Chang-Lin, representative of MPI Investment Co., Ltd., as Chairman of the current board, who will represent the Company to the public
Board of Directors	August 10, 2016	Change of Southern Taiwan Branch manager	A decision was made unanimously by all attending directors to defer discussion until the next meeting
		Discussion regarding the exercise of sellback rights on the 3rd domestic unsecured convertible bond	Unanimously approved by all attending directors; the Chairman is fully authorized to execute the resolution.
		Establishment of the Company's "Corporate Governance Principles," "Corporate Social Responsibility Principles," "Integrity Code of Conduct," and "Ethics Guidelines"	Unanimously approved by all attending directors; the Chairman is fully authorized to execute the resolution.
		Discussion regarding Remuneration Committee's review of managers' compensation	Director Scott Kuo concurrently served as

			manager of the Company, and hence had disassociated from discussion and voting of this agenda. The agenda was passed unanimously by all remaining directors present at the meeting
Board of Directors	November 14, 2016	Discussion regarding the Company's 2017 internal audit plan	Unanimously approved by all attending directors
		Discussion regarding transfer of equity ownership in the Company's Chinese investments	Unanimously approved by all remaining directors
		Change of Southern Taiwan Branch manager	Unanimously approved by all attending directors
Board of Directors	January 18, 2017	Discussion regarding the Company's 2017 business plan	Unanimously approved by all attending directors; the President is fully authorized to execute the resolution.
		Discussion regarding rates of employee/director/supervisor remuneration for 2017	Unanimously approved by all attending directors; the Chairman is fully authorized to execute the resolution.
		Discussion about remuneration to the Company's managers reviewed by Remuneration Committee	Director Scott Kuo concurrently served as manager of the Company, and hence had disassociated from discussion and voting of this agenda. The agenda was passed unanimously by all remaining directors present at the meeting
Board of Directors	February 8, 2017	Change of the Company's spokesperson	Unanimously approved by all attending directors
Board of Directors	March 24, 2017	Discussion regarding distribution of 2016 employee/director/supervisor remuneration	Unanimously approved by all attending directors
		Discussion regarding Remuneration Committee's review of directors', supervisors' and managers' compensation	A decision was made unanimously by all attending directors to defer discussion until the next meeting
		Discussion regarding 2016 standalone financial statements and business report	Unanimously approved by all attending directors; to be submitted for acknowledgment during general shareholders' meeting
		Discussion regarding 2016 consolidated financial statements	Unanimously approved by all attending directors; to be submitted for

			acknowledgment during general shareholders' meeting
		Discussion regarding 2016 earnings appropriation	Unanimously approved by all attending directors; to be submitted for acknowledgment during general shareholders' meeting
		Proposal to issue new shares against capitalized earnings	Temporary decision to pay stock dividends at 0 share(s) per one thousand shares held, and cash dividends at TWD 4.2 per share
		Discussion regarding amendments to the Company's "Articles of Incorporation"	Unanimously approved by all attending directors; to be submitted for discussion during general shareholders' meeting
		Amendments to the Company's "Director and Supervisor Election Rules"	Unanimously approved by all attending directors; to be submitted for discussion during general shareholders' meeting
		Amendments to the Company's "Parliamentary Procedure for General Meeting of Shareholders"	Unanimously approved by all attending directors; to be submitted for discussion during general shareholders' meeting
		Amendments to the Company's "Operating Procedure for Acquisition and Disposal of Assets"	Unanimously approved by all attending directors; to be submitted for discussion during general shareholders' meeting
		Discussion regarding loans to third parties	Unanimously approved by all attending directors; the Chairman is fully authorized to execute the resolution.
		Discussion regarding the 2016 Declaration of Internal Control System	Unanimously approved by all attending directors
		Discussion regarding the date, venue and agendas for the 2017 general shareholders' meeting	Unanimously approved by all attending directors; the Chairman is fully authorized to execute the resolution.
Board of Directors	April 13, 2017	Discussion regarding early re-election for 5 directors and 3 supervisors of the Company	A vote involving all attending directors was called upon by the chairperson. Four directors voted in favor while

			representative of corporate director MJC voted against the agenda. With the consent of more than half of attending directors, an early election for 5 directors and 3 supervisors was decided, which will be held during the next general shareholders' meeting
		Adding election to the list of agendas for the 2017 general shareholders' meeting	A vote involving all attending directors was called upon by the chairperson. Four directors voted in favor while representative of corporate director MJC voted against the agenda. With the consent of more than half of attending directors, a resolution was made to add election to the list of agendas for the 2017 general shareholders' meeting, and to authorize the Chairman to exercise discretion on all related details
Board of Directors	April 28, 2017	Background review of independent director candidates nominated for the election to be held during the Company's 2017 general shareholders' meeting	A vote involving all attending directors was called upon by the chairperson. With the consent of more than half of attending directors, Kao, Chin-Cheng (Attorney-at-Law) and Hsu, Mei-Fang (CPA) were accepted as independent director nominees of MPI Investment Co., Ltd. for the Company's 2017 general shareholders' meeting.
Board of Directors	May 10, 2017	Amendments to the Company's "Material Information Procedures"	Unanimously approved by all attending directors
		Amendments to the Company's "Insider Trading Prevention"	Unanimously approved by all attending directors
		Amendments to the Company's "Property, Plant and Equipment Management Policy"	Unanimously approved by all attending directors

Major resolutions passed in 2016 general shareholders' meeting and the execution progress:

Name of Meeting	Date of Meeting	Important resolution	Status
General shareholders' meeting	June 16, 2016	Amendments to the "Articles of Incorporation" of MPI Corporation.	Approval granted by the Ministry of Economic Affairs on July 12, 2016, and has since been posted onto the Company's website
		Acknowledgment of 2015 business report and financial statements.	Passed by the present shareholders unanimously.
		Acknowledgment of 2015 earnings appropriation	Passed unanimously by all attending shareholders to distribute cash dividends of TWD 3 per share; ex-dividend date: August 26, 2016; cash dividend payment date: September 12, 2016

(XII) Recorded or written statements made by any director or supervisor which specified dissent to important resolutions passed by the Board of Directors during the most recent year and up to the date of publication of this annual report: N/A

(XIII) Resignation or dismissal of personnel related to financial statement preparation (including the Chairman, President, head of accounting, head of finance, chief internal auditor and head of R&D) in the most recent year up till the publication date of this annual report:

Job title	Name	Date onboard	Date departed	Reason for departure
Chairman of the Board	Steve Chen	August 1, 2012	July 11, 2016	Change of job duty

(XIV) Other disclosure:

Training undertaken by the Company's head of accounting and chief internal auditor in 2016:

Job title	Name	Institute	Date	Name of Course	Hours
Accounting officer	Rose Jao	Accounting Research and Development Foundation	December 05, 2016 to December 16, 2016	Continuing education program for accounting officer of issuer, securities firm and securities exchange	12
Audit officer	Chen, Yi-Chang	The Institute of Internal Auditors, R.O.C	August 19, 2016	Raw Material and Inventory Audit Practices for Manufacturers	6
		The Institute of Internal Auditors, R.O.C	November 18, 2006	Self-assessment Practices	6

IV. Information about CPA Professional Fee

(I) Breakdown of CPA Professional Fee

Unit: TWD thousands

Firm Name	CPA Name	Audit Fee	Non-Audit Fee					Duration of Audit	Remark
			System Design	Commercial and Industrial Registration	HR	Others	Subtotal		
Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen Chen, Tsai-Huang	2,412	0	88	0	0	88	January 1, 2016 to December 31, 2016	N/A

(II) If the Company meets any of the following circumstances, it shall disclose the CPA professional fee:

(1) If the on-audit fees paid to the CPA, CPA firm and their affiliates exceeded the audit fees in excess of twenty-five percent, the company shall disclose the audit fee and non-audit fee, as well as the contents of the non-audit service: N/A

(2) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: N/A

(3) Audit fees were 15% less than that of the previous year, and the reduction of audit fee, percentage and reasons: N/A

V. Information About Replacement of CPA: N/A

(I) Information relating to the former CPA: Not applicable

(II) Information relating to the succeeding CPA: Note applicable

(III) Former auditor's reply to Item 1 and Item 2-3, Subparagraph 5, Article 10 of the Guidelines: Not applicable

VI. Information About Chairman, President, and Financial or Accounting Manager of the Company Who Has Worked with the CPA Firm Which Conducts the Audit of the Company or Affiliate to Such Firm in the Most Recent One Year: N/A

VII. Any transfer of equity interests and pledge of or change in equity interests by a director, supervisor, managerial officer, or shareholder with a stake of more than 10 percent in the most recent year and until to the date of publication of the annual report:

(I) Change of shareholding of directors, supervisors, managers and major shareholders	Name	2016		Year-to-date April 30, 2017	
		Increase (Decrease) in current holding	Increase (Decrease) in shares pledged	Increase (Decrease) in current holding	Increase (Decrease) in shares pledged
Chairman, director and major shareholder	MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	0	0	0	0
Chairman, director and major shareholder	MPI Investment Co., Ltd. Representative: Steve Chen (Note 1)	0	0	0	0
Chairman, director and major shareholder	MPI Investment Co., Ltd. Representative: Scott Kuo	0	0	0	0

Director	MJC Representative: Yuki katayama	0	0	0	0
Director	MJC Representative: Shinji Nomura (Note 2)	0	0	0	0
Independent director	Hsu, Mei-Fang	0	0	0	0
Independent director	Kao, Chin-Cheng	0	0	0	0
Supervisor	Liu, Fang-Sheng	0	0	0	0
Supervisor	Li, Tu-Cheng	(10,000)	0	0	0
Supervisor	Tsai, Chang-Shou	0	0	0	0
President	Scott Kuo	0	0	0	0
Vice President	Fan, Wei-Ju	5,000	0	0	0
Vice President	Liu, Yung-Chin	5,000	0	0	0
Assistant Manager	Hsieh, Wei-Yun	5,000	0	0	0
Finance/Accounting Officer	Rose Jao	4,000	0	0	0

(Note 1): Departed from the position of corporate director representative on July 11, 2016; departed from the position of Chairman on July 11, 2016

(Note 2): Departed from the position of corporate director representative on June 24, 2016

(II) Information about transfer or pledge of equity: N/A

VIII. Information about the relationship among the Company's 10 largest shareholders:

April 30, 2017

Name	Own shareholding		Current Shares Held by Spouse and Children of Minor Age		Total shareholding Under the Name of A Third Party		Relationship characterized as spouse or relative of second degree or closer among the top-10 shareholders		Remark
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Name	Relationship	
MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	8,334,626	10.44%	0	0	0	0	MPI Investment Co., Ltd.	Director of the Company	
	1,425,994	1.79%	427,781	0.54%	0	0	MPI Investment Co., Ltd.	The Company's Chairman	
MJC Representative: Masayoshi Hasegawa	6,548,576	8.20%	0	0	0	0	MJC	Director of the Company	
	0	0	0	0	0	0	N/A	No	
Labor pension fund under the new system	3,154,000	3.95%	0	0	0	0	N/A	No	
Public Service Pension Fund	2,618,000	3.28%	0	0	0	0	N/A	No	
Old Labor Pension Fund	1,506,000	1.89%	0	0	0	0	N/A	No	

JP Morgan Chase Bank in its Capacity as Master Custodian for Baoyuan International Taiwan Equity Fund	1,443,000	1.81%	0	0	0	0	N/A	No	
Ko, Chang-Lin	1,425,994	1.79%	427,781	0.54%	0	0	MPI Investment Co., Ltd.	The Company's Chairman	
Investment account of Fuh-Hwa Digital Economy Fund	1,400,000	1.75%	0	0	0	0	N/A	No	
Investment account of Allianz Global Investors Taiwan Fund	1,251,000	1.57%	0	0	0	0	N/A	No	
Ting Mao Co., Ltd.	1,218,000	1.53%	0	0	0	0	N/A	No	

IX. The number of shares held by the Company and the Company's directors, supervisors and managers, and the number of shares invested in a single company which are held by the entities directly or indirectly controlled by the Company, and calculating the consolidated shareholding percentage of the above categories.

Unit: share; %

December 31, 2016

Investee (Note 1)	Invested by the Company		Invested by directors, supervisors, managers, and entities controlled by the Company directly or indirectly		Combined investment	
	Quantity	Ratio of shareholding	Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)	Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
Chain-Logic International Corp.	5,000,000	100%	0	0	5,000,000	100%
MPI TRADING CORP.	1,000	100%	0	0	1,000	100%
MMI HOLDING CO., LTD.	20,390,045	100%	0	0	20,390,045	100%
Won Tung Technology Co., Ltd.	50,000	100%	0	0	50,000	100%
Allstron Corporation	15,500	100%	0	0	15,500	100%
MEGTAS CO., LTD.	300,000	60%	0	0	300,000	60%
CHAIN-LOGIC TRADING CORP. (Note 2)	0	0	1,400,100	Wholly owned by the subsidiary	1,400,100	100%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. (Note 3)	0	0	USD$1,400,000	Wholly owned by the indirect subsidiary	USD$1,400,000	100%

MJC Microelectronics (Shanghai) Limited Company (Note 4)	0	0	USD 600,000	40% owned by subsidiary	USD 600,000	40%
Lumitek Co.,LTD (Note 5)	7,473,968	20.15%	0	12.92% owned by the subsidiary and 4.95% owned by the indirect subsidiary	7,473,968	20.15%
MET (Note 6)	0	0	RMB 500,000	Wholly owned by MJC Microelectronics	RMB 500,000	40%
LEDA-ONE (Shenzhen) Co. (Note 7)	0	0	USD 1,800,000	100% owned by subsidiary	USD 1,800,000	100%
MMK (Kunshan) Limited Company (Note 8)	0	0	USD 1,960,000	40% owned by subsidiary	USD 1,960,000	40%
Chairman of Lumitek (Changchou) Co. Ltd. (Note 9)	0	0	USD 16,000,000	100% owned by subsidiary	USD 16,000,000	100%

Note 1: Long-term investment by the Company

Note 2: An investee of the Company's subsidiary, Chain-Logic International Corp.

Note 3: An investee of the Company's indirect subsidiary, CHAIN-LOGIC TRADING CORP.

Note 4: An investee jointly held between the Company's subsidiary - MMI HOLDING CO., LTD. and corporate director - MJC.

Note 5: An investee of the Company's subsidiary, Chia Hsin Investment Co., Ltd., Yi Hsin Investment and Chia Ying Investment.

Note 6: An investee by the Company's indirect subsidiary, MJC Microelectronics (Shanghai) Co., Ltd.

Note 7: An investee of the Company's subsidiary, MMI HOLDING CO., LTD.

Note 8: An investee jointly held between the Company's subsidiary - MMI HOLDING CO., LTD. and corporate director - MJC.

Note 9: An investee by the Company's indirect subsidiary, Lumitek (Changchou) Co. Ltd.

Four. Status of Fund Raising

I. Capital Stock and Shares

(I) Source of Capital Stock

Unit: Thousand shares; TWD thousand
April 30, 2017

Year/Month	Issue price	Authorized capital stock		Paid-in capital		Remark		
		Quantity	Amount	Quantity	Amount	Source of Capital Stock	Offset by any property other than cash	Others
1995/7	10	500	5,000	500	5,000	Capital of incorporation	N/A	
1998/10	10	22,500	225,000	6,000	60,000	Capital increase in cash by TWD 55,000 thousand	N/A	
2000/7	15 10	22,500	225,000	10,000	100,000	Capital increase in cash by TWD 28,000 thousand Capital increase upon recapitalization of earnings by TWD 12,000 thousand	N/A	
2001/5	18 10 10	22,500	225,000	20,000	200,000	Capital increase in cash by TWD 50,700 thousand Capital increase upon recapitalization of earnings by TWD 42,000 thousand Capital increase upon recapitalization of employee bonus by TWD 7,300 thousand	N/A	
2002/6	10	50,000	500,000	30,000	300,000	Capital increase upon recapitalization of earnings by TWD 43,800 thousand Capital increase upon recapitalization of employee bonus by TWD 6,200 thousand	Succeed to shares of Chain-Logic International Corp., TWD 50,000 thousand	Note 1
2003/9	10	50,000	500,000	33,434	334,340	Capital increase upon recapitalization of earnings by TWD 30,000 thousand Capital increase upon recapitalization of employee bonus by TWD 4,340 thousand	N/A	Note 2
2004/8	10	50,000	500,000	33,803	338,031	Conversion of convertible bonds to common stock TWD 3,691 thousand	N/A	
2004/9	10	50,000	500,000	37,672	376,719	Capital increase upon recapitalization of earnings by TWD 33,434 thousand Capital increase upon recapitalization of employee bonus by TWD 5,254 thousand	N/A	Note 3
2004/11	10	50,000	500,000	38,217	382,174	Conversion of convertible bonds to common stock TWD 5,454 thousand	N/A	
2005/2	10	50,000	500,000	38,877	388,775	Conversion of convertible bonds to common stock TWD 6,601 thousand	N/A	
2005/5	10	50,000	500,000	39,556	395,556	Conversion of convertible bonds to common stock TWD 6,781 thousand	N/A	
2005/7	10	50,000	500,000	39,576	395,765	Conversion of convertible bonds to common stock TWD 208 thousand	N/A	
2005/9	10	51,300	513,000	48,957	489,568	Capital increase upon recapitalization of earnings by TWD 81,960 thousand Capital increase upon recapitalization of employee bonus by TWD 11,814 thousand Conversion of convertible bonds to common stock TWD 30 thousand	N/A	Note 4
2005/10	10	51,300	513,000	49,253	492,533	Conversion of convertible bonds to common stock TWD 2,964 thousand	N/A	
2006/2	10	51,300	513,000	50,479	504,785	Conversion of convertible bonds to common stock TWD 12,253 thousand	N/A	
2006/5	10	51,300	513,000	50,724	507,236	Conversion of convertible bonds to common stock TWD 2,451 thousand	N/A	
2006/8	10	51,300	513,000	50,815	508,145	Conversion of convertible bonds to	N/A	

						common stock TWD 909 thousand		
2006/9	10	58,000	580,000	56,496	564,959	Capital increase upon recapitalization of earnings by TWD 50,814 thousand Capital increase upon recapitalization of employee bonus by TWD 6,000 thousand	N/A	Note 5
2007/8	10	100,000	1,000,000	56,501	565,005	Conversion of convertible bonds to common stock TWD 45 thousand	N/A	
2007/9	10	100,000	1,000,000	63,676	636,758	Capital increase upon recapitalization of earnings by TWD 57,500 thousand Capital increase upon recapitalization of employee bonus by TWD 8,118 thousand Conversion of convertible bonds to common stock TWD 6,135 thousand	N/A	Note 6
2007/10	10	100,000	1,000,000	63,679	636,789	Conversion of convertible bonds to common stock TWD 30 thousand	N/A	
2008/1	10	100,000	1,000,000	63,736	637,363	Conversion of convertible bonds to common stock TWD 574 thousand	N/A	
2008/9	10	100,000	1,000,000	71,105	711,053	Capital increase upon recapitalization of earnings by TWD 64,570 thousand Capital increase upon recapitalization of employee bonus by TWD 9,120 thousand	N/A	Note 7
2009/8	10	100,000	1,000,000	73,311	733,111	Capital increase upon recapitalization of earnings by TWD 21,190 thousand Capital increase upon recapitalization of employee bonus by TWD 868 thousand	N/A	Note 8
2009/12	10	100,000	1,000,000	74,084	740,841	Conversion of employee options to common stock TWD 100 thousand Conversion of convertible bonds to common stock TWD 7,630 thousand	N/A	
2010/4	10	100,000	1,000,000	77,449	774,486	Conversion of employee options to common stock TWD 11,190 thousand Conversion of convertible bonds to common stock TWD 22,455 thousand	N/A	
2010/7	10	100,000	1,000,000	77,629	776,291	Conversion of employee options to common stock TWD 11,082 thousand Conversion of convertible bonds to common stock TWD 3,200 thousand	N/A	
2010/10	10	100,000	1,000,000	77,697	776,970	Conversion of employee options to common stock TWD 5,376 thousand Conversion of convertible bonds to common stock TWD 200 thousand	N/A	
2011/1	10	100,000	1,000,000	77,985	779,854	Conversion of employee options to common stock TWD 13,149 thousand Conversion of convertible bonds to common stock TWD 8,900 thousand	N/A	
2011/4	10	100,000	1,000,000	78,464	784,644	Conversion of employee options to common stock TWD 39,613 thousand	N/A	
2011/8	10	100,000	1,000,000	78,549	785,494	Conversion of employee options to common stock TWD 7,030 thousand	N/A	
2011/10	10	100,000	1,000,000	78,590	785,904	Conversion of employee options to common stock TWD 3,299 thousand	N/A	
2012/1	10	100,000	1,000,000	78,602	786,024	Conversion of employee options to common stock TWD 931 thousand	N/A	
2012/4	10	100,000	1,000,000	78,605	786,054	Conversion of employee options to common stock TWD 233 thousand	N/A	
2012/7	10	100,000	1,000,000	78,610	786,104	Conversion of employee options to common stock TWD 388 thousand	N/A	
2013/7	10	100,000	1,000,000	78,612	786,123	Conversion of employee options to common stock TWD 143 thousand Cancellation and capital reduction by 8 shares upon shareholders' waiver to hold shares	N/A	
2015/1	10	100,000	1,000,000	79,536	795,364	Conversion of convertible bonds to common stock TWD 92,400 thousand	N/A	

2015/7	10	100,000	1,000,000	79,605	796,054	Conversion of convertible bonds to common stock TWD 6,900 thousand	N/A	
2017/4	10	100,000	1,000,000	79,859	798,593	Conversion of convertible bonds to common stock TWD 229,000 thousand	N/A	

Note 1: Approval letter by Securities and Futures Commission, Ministry of Finance under (91) No. 09100127510 dated June 3, 2002.
Note 2: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0920129426 dated July 2, 2003.
Note 3: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0930126472 dated June 15, 2004.
Note 4: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0940124109 dated June 16, 2005.
Note 5: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0950130971 dated July 17, 2006.
Note 6: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0960036186 dated July 12, 2007.
Note 7: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0970031732 dated June 25, 2008.
Note 8: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0980034020 dated July 8, 2009.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	79,859,260	20,140,740	100,000,000	TWSE stock

(II) Composition of shareholders

April 30, 2017

Composition of shareholders / Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution or Foreigner	Total
Number of person	2	23	64	10,372	73	10,534
Shares held	5,772,000	2,946,061	19,747,358	32,381,050	19,012,791	79,859,260
Ratio of shareholding	7.23%	3.69%	24.73%	40.55%	23.80%	100.00%

(III) Diversification of equity

April 30, 2017

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
1～ 999	5,490	221,216	0.28
1,000～ 5,000	4,074	7,501,110	9.39
5,001～ 10,000	403	3,253,537	4.07
10,001～ 15,000	116	1,508,210	1.89
15,001～ 20,000	91	1,685,007	2.11
20,001～ 30,000	84	2,163,569	2.71
30,001～ 40,000	47	1,682,273	2.11
40,001～ 50,000	47	2,212,635	2.77
50,001～ 100,000	84	5,928,403	7.42
100,001～ 200,000	48	6,841,429	8.57

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
200,001～ 400,000	20	5,554,385	6.96
400,001～ 600,000	12	5,743,469	7.19
600,001～ 800,000	4	2,793,000	3.50
800,001～ 1,000,000	2	1,788,821	2.24
1,000,0001 and above	12	30,982,196	38.79
Total	10,534	79,859,260	100.00

Preferential shares: N/A

(IV) Roster of Major Shareholders

April 30, 2017

Name of Major Shareholder \ Shares	Shares held	Ratio of shareholding
MPI Investment Co., Ltd.	8,334,626	10.44%
MJC	6,548,576	8.20%
Labor pension fund under the new system	3,154,000	3.95%
Public Service Pension Fund	2,618,000	3.28%
Old Labor Pension Fund	1,506,000	1.89%
JP Morgan Chase Bank in its Capacity as Master Custodian for Baoyuan International Taiwan Equity Fund	1,443,000	1.81%
Ko, Chang-Lin	1,425,994	1.79%
Investment account of Fuh-Hwa Digital Economy Fund	1,400,000	1.75%
Investment account of Allianz Global Investors Taiwan Fund	1,251,000	1.57%
Ting Mao Co., Ltd.	1,218,000	1.53%

(V) Information on market value, net value, earnings and dividends per share in the most recent two years

Unit: TWD; share

Item \ Year			2015	2016	Year-to-date April 30, 2017 (Note 7)
Market value per share (Note 1)	The Highest		128	92.10	116.00
	The Lowest		47	50.50	85.60
	Average		81.40	80.92	96.47
Net value per share	Before distribution		45.63	49.58	50.66
	After distribution		42.63	(Note 2)	50.66
EPS	Weighted average shares		79,005,392	79,605,392	79,605,392
	EPS (Note 3)	before retroactive adjustment	3.71	7.09	1.34
		after retroactive adjustment	3.71	(Note 2)	0
Dividend	Cash dividend		3	(Note 2)	0

per share	Free-Gratis dividends	Retained shares distribution	0	(Note 2)	0
		Capital surplus shares distribution	0	(Note 2)	0
	Retained dividend		0	(Note 2)	0
Return on investment analysis	Price-Earnings Ratio (Note 4)		21.94	11.41	0
	Dividend Yield (Note 5)		27.13	(Note 2)	0
	Cash dividend yield (Note 6)		3.69%	(Note 2)	0

Note 1: The Company has traded on Taiwan Stock Exchange as of January 6, 2003.
Note 2: Pending for resolution at 2017 general shareholders' meeting.
Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.
Note 4: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share
Note 5: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share
Note 6: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year
Note 7: Net worth per share and earnings per share are based on auditor-reviewed data as at the latest quarter before the publication date of this annual report. For all other fields, calculations are based on data as at the end of their respective years.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Articles of Incorporation

Article 20: Any pre-tax profits concluded from a financial year shall be subject to employee remuneration of 5%~15%, and director/supervisor remuneration of no more than 3%. However, profits must first be taken to offset against cumulative losses if any, before the remainder is allocated for employee/director/supervisor remuneration according to the abovementioned percentages.

The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees’ remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

If the Company has a profit at the year’s final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

Article 20-1: The Company is currently in the growth stage of its industry cycle. For this reason, dividends shall be allocated after taking into consideration several factors including: current and future investment environment, capital requirement, domestic/foreign competition, capital budget, shareholders' expectations, balanced dividends, and the Company's long-term financial plan. Earnings appropriation plans are proposed by the board of directors and presented for final resolution at general shareholder's meeting on a yearly basis. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

2. Proposed dividend distribution for this year's general shareholders' meeting
   The Company's 2016 earnings appropriation was passed during board meeting held on March 24, 2017, in which a proposal was made to distribute cash dividends totaling TWD 334,342,646 (or TWD 4.2 per share). This proposal is still pending for resolution at the 2017 general shareholders' meeting.

3. Expected significant change in dividend policy: None.

(VII) The effect of stock dividend as proposed in this General Meeting on the operation performance and earnings per share of the company: N/A, as no stock dividend was proposed in the meeting.

(VIII) Remuneration to employees and directors/supervisors

1. Percentage or range of employee/director/supervisor remuneration stated in the Articles of Incorporation

Article 20: Any pre-tax profits concluded from a financial year shall be subject to employee remuneration of 5%~15%, and director/supervisor remuneration of no more than 3%. However, profits must first be taken to offset against cumulative losses if any, before the remainder is allocated for employee/director/supervisor remuneration according to the abovementioned percentages.

The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees’ remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

If the Company has a profit at the year’s final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

Article 20-1: The Company is currently in the growth stage of its industry cycle. For this reason, dividends shall be allocated after taking into consideration several factors including: current and future investment environment, capital requirement, domestic/foreign competition, capital budget, shareholders' expectations, balanced dividends, and the Company's long-term financial plan. Earnings appropriation plans are proposed by the board of directors and presented for final resolution at general shareholder's meeting on a yearly basis. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

2. The accounting in the case of deviation from the basis for stating remuneration to employees and directors/supervisors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:
   Any pre-tax profits concluded from a financial year shall be subject to employee remuneration of 5%~15%, and director/supervisor remuneration of no more than 3%. However, profits must first be taken to offset against cumulative losses if any, before the remainder is allocated for employee/director/supervisor remuneration according to the abovementioned percentages. If the actual distributed amount resolved by a shareholders' meeting is different from the estimate, the difference shall be treated as a change in accounting estimate and stated as the income of next year.

3. Allocation of remuneration approved by the board of directors:
   The Company's 2016 earnings appropriation proposal had been approved during board of directors meeting dated March 24, 2017. Below are the proposed earnings appropriation:
   (1) Cash distribution for employee remuneration totaling TWD 61,660,059 and director remuneration totaling TWD 14,760,016; both figures were indifferent from the amounts recognized in the year of expense.
   (2) Proposed amount of employees' remuneration in shares as a percentage to the current period net profit after tax and the total amount of employees' remuneration: N/A

4. Actual payment of employee/director/supervisor remuneration in the previous year (including the number of shares allocated, the sum of cash paid, and the price at which shares were issued), and any differences from the figures estimated (explain the amount, the cause, and treatment of such discrepancies).

Unit: TWD

Item	Amount
Employees' cash remuneration	28,640,000
Directors' and supervisors' remuneration	7,160,000

The amount of 2015 employee/director/supervisor remuneration paid was indifferent from the amount recognized.

(IX) Repurchase of the Company's shares:

April 30, 2017

Term	3rd term
Purpose	Transfer of shares to employees
Duration	2015/08/10~2015/10/9
Repurchase range price	60~108
Type and quantity of repurchased shares	Common stock 600,000 shares
Value of repurchased shares	34,454,460
Quantity of canceled and transferred shares	600,000 (shares) (Transferred to employees in whole on March 22, 2016)
Accumulated quantity of the Company's shares held	0
Cumulative holding of own shares as a percentage to total outstanding shares (%)	0.00%

II. Issuance of Corporate Bonds (including ECB):

(I) Corporate bonds

April 30, 2017

Corporate bond category (Note 2)	3rd domestic unsecured convertible corporate bond
Issue (offering) date	November 8, 2014
Face value	TWD 100,000
Issuance and trading location (Note 3)	N/A
Issue price	TWD 100,000
Total	TWD 700,000,000
Interest rate	0%
Duration	3 years, expiry date: November 18, 2017
Guaranteed by	N/A
Trustee	Trust Dept., Land Bank of Taiwan
Underwritten by	KGI Securities
Certified by	Handsome Attorneys-at-Law Peng Yi-Cheng, Attorney-at-Law
Name of CPA	Nexia Sun Rise CPAs & Co. Chang, Yu-Ming & Chen, Shih-Yuan, CPAs
Repayment terms	The Company will make bullet repayment in cash at face value upon maturity, except for units that have been converted into common shares or exercised sellback, or in the case where the Company makes an early repayment or recall.
Outstanding principal	TWD 577,800,000
Terms and conditions for redemption or early repayment	(I)From the date following expiration of one month upon offering of the bonds until 40 days prior to expiration of the duration, if the closing price of the Company's common shares at Taipei Exchange

	exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the “Notice of Call” to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit) to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days. Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five (5) business days upon the record date. (II) From the date following expiration of one month upon offering of the bonds until 40 days prior to expiration of the duration, if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may send the “Notice of Call” to be matured in 30 days to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit). Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within 5 business days upon the record date.
Restrictive clause (Note 4)	N/A
Rating agency, date of rating, and rating awarded	N/A

Attached with other rights	Amount of common stock, GDR/ADR or other securities already converted until the date of publication of the annual report (swapped or subscribed for)	TWD 122,200,000 had been converted into common shares
	Regulations for Issuance and Conversion (Swap or Subscription)	Unless (I) the period for suspension of transfer registration of common stock required by laws, (II) 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and (III) from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, the bond holders may ask Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the "Depository Corporation") via the securities firm to ask the Company's stock agent to convert the Bond into the Company's common shares pursuant to the Regulations at any time from the day following expiration of one month after the Bond is issued until expiration of the Bond.
Status of potential dilution of equity by the Regulations for Issuance and Conversion, Swap or Subscription, and the issuing terms and conditions, and impact thereof on the existing shareholders' equity.		The convertible bonds would not dilute the Company's equity until the creditors request the conversion. The creditors may choose the timing more favorable to them to proceed with the conversion in the duration of conversion and, therefore, the dilution of equity would be deferred. As to the effect on the existing shareholders' equity, though the convertible corporate bonds would increase the Company's debt prior to conversion, the debt would be reduced upon conversion of the convertible bond into common stock and the shareholders' equity would be increased relatively, and the net worth per share as well. Therefore, the shareholders' equity would be protected better, in the long term.
Name of custody institute		N/A

Note 1: The corporate bonds include public offering corporate bonds and private placement corporate bonds. The public offering corporate bonds mean those validated (approved) by the Commission. The private placement corporate bonds mean those resolved and approved by the Board of Directors.

Note 2: The number of spaces shall be adjusted subject to the frequency of issuance.
Note 3: To be specified, in the case of ECB.
Note 4: For example, restricting release of cash dividends or external investment, or request for maintenance of specific proportion of assets, et al.
Note 5: The private placement, if any, shall be identified in a prominent manner.
Note 6: In the case of convertible corporate bond, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method or corporate bonds with warrants, it is necessary to further disclose the information about convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method and corporate bonds with warrants by nature in a column format.

(II) Information about convertible corporate bonds

Type of corporate bond (Note 1)		3rd domestic unsecured convertible corporate bond		
Item / Year		2015	2016	Year-to-date April 30, 2017 (Note 4)
Market price of convertible bond (Note 2)	The Highest	125.70	109.50	132.70
	The Lowest	97.00	99.30	105.45
	Average	112.67	106.40	116.12
Conversion price		2015/01/01~2015/09/12 Conversion price 100.00 2015/09/13~2015/12/31 Conversion price 93.40	2016.01.01~2016.08.25 Conversion price 93.40 2016.08.26~2016.12.31 Conversion price 90.20	Conversion price 90.20
Issue (offering) date and conversion price at the time of issuance		2014/11/18 100.00	2014/11/18 100.00	2014/11/18 100.00
Approaches to perform the conversion (Note 3)		Offering of new shares	Offering of new shares	Offering of new shares

Note 1: The number of spaces shall be adjusted subject to the frequency of issuance.
Note 2: In the case of multiple trading locations of ECB, please identify it by the trading locations.
Note 3: Deliver issued shares, or issue new shares.
Note 4: To specify the information available in the current year until the date of publication of the annual report.

(III) Issuance of corporate bonds via shelf registration April 30, 2017

Total amount to be raised and issued	TWD 700,000,000
Total raised amount (including issue (offering) date and conversion price at the time of issuance)	Issuing date: 2014/11/18 Issuing amount: TWD 700,000,000
Balance of corporate bonds issued under categorical reporting method	TWD 577,800,000
Scheduled period for issuance of corporate bonds not offered	N/A

III. Issuance of Preferred Shares: N/A

IV. Status of GDR/ADR: N/A

V. Employee stock options: None

VI. Restriction on Employee Share Subscription Warrant: N/A

VII. Mergers and Acquisitions, or as Assignee of New Shares Issued by Another Company: N/A

VIII. Implementation of Capital Utilization Plan:

1-1 Contents of the Plan:

1. Approval date and reference by the authority: Letter No. Chin-Kuan-Cheng-Fa-1030042656 dated November 4, 2014.
2. Total capital needed for the project: TWD 731,680,000.
3. Source of capital:

   (1) Issue 7,000 3rd domestic unsecured convertible corporate bonds at per value of TWD 110,000; duration: 3 years; total issue amount: TWD 700,000 thousand.

   (2) The balance, TWD 31,680 thousand, was paid from the own capital.
4. Projects and expected progress

Unit: TWD thousands

Project	Projected duration	Total fund	Projected progress of the fund utilization				
			2014 years		2015		Total
			Q3	Q4	Q1	Q2	
Purchase of factory premises (note)	Q1 of 2015	316,800	31,680	285,120	-	-	316,800
Purchase of machine & equipment	Q2 of 2015	164,880	-	13,792	90,497	60,591	164,880
Repayment of bank loan	Q4 of 2014	250,000	-	250,000	-	-	250,000
Total		731,680	31,680	548,912	90,497	60,591	731,680

Note: The Company purchased from the related party, Lumitek Co., LTD., the land and factory premises at Xinpu upon resolution of the board of director on September 5, 2014, and also signed the purchase agreement for the land and buildings, at the total contract amount, TWD 316,800 thousand. The 1st installment payment and 2nd installment payment, totaling TWD 31,680 thousand, have been paid from the own capital pursuant to the Agreement in September 2014. The balance was supposed to be paid in full prior to the property settlement at the end of October 2014. Notwithstanding, as the fund failed to be in place in a timely manner, said balance was paid by the bank loan, and the loan was repaid after the raised fund was in place.

5. Projected benefits

   (1) Purchase of factory premises

   The factory premises occupied an area of 2,740 pings. In terms of the Company's expenditure in the rent of factory and offices, namely TWD 796 per ping per month, the Company may save the expenditure in rent by TWD 2,181 thousand each month, and TWD 26,172 thousand each year. Less the depreciation, TWD 2,121 thousand, to be provided for purchase of factory premises each year, the projected benefit, TWD 24,051 thousand, is expected to be generated from the the rent saving each year.

(2) Purchase of machine & equipment

Unit: PIN; TWD thousand

Year	Product line	Output volume	Sale volume	Operating revenue	Gross profit	Operating profit
2015	Components of probe cards	690,000	690,000	262,500	110,250	18,375
2016		960,000	960,000	288,000	129,600	34,560
2017		960,000	960,000	288,000	129,600	34,560
2018		960,000	960,000	310,200	139,590	37,224

(3) Repayment of bank loan

The capital increase in cash, TWD 250,000 thousand, will be utilized to repay the bank loan. In terms of the interest rate on the bank loan to be repaid, 1.37%, it was expected to decrease the expenditure in interest by TWD 285 thousand in 2014, and TWD 3,425 thousand each year subsequently. Therefore, the Company's financial burden may be mitigated adequately and the Company's solvency may be upgraded.

1-2. Execution progress

Unit: TWD thousands

Project	Status			Status of progress, ahead or behind, and the cause and corrective action plan
Purchase of factory premises	Expenditure (TWD 1000)	Scheduled	316,800	To be executed in full per the initial progress of fund utilization
		Actual	316,800	
	progress (%)	Scheduled	100.00	
		Actual	100.00	
Purchase of machine & equipment	Expenditure (TWD 1000)	Scheduled	104,289	To be executed in full per the initial progress of fund utilization
		Actual	104,289	
	progress (%)	Scheduled	100.00	
		Actual	100.00	
Repayment of bank loan	Expenditure (TWD 1000)	Scheduled	250,000	To be executed in full per the initial progress of fund utilization
		Actual	250,000	
	progress (%)	Scheduled	100.00	
		Actual	100.00	
Total	Expenditure (TWD 1000)	Scheduled	671,089	To be executed in full per the initial progress of fund utilization
		Actual	671,089	
	progress (%)	Scheduled	100.00	
		Actual	100.00	

Note: The Company's purchase of factory premises, purchase of machine & equipment, and repayment of bank loan have been executed in full per the initial progress of fund utilization.

Five. Overview of operation

I. Business Contents

(I) Scope of business

(1) The Company primarily engages in:

A. Maintenance, trading and R&D of computer and peripheral devices;

B. Import/export and trading of semi-conductor components, e-parts and chip integrated circuits;

C. Import/export and trading of precision automated control machines;

D. Import/export and trading of machinery and spare parts thereof;

E. General import/export and trading; (Except for those that require special permission)

F. Processing, maintenance, manufacturing, import/export and trading of semi-conductor testing spare parts;

G. Quotation and bidding for said products on behalf of domestic and foreign suppliers;

H. Machinery and equipment manufacturing;

I. Machinery wholesale; and

J. Machinery and utensil retailing.

(2) Weight of business:

The Company generated consolidated net revenues totaling TWD 4,961,755,000 in 2016. Its primary sources of revenue were the sale of wafer probe cards and automated photoelectric semiconductor equipment. Significance of main product and service categories are shown below:

Unit: TWD thousands

Product (service)	2016	
	Net sales	Weight of business %
Wafer probe card	3,109,539	62.67
Photoelectric semi-conductor automated equipment	944,282	19.03
Others	907,934	18.30
Total	4,961,755	100.00

(3) Current products (services) of the Company

A. Wafer probe card

B. Wafer probe card maintenance service

C. Wafer testing and sorting equipment

D. Testing, sorting and photoelectric inspection equipment for photoelectric semiconductor wafers and components

(4) New products (services) under development

A. Wafer probe card

(A) In response to the advancement of wafer fabrication technologies, the Company continues to develop wafer probe cards characterized by smaller pitch, higher pin count, higher density, lesser cleaning, and ability to be used for multi-chip parallel tests.

(B) In order to keep up with the development of faster chips, the Company will continue investing resources into the development of wafer probe cards specifically for high-speed testing.

(C) Given the ongoing development of assembly technologies and broadened product applications, The Company will continue development of advanced wafer probe cards for KGD, flip-chip, CIS, TSV, WLP, and 2.5D/3D stacking chips.

B. Automated photoelectric semiconductor equipment

(A) Production of LED components will progress from fine pitch to Micro LED, with die size constantly shrinking and component count increasing at an exponential rate. As a result, it requires much more precise and faster equipment to test and sort next-generation components.

(B) Demand for flip-chip assembly continues to grow, for which the Company will continually develop its high-speed flip-chip bonding system.

(C) Fiber optic communication is progressing into the 5G; the Company will continue development of testing and measuring equipment exclusively for Laser Diodes and Photo Diodes.

(II) Industry overview

(1) Overview and development of industry

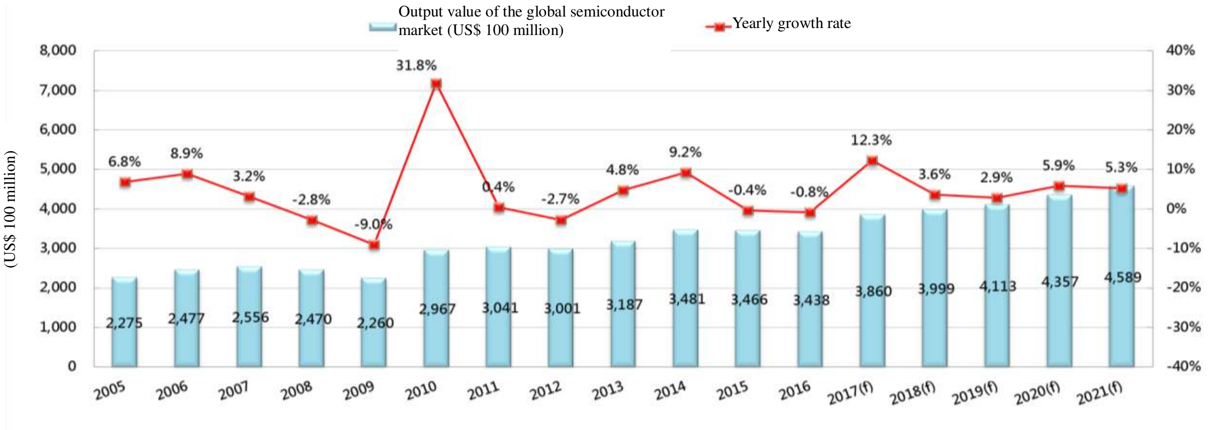
A. Status of the global business

(A). Wafer probe card (semi-conductor industry)

A Probe Card is a printed circuit board filled with probes. It is used as an interface between the test equipment and the tested wafer. Each type of IC must have at least one corresponding probe card. The test performed using probe card is called a Probe Test; the test is for wafers that are ultimately produced into IC products, and is a highly specialized expertise in the semiconductor industry.

IC (integrated circuit) is produced on wafers. Before assembling an IC, it is necessary to test the functionality of baredies using probe cards. The test requires contact of probe needles with the pad or bump of the Device Under Test (DUT), followed by a series of input and output signals to test electrical qualities of the DUT. Instruments and software are then used to achieve automated measurement, and data obtained from the test is analyzed to determine the yield rate of wafers. The wafer testing process will identify and tag defective products (those with flawed or malfunctioned dies). Once the wafer is cut, products of acceptable quality will progress into the assembly process, while defective products are prevented from entering the next stage.

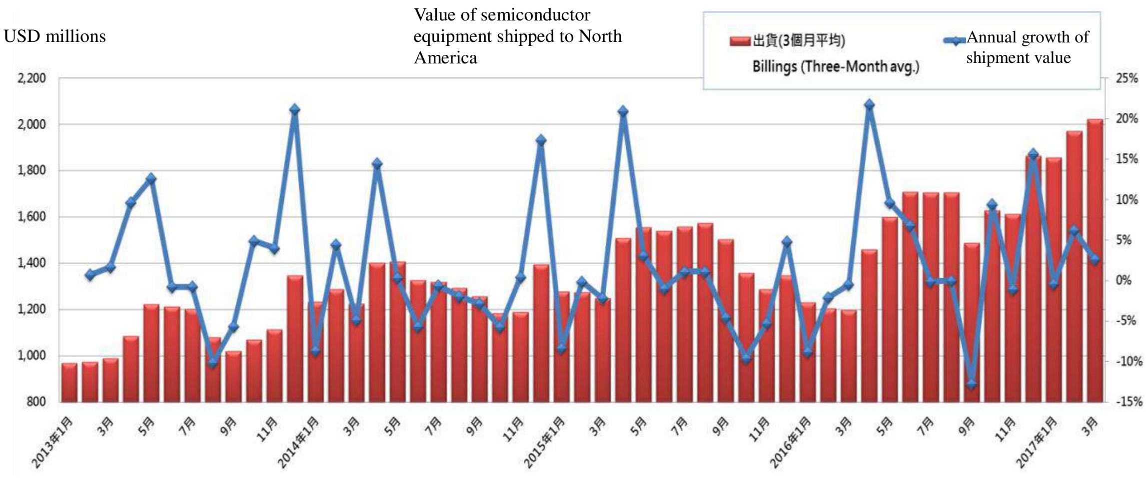
The wafer probe card test refers to the back-end part of the semi-conductor production process, which may prevent defective goods from the back-end assembly process. The assembly cost accounts for a higher percentage of the entire IC production cost. Therefore, if defective goods may be excluded from the back-end process, waste of assembly cost may be avoided accordingly. Electronic products are evolving towards lightweight, full features and lower energy consumption. Given the rising cost of high-end assembly technology, it is increasingly critical to minimize wastage at the wafer probing stage.



Source: VLSI Research Inc. (2017/04); compiled by MPI

Global semiconductor market forecast

According to Gartner, a market research institution, the global economy showed signs of recovery towards the second half of 2016. Overall, production value of the global semiconductor industry amounted to USD343.8 billion in 2016, down slightly by 0.8% compared to the previous year. The semiconductor industry is expected to generate revenues totaling USD386 billion worldwide in 2017, representing a 12.3% growth over 2016. Between 2016 and 2021, revenues of the global semiconductor industry are estimated to grow at a compounded rate of 5.5% per annum with market size exceeding USD450 billion by 2021. Given the relevance of wafer probe cards to the semiconductor industry, demand for probe cards should grow consistently in line with semiconductors.

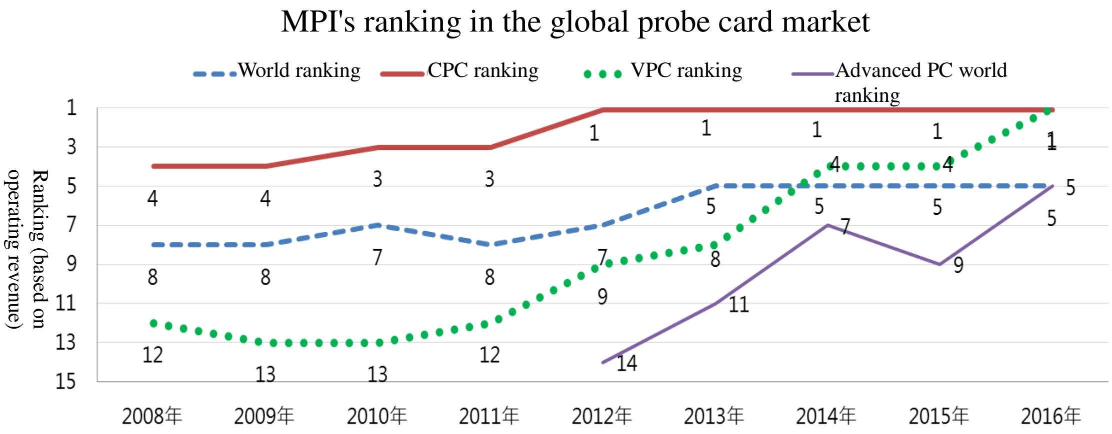


Source: SEMI; compiled by MPI (20017/04)

Shipment of semiconductor equipment of North America in recent years

Judging by the value of semiconductor equipment shipped to North America (published by Semiconductor Equipment and Materials International; SEMI), the semiconductor industry has exhibited positive growth since the second half of 2016 with shipment values reaching new highs year-on-year. The significant recovery in the number of semiconductor equipment shipped suggests strong demand in the semiconductor market. SEMI also reported a significant increase in the shipment of semiconductor equipment towards the end of the previous year, causing equipment suppliers to deliver revenues higher than forecast. Outlook of the semiconductor equipment business should remain optimistic this year.

According to the report by VLSI Research Inc., production value of semiconductor probe cards in 2016 amounted to approximately USD1.370 billion worldwide, which was comparable to previous year's production value. Given the high anticipation for growth of the semiconductor market over the next few years, production value of semiconductor probe cards in 2017 may grow by as high as 11% worldwide and exceed USD1.5 billion. The global semiconductor probe card market has grown consistently over the long term. The market is expected to expand at a compound annual growth rate (CAGR) of 6.2% between 2016 and 2021, with production value reaching USD1.852 billion by 2021.



Source: VLSI Research Inc. (2017/4); compiled by MPI

MPI's ranking in the global probe card market

Based on the report by VLSI Research Inc., MPI was ranked 5th among global probe card suppliers in 2013. Since then, MPI has been investing resources into the research, development and sale of its products in an attempt to advance through the ranks. MPI ranked 5th overall among the world's probe card suppliers in 2016. In terms of product sub-categories, MPI gained No. 1 market share in the supply of epoxy/cantilever probe cards, No. 1 market share in the supply of vertical probe cards, and No. 5 market share in the supply of advanced probe cards.

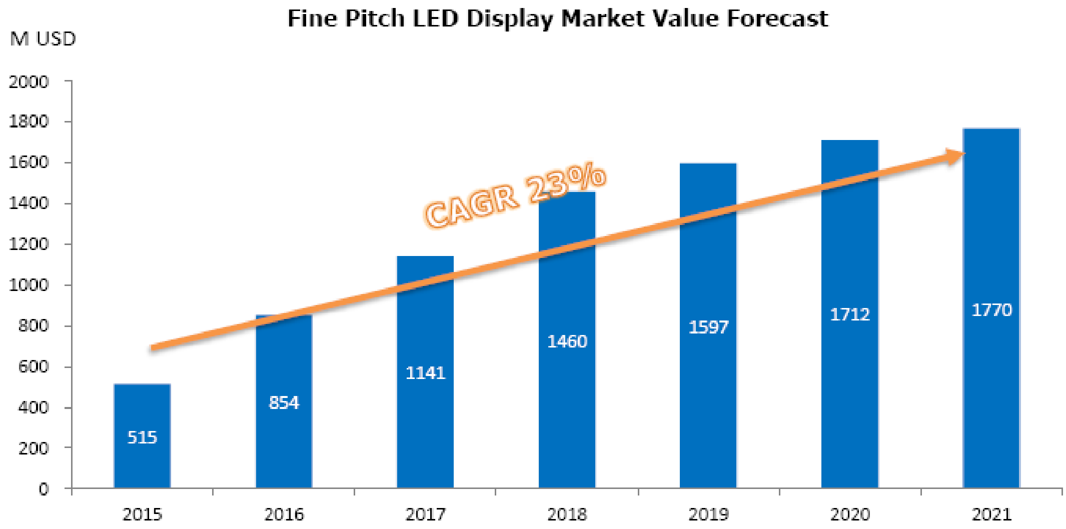
In recent years, MPI has consistently climbed in rank in terms of production value and market share as compared to the rest of the world, and established its leadership position in the market. MPI's current strategies are focused on technological research, development and innovation, as the organization strives to maintain growth momentum and competitive advantage by adopting higher end technologies.

(B). Photoelectric semi-conductor automated equipment (LED industry)

A light-emitting diode (LED) is a two-lead semiconductor light source which may emits the light of specific wave length, with such advantages as power-saving, vibration-resistant and fast glittering, and may be applied very extensively. LED production process may be categorized into the up-stream, mid-stream and down-stream stages. The up-stream stage refers to manufacturing of raw materials for LED, e.g. single wafer, single crystal bar and epitaxy. The mid-stream stage refers to processing of epitaxy to produce electrodes and etching and do test. The down-stream stage refers to the assembly procedure. The photoelectric semi-conductor automated equipment researched, developed and manufactured by the Company provides the mid-stream suppliers with a movable and supportive automated platform for testing of wafer and die after completion of the LED production process and before and after cutting of die. Due to the small size of LED die, a piece of 2~4-inch wafer will consist of more than ten thousands of dices. Therefore, it requires more time spent in testing, and the need and dependence on tester would become more important. The photoelectric semi-conductor automated equipment produced by the Company has such strengths as fast moving horizontally, lifting, precision positioning and high reliability, which is an indispensable tool used by the LED manufacturers to test the function of product.

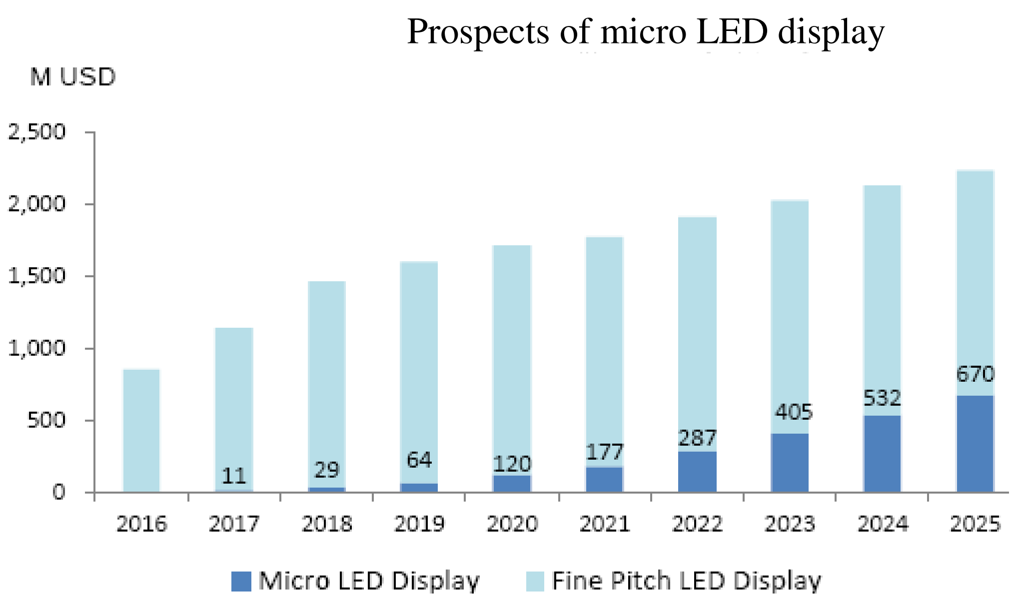
There is a variety of LED products. Based on the length of wave, it may be categorized into visible LED and invisible (infrared rays). LED is a product of civilization which will be applied by the modern people in daily life in 21st Century. With its strengths, such as small size, low power consumption, low heat and long life cycle, and following the continuing breakthrough of red, blue, green, and white light high brightness technology, the visible LED has become the primary applied product type.

LED has been made widely popular through applications such as backlighting and lighting equipment. The birth of high brightness LEDs in recent years has even broadened LED application to large-panel displays used indoors and outdoors. As LED technology continues to evolve, fine pitch LED displays now have the potential to replace LCD & DLP technologies commonly used in large panels. According to the industry's estimates, fine pitch LED display will be the fastest growing product in the next few years, and consumers' demand for higher resolution will fuel the growth of the market, attracting a greater number of producers to develop products in this field.



Estimated Growth for the Market of Fine Pitch Displays
Source: LEDinside 2017

Following the rapid growth of fine pitch LED displays, the next-generation display technology - micro LED has also begun development. According to market research institutions, wearable devises such as AR & VR are the early potentials of micro LED display technology. It is also very likely for this new technology to be used on tablet PCs, monitors, and TVs. Judging by the current level of market demand and global production capacity, expitaxy - one of the early stages of LED production - has potentials for exponential growth.



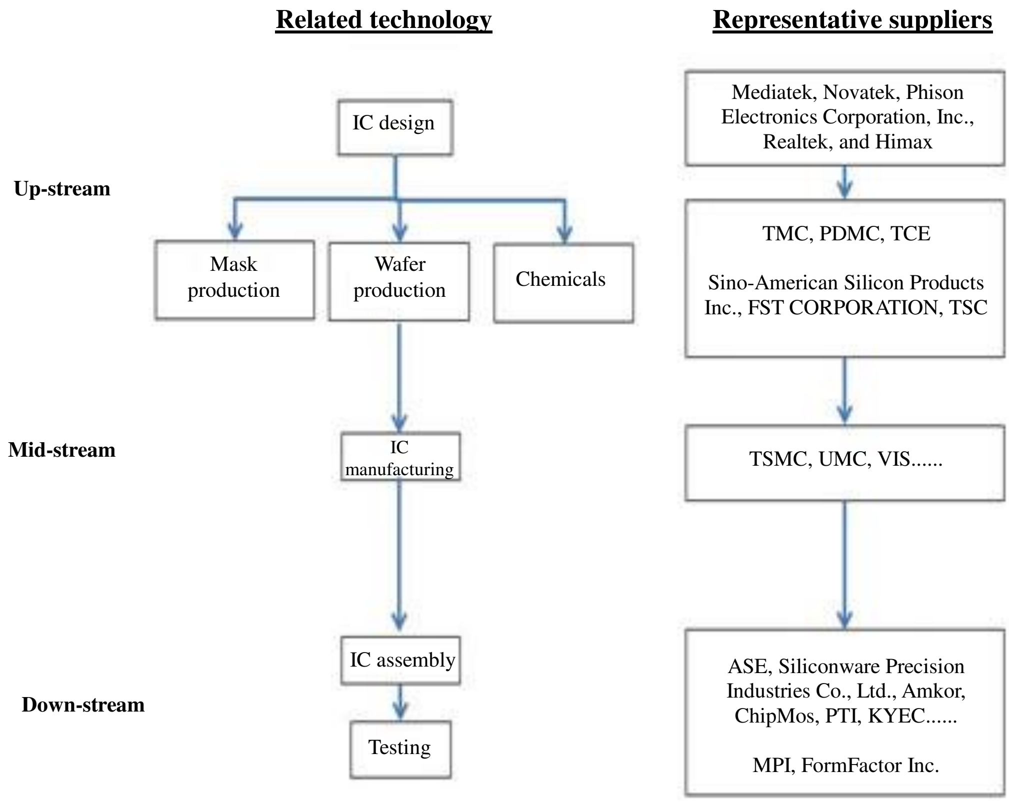
Prospects of micro LED display in 2016~2025
Source: LEDinside 2017

Over the next 5 years, both fine pitch and micro LED display will be the two fast-growing LED applications. Fine pitch and micro LED require testing, sorting, and mass transfer to be performed at much higher precision and speed than conventional LED equipment. For this reason, the Company has joined the Micro Assembly founded by Industrial Technology Research Institute, and will be working closely with industry peers in Taiwan to develop high-end automated LED equipment that meet the market's demands, and quickly support advancements in LED applications.

B. Status of domestic industry

(A). Wafer probe card (semi-conductor industry)

Owing to the government's prolonged guidance and support, Taiwan's semiconductor industry has evolved to form a complete supply chain from IC design in the upstream, wafer fabrication in the mid-stream, to IC assembly and testing in the downstream. The industry prides itself for its complete structure and specialization. Production value of Taiwan's semiconductor industry just reached TWD 2.4 trillion in 2016, and has the potential to grow to TWD 2.6 trillion by 2017. Semiconductors has become Taiwan's most globally competitive and economically viable industry.



Source of data: MPI (2017/4)

Relation Diagram for up-stream, mid-stream and down-stream dealers in the semi-conductor industry

The future semiconductor market will be driven not only by demands for mobile communication, but by new applications such as 5G, IoT, auto electronics, wearable devices, and ADAS as well. These new demands will benefit upstream as well as downstream manufactures, bringing new opportunities to the world's most complete and highly specialized semiconductor supply chain and contribute to Taiwan's market competitiveness.

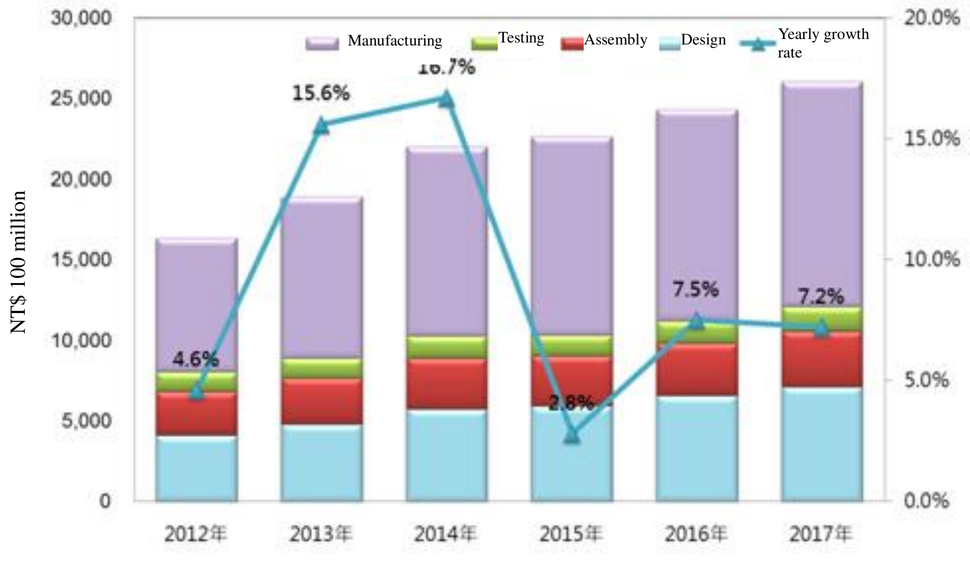
In terms of production value, Taiwan's IC industry exhibited a marginal growth of 2.8% in 2016 due to conservative outlook of the global economy, lack of demand, and declining trade volume with trade partners around the world. However, Taiwan currently possesses advance production technologies to take advantage of increasing demands for mobile communication device, high-end graphic processing units (GPU) and applications such as machine learning and AI that require higher parallel processing power. These opportunities are likely to contribute to the growth of Taiwan's IC industry, bringing production value to more than TWD 2.6 trillion in 2017. The IC assembly and testing industry, which is directly related to probe cards, may exhibit growth of 6.7% per annum.

Output value of Taiwan's IC industry from 2010 to 2017

Unit: TWD 100 million

	2012	**2013**	**2014**	**2015**	**2016**	**2017**
Design	**4,115**	**4,811**	**5,425**	**5,927**	**6,601**	**7,150**
Assembly	**2,720**	**2,844**	**3,078**	**3,099**	**3,220**	**3,435**
Testing	**1,215**	**1,266**	**1,368**	**1,314**	**1,390**	**1,533**
Manufacturing	**8,292**	**9,965**	**11,223**	**12,300**	**13,117**	**13,965**
Wafer OEM	**6,483**	**7,592**	**8,643**	**10,093**	**11,345**	**12,593**
Memory	**1,809**	**2,373**	**2,580**	**2,207**	**1,772**	**1,372**
Output value of	**16,342**	**18,886**	**21,094**	**22,640**	**24,328**	**26,083**
Yearly growth rate	**3.8%**	**13.4%**	**11.1%**	**-11.4%**	**7.5%**	**7.2%**

Source: Industrial Technology Research Institute, IEK (2016/11); compiled by MPI (2017/02)
Note: Output value of IC industry=output value of IC design industry+IC manufacturing industry+IC assembly industry+IC testing industry



Production Value and Growth Rate of Taiwan's IC Sub-industries - 2010~2017
Source: Industrial Technology Research Institute, IEK (2016/11); compiled by MPI (2017/02)

Looking forward to the global semi-conductor market in 2017, the various leading semi-conductor manufacturers, such as Intel, TSMC and Samsung, have released the optimistic forecast toward the semi-conductor industry and escalated the capital expenditure, increased the advanced process equipment and expand the production capacity. Furthermore, the global semiconductors market continues to be driven by demands for mobile device, 5G, big data and clouding computing storage, while new applications, products and services are being made possible with respect to IoT, smart production, smart healthcare, and auto electronics. Leading market research institutions including Gartner, WSTS and IHS have all expressed optimism towards the production value of global semiconductors in 2017 and the annual growth of IC sub-industries.

Demand for probe cards should grow consistently due to the need of high-end assembly for applications such as network/communication equipment, smartphone chips, high-end GPUs, CMOS and wearable device memory, and demands for SiP assembly for fingerprint recognition by Apple and non-Apple manufacturers. IC assembly and testing companies should be the ones to benefit from this development, for they are most directly related to the use of probe cards.

(B). Photonics automation industry

The popular use of LEDs in backlighting and lighting equipment has made China the world's largest manufacturer of LED components. Meanwhile, the merger and elimination will keep going in the LED industry. At the same time when the leading suppliers of Taiwan and Mainland China proceed with the merger, the international LED suppliers also keep adjusting themselves.

Growing application of fine pitch and micro LED in high resolution displays has presented the industry with immense opportunities, and invited intensive competition at the same time. Only manufacturers that are capable of making fast adjustments adopting optimized technologies may survive competition in high-end displays.

Upon the Company's continuous investment in development and application of various equipment required by development of LED production process, the Company's testing and sorting process of LED Epitaxy already occupied high market shares. In recent years, it has been active in the development of various equipment and applications for the assembly stage of the LED production process. Meanwhile, the Company is constantly applying new technologies onto new equipment designed for fine pitch and micro LED production, so as to ensure improvement and growth in line with the industry.

(2) Correlation of the up-stream, mid-stream and down-stream dealers in the industry

The Company's main products include wafer probe cards and photoelectric semi-conductor automated equipment series. Due to the complicate processing required by machinery, said products require numerous spare parts. Therefore, the processing of spare parts in the process of production of said products is handled by the Company's vendors primarily. In terms of correlation of the up-stream and down-stream dealers in the industry, the Company is identified as a down-stream dealer engaged in R&D, design & assembly and distribution of various wafer probe cards and machines to semi-conductor and LED industries, while the suppliers of spare parts and raw materials are identified as the up-stream dealers, including suppliers of PCB, probe cards, microscopes, slide rails and automatic control components. The correlation of the up-stream and down-stream dealers in the industry is stated as following:

A. Wafer probe card:

Up-stream	Mid-stream	Down-stream
Measuring instrument industry		
PCB industry	Probe card for testing	IC design industry
Ceramic industry	Special tooling	IC manufacturing industry
Synthetic resin	Wafer probe card tester	IC testing industry

manufacturing industry
Passive component industry

B. Photoelectric semi-conductor automated equipment:

Up-stream	Mid-stream	Down-stream
PCB industry	Computer	LED industry
Machinery processing industry	Automated control test tooling and equipment	Optoelectronic manufacturing industry
Automatic control components	Probe card	Split-type component industry
Measuring instrument industry		Communication industry
Computer device industry		
Optoelectronic components		
Electronic parts		

(3) Development trends of products

A. Wafer probe card (semi-conductor industry)

The development of probe cards synchronizes with the development of IC industry. For example, 3D IC, Chip Scale Package (CSP), Flip Chip Package, Multi Chip Module (MCM), KGD (Known Good Die), Cooper Pillar Package, Drawing Chip and high-frequency testing demand are all dependent on various probe card testing technologies.

The following ten development trends are concluded from the relations between IC development trend and wafer probe cards:

①Miniaturization of needle gage

ITRS (International Technology Roadmap for Semiconductors) disclosed that the entire semi-conductor technology would continue to evolve toward miniaturization of circuit interval in the Metrology Roadmap 2012 Update. In order to be in line with the miniaturization of IC process and continuing miniaturization of square measure of the chip, the development of wafer probe cards will be oriented toward further miniaturization of needle gage to comply with the requirement by IC process technology.

②Prevention of signal interruption

SoC has become the mainstream in the IC development. In the future, the IC process and function will get more and more complicated. Such functions as logic, memory and analogous sections will be concentralized in one single chip and, therefore, the difficulty of wafer probe card technology will increase more and more, resulting in challenge to the prevention of signal interruption.

③Application of different semi-conductor materials and technology

The innovation and development of new semi-conductor process and technology will derive different types of chip bonding pads and materials. The probe card technology varies based on the different materials forming the bonding pad of the chip to be tested.

④High-speed probe card

Due to the increasing demand for mobile communication and online application in the most recent years, the demand for high-speed communication chips has been increasing drastically, and even thereby resulted in development of IC of high-speed signal communication. The most important factor to be taken consideration by the design of high-speed communication chips is communication of signals. Therefore, impedance matching of signal transduction path and completeness of signal are very important. How to design the circuit of probe card and secure precision of manufacturing thereof to ensure completeness of signal transduction is very critical to development of probe cards.

⑤Multi-chip parallel testing

To deal with the rapid growth of 12" wafer fab, IC test suppliers prefer the probe card which may complete the multi-chip testing with only one touch, in order to save time in testing and upgrade the cost effect. To this end, the number of chip parallel test must be designed to be higher, while it will be more difficult to achieve the consistency between DUTs therefore. Additionally, the bigger the square measure under parallel test is, the harder it will be to control the flatness and, therefore, better probe card design and manufacturing technology will be required.

⑥Low k chip probe card

When the semi-conductor process evolves until 90nm, the dielectric layer must apply the Low k materials of low-dielectric value in order to upgrade the performance of components. Therefore, the products manufactured with low-dielectric coefficient process technology became the mainstream ones. Notwithstanding, the general Low k materials are fragile and porous. Therefore, chips are very likely to be damaged during the wafer probe card testing. How to control the scope of needle pressure of the probe card becomes very important.

⑦Few pin cleaning

The poor quality of pins of a probe card, if any, will render it impossible to achieve fair testing function, and the testing may be continued only after the pins are cleaned. However, after the pins are cleaned, the pins will be worn and torn, and the life cycle thereof will be shortened accordingly. Therefore, the product development focused the point on probe cards which require few pin cleaning.

⑧High-temperature and low-temperature testing

Because IC products shall be applied in various environments, the wafer testing shall be conducted under high temperature and low temperature, in order to meet the product specifications requirement. Therefore, the study on variance of probe cards caused by the effect of temperature is also a point of the design and development.

⑨High-power chip testing

The electric current required to be tested by high-power chips is higher than that required by the general chips. Given this, the durability of electric current of the probe card becomes very important. Therefore, the high electric current-resistant probe card is also a point of the design and development.

⑩Low contact resistance

In order to meet the requirement for reduction of power consumption of handheld mobile devices, the voltage of the device will be lowered relatively and the contact resistance applied when the probe card is testing chips shall not be too high. Therefore, the low contact resistance probe card is also a point of the design and development.

B. Photoelectric semi-conductor automated equipment (LED industry)

①Speed

Photoelectric semi-conductor automated equipment is applied to the production and testing of III V or silicon wafer. The product cost is a very important factor to be taken into consideration. Therefore, upgrading of through put is critical to whether the product meets the market production cost.

②Precision

Each testing point of high-solution LED or high-brightness LED is very tiny. Particularly, the high-brightness LED testing is based on the probing after cutting and expansion. Given that the dices will be arranged in an irregular manner after cutting and expansion, the prober per se and visible precision of positioning become very important.

③Automatic production

The increasing application of LED results in the booming industrial development. Each manufacturer continues to expand its fab and, therefore, the HR management becomes a very important issue. Automatic production or reduction of manual operation will be the trend in the future. Therefore, the development of photoelectric semi-conductor automated equipment will primarily be oriented toward flexible connection of the functions of machine and customers' requirement.

④Production management

In addition to the output efficiency of single machine, the output efficiency of a whole production line is also an important indicator for each fab. It is also necessary to improve the integration of data flow and the most effective production process, and the application and design of machines.

⑤Package type

The package types of LED include the traditional SMD and PLCC, and XP-Lamp and COB produced in order to deal with the demand for lightening. The output value thereof is also increasing. The newly emerged "Phosphor on Die (PoD) process" has significantly reduced the cost of assembly materials, and thus became an increasingly popular solution accepted by the market.

(4) Status of competition of products

A. Name of primary competitor, and business lines or competitive business lines of the competitor

(A) Wafer probe card

According to investigation by VLSI Research Inc. and its understanding of the Company, there are only few producers and distributors of wafer probe cards in Taiwan, most of which are unlisted or operate as branches of large conglomerates. MPI is currently the only Taiwanese wafer probe card manufacturer having been ranked among world's top probe card suppliers. It has secured its place as world's fifth largest supplier for a consecutive number of years.

The others in the same trade	Competitive products
FormFactor (a branch company of the U.S.-based FormFactor)	Wafer probe card
JEM TAIWAN PROBE CORP. (a company incorporated by Japan-based JEM in Taiwan)	Wafer probe card
SV Probe (Taiwan Branch of the U.S.-based SV Probe Group)	Wafer probe card

(B) Photoelectric semiconductor automated equipment

The Company's photoelectric semiconductor automated equipment has won customers' recognition through strong brand image and outstanding technological capacity. As the LED industry continues to grow, an increasing number of equipment manufacturers have also invested into the development of photoelectric semiconductor automated equipment for LED manufacturing. The Company, with its technology and ability and its management philosophy taking customers as the first priority, as well as the support from plentiful output, keeps maintaining the first leading brand in the highly competitive market. The competitors are described as following:

The others in the same trade	Competitive products
OPTO tech. Co., Japan	Wafer prober Die bonder
Lumitek Co.,LTD	Wafer prober
WECON	Wafer prober Die bonder
Chroma ATE Inc.	Wafer prober
ASM	Die bonder
Innobiz, Korea	Die bonder
QMC, Korea	Die bonder
Hauman Technologies Corporation	Wafer prober
WeiMin Industrial Co., Ltd.	Wafer prober Die test device
ISMECA	LED Lamp tester

(III) Overview of technology and R&D

(1) R&D expenses during the most recent year and up to the date of publication of this annual report:

Unit: TWD thousands

Year	2016	Year-to-date March 31, 2017
R&D expenses	848,616	161,220

(2) Technology or product developed successfully in the last five years

Year	Name of technology or product
2016	Development technology for high test speed epoxy/cantilever probe card Development technology for micro pitch overdrive vertical probe card Development technology for high frequency micro-electromechanical probe card for the testing of mobile communication power amplifiers. High-speed AOI photoelectric inspection equipment - A3000 Laser wafer prober W1/S1
2015	Micro-distance spring-loaded type probe card development technology High-current-resistant micro-electromechanical probe card

	technology development technology High-speed LED die sorting equipment M60D Flip chip CSP components Dice identification and positioning prober technology Multi-channel multi-die LED photoelectric prober and measuring technology EEL Laser Diode components prober and sorting equipment Photo Diode low-current prober and measuring equipment
2014	Wide I/O interface testing technology Micro-electromechanical epoxy/cantilever probe card development technology for co-design of chips Vertical probe card large-area needle technology development technology High-speed full-automatic white-light component prober equipment heating and testing technology Fast thermal resistance measurement technology Flat lighting measuring technology Full automatic 8-inch wafer prober P9002F
2013	CMOS image sensor high frequency and multi-chip parallel testing technology Vertical probe card low resistance variance technology Self-Lubricity low need pressure micro electro mechanical probe card technology White light component LED Tester - T100 High-speed full automatic white light component LED Die Prober DP76P High-speed full automatic component LED Chip Taping CT-200 Full automatic COB filament testing sorting system A1600 Full automatic 8-inch wafer prober P9002
2012	Copper pillar bump vertical probe card for package testing Full automatic component LED Die Prober DP76XL Full automatic component LED Chip Taping CT-100 High-speed full automatic LED AOI testing device Component LED Package Tester

(IV) Long-term and short-term business development plans

(1) Long-term business development plan

A. Develop the market in the U.S.A. to support customer's need;

B. Apply accumulated technology and human resource to develop horizontally in the e-testing field;

C. Training human resource and ability in internationalized division of labor and production & marketing;

D. Continue to improve the enterprise's constitution in all respects;

E. Accelerate domestic application of thin chips; and

F. In the case of sufficient sources of materials in the future, extend the business lines of crystal growth fab.

(2) Short-term business development plan

A. Enhance HR training

B. Market development & marketing

C. Establish various departments' routine management systems and fulfill departmental management

II. Overview of market and production & marketing

(I) Market analysis

(1) Territories where main products (services) are sold (provided)

The Company primarily sells (provides) main products (services) in Taiwan. Currently, all of the nation's major foundries, fabless manufacturers, and outsourced semiconductor assembly and test (OSAT) companies are the Company's customers.

(2) Market share

MPI specializes in the design and manufacturing of probe cards for wafer testing. It is the largest supplier in Taiwan, and one of the few companies of the same field to be listed on Taipei Exchange. Compared to other local competitors, MPI excels in terms of production capacity, R&D capacity and financial structure.

According to the 2016 global wafer probe card report published by VLSI Research Inc. in April 2017, MPI ranked 5th among the world's largest probe card suppliers, and was the only Taiwanese company in world's top 10 probe card suppliers. In terms of epoxy/cantilever probe cards, MPI has secured its position as world's No. 1 supplier; in terms of vertical probe cards, MPI surpassed many globally renowned manufacturers including JEM, MJC, SV TCL and FormFactor to secure world's No. 1 place.

Domestically, MPI is the leader in the market of probe cards, covering entire probe cards, epoxy/cantilever probe cards, vertical probe cards, LCD driven IC, and high-frequency probe card, and also plays the indicative role in the same trade, in terms of quality or sale volume.

(3) Future supply & demand and growth of market

A. Demand:

The cost of IC assembly has risen due to increasing level of miniaturization, thereby making wafer probing a critical step in IC manufacturing. As a result, the wear of wafer probe cards increases with the volume of ICs produced.

In recent years, there has been increasing complexity and diversity in the functionality of consumer electronics. Due to new applications such as IoT, wearable device and auto electronics, consumers not only demand their products to be light in weight and small in form factor, but expect more functionality as well. In an attempt to increase market share, semiconductor leaders around the world have continued to make additional capital expenditure and expand production capacity. As chip production increases and chip assembly technology evolves toward slimness, low cost and high efficiency, requirements for wafer probing have become more stringent than ever. In addition, increasing complexity in the design of probe cards has escalated users' expectation towards probe card quality and quantity.

Taiwan is renowned for having a complete semiconductor supply chain that is very likely to benefit from fab-lite or fabless outsourcing by world's leading IDMs, and become the biggest winner in the new outsourcing trend. According to the study by IC Insights, Taiwan accounted for 21.3% of the world's wafer fabrication capacity in 2016, ranking first place for two consecutive years; in terms of IC assembly and testing, Taiwanese companies occupied 6 of the world's top 10 places in 2016 (the world's No. 1 supplier was also from Taiwan), and continued to lead the industry in technological development. Growth of Taiwan's semiconductor industry will contribute to the growth of IC testing and give rise to demand for probe cards directly.

B. Supply:

Probe card is a highly competitive market. Each manufacturer possesses a specialty that appeals to certain customers; some foreign manufacturers, for example, are more advanced in terms of memory modules. MPI, a local leader in its field of expertise, specializes in the design of high speed/frequency probe cards and probe cards for LCD driver IC. Currently, most local semiconductor manufacturers are already long-term customers of MPI. This strong supply relationship has given MPI great control over related products and semiconductor customers in Taiwan.

In terms of technological capacity, MPI currently leads the market in pin count, fine pitch, high speed and high frequency, and has created a significant technical barrier of entry. MPI suppliers probe cards in cantilever, vertical and MEMS types. It possesses the capacity to self-produce general type and high-frequency type probe cards. MPI's products offer features such as fine pitch and high test count to save wafer testing costs and increase test precision. In the future, MPI will adhere to its innovative vision and continue investing into the research and development of next-generation probe cards.

Taiwan already has very few wafer probe card manufacturers today, and increasing complexity of high-end chip applications may require tests to be performed at much stringent standards than they are used to today. Small-size manufacturers that are unable to break through existing bottlenecks are likely to to face elimination.

(4) Competition niche

A. Ability to deliver consistently outstanding technologies and products; having developed long-term and stable working relationship with customers.

B. Provide the total solution, together with real-time customer service and know how about the related application.

C. Ongoing innovation: Faced with an ever-progressing technology industry and the need to satisfy new applications, MPI not only invests a significant amount of R&D resources to secure its leading position, but has also committed substantial budgets into developing new technologies as a means of building competitiveness and technological barrier of entry. For the vertical probe card market, MPI is currently looking to build up collaborative relationship with foreign IC design companies, and has committed significant R&D resources to secure growth opportunities in the future.

D. Complete patent portfolio: MPI has filed a total of 918 patent applications, and was certified for 575 (as at the end of 2016).

(5) Positive and negative factors for future development, and response to such factors

A. Positive factors

(A) The product quality and stability have been recognized by domestic/foreign leading semi-conductor manufacturers and successfully launched into the international leading suppliers' supply chain. The Company is the best supplier recognized by the public domestically.

(B) Possess complete and diversified R&D competency and talents, and able to arrange the careful and complete layout with respect to the future industrial trend development.

(C) The market tends to demand high pin count, narrow band channel and high-speed/high-frequency design for transmission signals. The Company has competitive strength in quality and stability of the products in the relevant area. The expanding market demand is expected to boost the Company's operating revenue.

(D) Complete product line: The Company has started to produce semi-automatic probe card testers to create various automatic applications based on the automatic core technology since 2001. The products are designed to be replaceable rapidly to meet various needs and applicable to the related tests in the semi-conductor industry, and thereby may greatly mitigate the risk caused by changes in the economy of any single industry.

(E) Sensitive market control: Own the complete sale and service channels to reflect the market condition immediately as feedback to ensure the competitiveness.

B. Negative factors

(A) As a small-sized supplier, it is necessary to engage in price war to survive in the industry. Therefore, the risk in fluctuation of market value is increasing.

(B) The growth of the traditional wafer probe card market is limited. Therefore, it is necessary to continue developing micro electro mechanical and vertical probe card technology to satisfy the need caused by great growth of advanced packaging.

(C) The precision mechanical parts of automated testers are mostly imported from foreign countries. The high acquisition cost and long delivery term cause risk over Taiwan customers' requirement about delivery term.

C. Response to such factors

(A) Upgrade the production quality of wafer probe cards and shorten the delivery term to satisfy customers' need and strive for reasonable price.

(B) Invest resources in R&D of technology actively to deal with the new challenge about technology and ensure the leadership of technology.

(C) Enhance the business and market survey about testers to upgrade the accuracy of forecast about market demand, and order and import safe stock of spare parts based on the market demand, and establish the semi-finished goods inventory system to ensure fulfillment of delivery term.

(II) Important purpose and production processes of main products

(1) Important purpose of main products:

A. Wafer probe card for wafer testing

The measuring interface at the stage of wafer testing is a bridge between the wafer to be tested and the tester, extensively applied to the testing of such wafer as logic components, memory components and LCD driver components.

B. LCD Driver IC Fina Test wafer probe card

The testing interface after packaging, a bridge of the signal transmission between the LCD Driver IC to be tested, Tape and the tester.

C. Vertical type probe card

The measuring interface at the stage of wafer testing, designed for the wafer prober and need for flip-chip products.

D. MEMS probe card

The measuring interface at the stage of wafer testing, designed for the wafer prober and need for flip-chip products.

E. Photoelectric semiconductor die testing equipment

This equipment is used after wafer production to test photoelectric characteristics of the die, and to sort data into bins.

F. Photoelectric semi-conductor die testing and sorting equipment

Upon completion of the photoelectric semi-conductor die test, sort out the dies based on the photoelectric characteristics of dies.

G. Photoelectric semiconductor bonding equipment

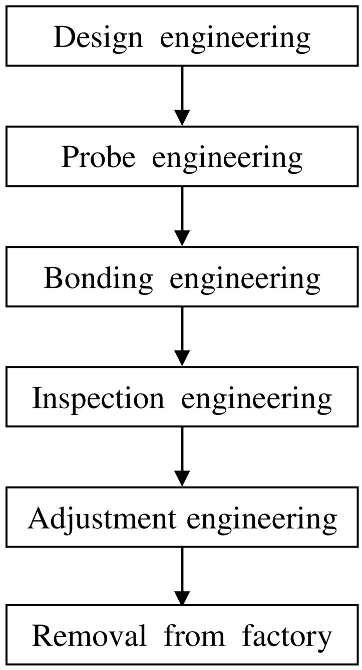
This equipment is used to bond photoelectric components onto substrate.

H. Fully automated AOI testing equipment

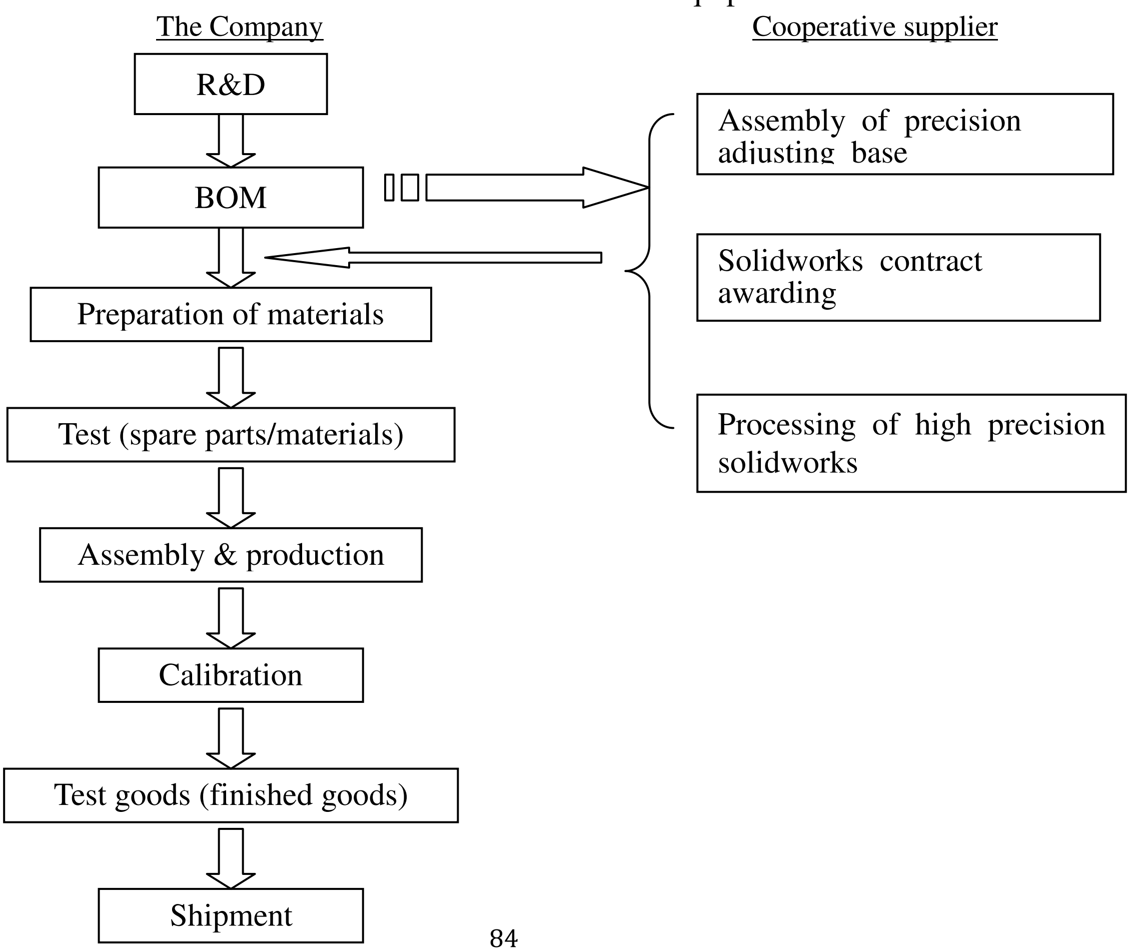
The device that tests AOI by automatic optoelectronic testing after photoelectric semi-conductor testing and sorting, to identify and sort the dices with defective appearance.

(2) Production process of products

A. Wafer probe card



B. Photoelectric semi-conductor automated equipment



(III) Supply of main raw materials

The Company's main products include wafer probe cards and photoelectric semi-conductor automated equipment series. The raw materials and supplies required by wafer probe cards include PCB, probe and tube, et al., while those required by photoelectric semi-conductor automated equipment include microscope, machine bed, Bed Type Milling Machine, screw track, motor and industrial computer. The Company maintains fair collaborative relationship with domestic/foreign raw material suppliers, and keeps working with two (2) or more suppliers of key materials and spare parts to keep the procurement flexible and disperse the risk over excessive concentration of raw materials and supplies.

(IV) List of main suppliers/buyers

(1) List of suppliers that represented more than 10% of total procurement in the last 2 years

Unit: TWD thousands

2015				2016				2017 first quarter			
Name	Amount	Percentage of total net procurement (%)	Affiliation with issuer of securities	Name	Amount	Percentage of total net procurement (%)	Affiliation with issuer of securities	Name	Amount	As a percentage of net procurement (%) for the first quarter of the current year	Affiliation with issuer of securities
Others	1,122,818	100.00%	N/A	Others	1,462,720	100.00%	N/A	Others	383,483	100.00%	N/A
Net procurement	1,122,818	100.00%		Net procurement	1,462,720	100.00%		Net procurement	383,483	100.00%	

Analysis of variations: The Company had no supplier that accounted for more than 10% of net procurement in 2015 and 2016.

(1) Name list of any customers to whom the Company has sold 10 percent or more of the Company's sales in the most recent two (2) years

Unit: TWD thousands

2015				2016				2017 first quarter			
Name	Amount	Percentage of total net sales (%)	Affiliation with issuer of securities	Name	Amount	Percentage of total net sales (%)	Affiliation with issuer of securities	Name	Amount	As a percentage of net sales (%) for the first quarter of the current year	Affiliation with issuer of securities
Customer A	590,439	14.71%	N/A	Customer S	574,946	11.59%	N/A	Customer S	150,747	13.36%	N/A
Customer M	502,401	12.52%	N/A	Others	4,386,809	88.41%	N/A	Others	977,251	86.64%	N/A
Others	2,920,330	72.77%	N/A								
Net sales	4,013,170	100.00%		Net sales	4,961,755	100.00%		Net sales	1,127,998	100.00%	

Analysis of variations: As a result of the change of product portfolio.

(V) Output and sales volume for the most recent two (2) years

Unit: Quantity: probe card: PIN; Quantity: Prober: sets; Value: TWD 1,000

Main products (or by department) \ Output and sales volume \ Year	2015			2016		
	Productivity	Output	Output value	Productivity	Output	Output value
Wafer probe card	9,120,000	7,494,834	1,216,940	9,000,000	8,765,679	1,587,831
Photoelectric semi-conductor automated equipment	936	796	490,472	890	944	686,825
Total			1,707,412			2,274,656

(VI) Sale volume for the most recent two year

Unit: Quantity: probe card: PIN; Quantity: Prober: sets; Value: TWD 1,000

Main products (or by department) \ Sale volume \ Year	2015				2016			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer probe card	6,997,524	1,750,324	2,235,436	819,200	5,073,878	2,084,754	3,060,953	1,024,785
Photoelectric semi-conductor automated equipment	133	109,215	822	703,461	83	80,807	641	863,475
Others		135,376		495,594		160,333		747,601
Total		1,994,915		2,018,255		2,325,894		2,635,861

III. Information about the employees

Information about the employees employed for the most recent two (2) fiscal years and until the publication date of the annual report

Year		2015	2016	Year-to-date April 30, 2017
Number of employees	Indirect employees	773	793	796
	Direct employees	590	650	670
	Total	1363	1443	1466
Average age		33.8	34.4	34.53
Average service seniority		5.42	5.88	6.65
Academic background (%)	PhD	0.29	0.28	0.27
	Master	16.51	16.15	15.76
	College	67.21	68.54	69.03
	Senior High School	15.70	14.69	14.60
	Below Senior High School	0.29	0.34	0.34

IV. Information about the expenses of environmental protection

The Company obtained certification for ISO 14001 - Environmental Management System in September 2016. This system enables the Company to evaluate how each procedure affects the environment, and thereby facilitate ongoing improvements. The Company has a Support Department responsible for managing, maintaining and making improvements to the environmental management system. The department is also responsible for communicating with internal and external parties on environmental issues. Due to the nature of the Company's products, its production process causes very little impact on the environment. Waste, air pollutants and wastewater are the main types of pollutant generated from operations, but the Company has placed great emphasis on preventing pollution and mitigating environmental impacts, and has invested in the installation of pollution prevention facilities. Through effective management and auditing of operating activities, MPI hopes to reduce impact of pollution and raise employees' awareness towards environmental protection. Meanwhile, annual improvement plans are being made to control and reduce the volume of waste, air pollutants and wastewater generated by MPI, and thereby fulfill its promise to prevent pollution and minimize environmental impact.

The Company obtained certification for ISO50001 - Energy Management System in February 2017 and has identified electricity to be the main type of energy consumed, based on surveys conducted using the system. For this reason, the Company has devoted itself to reducing power consumption, and set performance target to reduce power usage by an average of at least 1% per year.

(I) Description of compliance regarding pollutive facility installation permit, pollutant discharge permit, payment of pollution prevention expenses, or appointment of environmental protection personnel, where required by law:

1. According to the environmental protection laws and regulations, the Company's 2nd Plant in Zhubei and Xinpu Plant have applied for the water pollution prevention permit and permit for permanent pollution source operation issued by Hsinchu County Environmental Protection Bureau, and also delegated the personnel dedicated to waste disposal (class B) and air pollution prevention (class A).
2. Report and pay the pollution prevent expenses according to the environmental protection laws and regulations.

(II) Investment in pollution prevention equipment, the purpose of equipment, and possible benefits:

The anti-pollution facilities are used to process the wastewater and gas derived from the production process to reduce the environmental pollution and comply with the environmental laws and regulations.

(III) Efforts undertaken by the Company to rectify pollution in the last two years and up till the publication date of the prospectus; where dispute had arisen due to pollution, describe the progress of such dispute: The Company produced no pollution in the last two years up till the publication date of the prospectus.

(IV) Describing the loss (including damages compensation paid) suffered by the Company due to environmental pollution incidents occurred in the most recent two (2) fiscal years and up to the prospectus' publishing date, the total penalty/fine amount, as well as disclosing its future preventive policies (including improvement measures) and possible expenses to be incurred (including possible loss if no preventive measures are taken, and the penalties and estimated damage compensation amount; if reasonable estimation cannot be made, explanation on the facts why it cannot be made shall be stated.): N/A

(V) Explaining the current condition of pollution and the impact of its improvement to the profits, competitive position and capital expenditures of the Company, as well as the projected major environment-related capital expenses to be made for the coming two (2) fiscal years: N/A.

(VI) Information about RoHS: Not applicable, due to the characteristics of the Company's business lines.

V. Labor relations:

(I) Setting forth all employee benefits, continuing education, training, retirement systems, and the status of their implementation, as well as the status of agreements between labor and management, and all measures aimed at preserving the rights and interests of employees:

1. Employee benefits:

The Company drafts and promotes various benefits primarily in order to ensure employees' safety and health in work. The workers benefit commission organized by employees enables employees to enjoy participating in planning and implementation of physical activities, in order to make the activities more characteristic and practical and to achieve the purpose of physical and mental relaxation. The Company also realizes that employees shall be held the important drive boosting the Company's growth. In addition to operating said Commission to process employees' benefits, the Company also provides the following benefits:

(1) Generous annual salary; improvement of lifestyle quality
(2) Festive bonuses and gift vouchers for Duanwu Festival, Mid-autumn Festival, and Chinese New Year
(3) Employee profit sharing
(4) Regular salary adjustments based on work performance
(5) Payment of performance bonus based on work performance
(6) Domestic group trips, plus subsidies for personal travel/book purchase
(7) Paid annual leaves and floating leaves that are more advantageous than what is required by the Labor Standards Act, and can be claimed since the time onboard
(8) The Company operates a proprietary diner that provides four complimentary meals (including night snacks) a day to care for employees' health
(9) Complimentary annual health checkup; physicians are invited twice a month to provide complimentary medical consultation service for plant employees
(10) Dormitory subsidy, complimentary vehicle parking, gym and aerobics teaching space
(11) Comfortable reading space and complimentary borrowing of books and publications
(12) Proprietary coffee house and all-purpose convenience store that sell merchandise and tickets at discount prices
(13) Wedding, funeral and childbirth subsidies
(14) Comprehensive training program
(15) Labor insurance, health insurance, group insurance, and pension

2. Continuing education and training systems, and the status of their implementation:

The Company has the dedicated personnel from HR Dept. arrange and plan the competency education and training courses (including the training courses co-organized by other entities and units commissioned by the Company), to be in line with the Company's operating policy and development objectives, upgrade the employees' quality, enrich their basic knowledge, improve their skills and exert their potential, and also to be in line with the propagation under laws and regulations. The Company's education training systems are categorized into internal training, external training and overseas continuing education to satisfy employees' personal need for self-actualization.

Continuing education and training of employees:

Item	Number of class	Total number of person	Total hours	Total fees
1. Orientation training	3	177	1,902	0
2. Professional competency training	210	471	4,207	1,636,302
3. Supervisor's competency training	54	171	3,120	883,684
4. General education training	48	92	1,529.5	320,600
5. Self-inspiration training	52	1,517	6,155.5	566,106
Total	367	2,428	16,914	3,406,692

3. Retirement system and the status of its implementation:

Pension -- The old scheme

The Company makes monthly contributions to employee pension fund in accordance with law. A Labor Pension Fund Supervisory Committee has been assembled to oversee all pension-related affairs.

Employees may voluntarily retire if they satisfy any one of the following conditions:

I. Aged 55 or above and completed at least 15 years of service.

II. Having completed at least 25 years of service.

III. Aged 60 or above and completed at least 10 years of service.

Employees may be compelled to retire in any of the following circumstances:

I. Aged 65 or above.

II. Mentally impaired or suffer physical disabilities that render them unfit to work.

The age criteria outlined in Subparagraph 1 above can be adjusted for positions that involve danger, physical strength or jobs of special nature, subject to the competent authority's approval. However, the age criteria must be no lesser than 55.

Employees' retirement age is calculated in full years based on their registered birth dates.

Employees' pension benefits are paid using the following standards:

I. Two basis points are awarded for every full year of service up to 15 years, whereas one basis point is awarded for every full year of service completed beyond 15 years, subject to a maximum of 45 basis points. Services less than six months are counted as one half year, whereas services more than six months are counted as one full year.

II. Employees who are compelled to retire under Subparagraph 2, Article 61 of the rules shall be given 20% additional pay if their mental or physical disability is caused while performing job duties.

Baseline salary is defined as the monthly average salary at the time employee's retirement is approved; average salary is calculated as total salary earned over the six months prior to the date of retirement divided by six.

The following days and compensations are excluded from the calculation of average salary:

I. Day of employee's retirement.

II. The days employee spends on medical treatments for occupational injuries.

III. Female employees who take maternity leave less than six months onboard, during which salary is paid at 50% the usual rate.

IV. The days on which the employee is rendered unable to work due to disruption of the Company's operation in the event of natural disaster or force majeure.

V. Employees who have salary paid at 50% or 0% the usual rate due to ordinary injury/illness or extended unpaid leave of absence.

Pension benefits are paid within 30 days after employee's retirement.

Employees' rights to claim pension benefits will expire if not exercised for five years starting one month after retirement.

Other pension-related issues are governed by the Company's employee retirement policy and the Labor Standards Act.

Pension -- The new scheme

The Company makes monthly pension contributions in accordance with the Labor Pension Fund Act. A Labor Pension Fund Supervisory Committee has been assembled to oversee all pension-related affairs.

Collection, payment and custody of pension benefits, imposition of late penalty and fines, and mandatory execution of pension fund are carried out by the Bureau of Labor Insurance.

Employees who remained in service after the new labor pension scheme came into effect shall retain years of service accumulated prior to the new scheme. When employment contract satisfies the retirement criteria specified in the Labor Standards Act, the Company will make severance pay or pension benefit for the years of service retained based on average salary at the time the contract is terminated.

The Company contributes an amount no lesser than 6% of employee's monthly salary to the labor pension fund.

The Company makes pension fund contributions from the day employee comes onboard until the day employment is terminated.

In the event that an employee takes an extended unpaid leave, or undergoes military service, or is subjected to job suspension, or is detained by police and pending court judgment, the Company shall notify the Bureau of Labor Insurance in writing within 7 days to suspend pension fund contribution.

Collection and calculation of pension benefits are explained below:

I. Employees who were hired or re-hired on and after July 1, 2005 are subject to the new labor pension scheme. Under the new scheme, employees are entitled to claim pension funds accumulated in their personal accounts from the Bureau of Labor Insurance upon reaching the age of 60 (regardless of years of service).

II. Monthly benefit payment: Using the Annuity Worksheet, the balance of principal and income accumulated in the employee's personal pension account plus interests accruing over the average life expectancy is paid out as pension benefits in regular intervals.

III. One-time benefit payment: One-time collection of principal and income accumulated in employee's personal pension account. Pension fund contributions made in accordance with the Act shall earn a return no lesser than 2-year time deposit rate quoted by the local bank; any shortfalls are to be reimbursed by the treasury.

4. Agreements between labor and management:

The Company is a business applicable under Labor Standard Law. The Company operates in accordance with Labor Standard Law. The relations between labor and management are fair, and no dispute has arisen between labor and management.

5. Measures aimed at preserving the rights and interests of employees:

The Company upholds the philosophy for "sharing earnings with employees", and defines the percentage of employee bonus in its Articles of Incorporation to encourage employees' participation in the management. Meanwhile, the Company has installed the "Opinion Mailbox" to promote the suggestion system. Any approaches for improvement or suggestions helpful for the Company's management or system or facilities may be sent to the Mailbox. In order to encourage employees to put forward suggestions, the Company will grant reward subject to the circumstances and provide employees with the communication and opinion exchange channel for employees in life and work.

6. Working environment and protection measures against employees' personal safety:

For the safety of the work environment, the Company has security guards patrolling the main entrance 24 hours a day, while other exits and entrances are protected by access control and video surveillance. The carpark has emergency call buttons deployed throughout. Building structure, fire safety equipment, electrical equipment, drinking water and elevators are inspected and maintained on a regular basis to ensure employees' safety.

MPI obtained certification for OHSAS18001 - Occupational Health and Safety Management System in September 2016. The Company has dedicated labor safety department and personnel available to plan, execute and supervise related operations, training and internal/external communication. The Company has assembled an Occupational Safety and Health Committee in accordance with the Occupational Safety and Health Act. The committee convenes meetings every three months to discuss matters concerning safety and health management, so that actions can be taken to ensure employees' safety and health. Furthermore, the Company has employee safety and health policy, emergency response policy, contractor safety and health policy, and safety and health code of conduct in place to prevent disasters. Self inspections, safety & health trainings, and disaster prevention rehearsals are organized on a regular basis to raise employees' awareness towards hazards in the work environment and build up response to emergencies. These exercises also assure the effectiveness of existing emergency response plans.

The Company also arranges regular cleaning, sterilization, environmental test and inspection to address possible safety and health factors in the workplace. Employees are offered complimentary health checkup each year, while physicians are invited on-site to provide medical consultation and organize health promotion activities. These efforts have been made to give employees a safe and comfortable environment to work in.

(II) Describing the loss suffered by the Company due to labor disputes occurring in the most recent years and up to the publication date of the annual report: N/A.

(III) Disclosing the estimated amount expected to be incurred for the present and future as well as the preventive measures: The relations between labor and management are fair in the Company. The communication channels between both parties are free from any trouble and, therefore, no amount about labor dispute expected to be incurred for the future.

VI. Important contract

Nature of contract	Concerned party	Duration	Contents	Restrictive clause
Agency contract	MPI TRADING CORP.	2005/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading and payment of commission of semi-conductor equipments	N/A

Lease contract	Chain-Logic International Corp.	2014/12/21~2017/12/20	Sublet the factory premises building at Wenshan Road, Xinpu Township, Hsinchu County	N/A
Lease contract	Lumitek Co.,LTD	2014.11.01~2017.10.31	Sublet the factory premises building at Wenshan Road, Xinpu Township, Hsinchu County	N/A
Financing and lease contract	Non-related party	2016/01/1~2020/12/31	Lease agreement for production equipment and machine effective for 5 years	N/A
Agency contract	MJC Microelectronics (Shanghai) Co., Ltd.	2004/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading of wafer probe cards, and payment of commission	N/A
Agency contract	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	2005/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing. Re-sign a new contract on January 1, 2011	Trading and payment of commission of semi-conductor equipments	N/A
Long-term loan contract	Land Bank of Taiwan - Tunghsinchu Branch	2009.03.02~2022.03.02	Loan secured by land and building	
Long-term loan contract	Land Bank of Taiwan - Tunghsinchu Branch	2015.09.30~2020.09.30	Loan secured by land and building	
Agency contract	MJC	2007/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading of U-Probe, and collection of commission	N/A
Agency contract	Chain-Logic International Corp.	2007/08/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing. Re-sign a new contract on January 1, 2011	Trading and payment of commission of semi-conductor equipments	N/A

Agency contract	MET	2010/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading and payment of commission of semi-conductor wafer prober	N/A

Six. Overview of finance

I. Condensed balance sheet and comprehensive income statement for the most recent five years

(I) Condensed balance sheet and comprehensive income statement - IFRSs

1. Condensed balance sheet

Unit: TWD thousands

Item \ Year		Financial information for the last 5 years (Note 1)					Financial information as at March 31, 2017 (Note 3)
		2012	2013	2014	2015	2016	
Current assets		2,952,944	2,809,211	3,598,049	3,145,811	3,662,553	3,571,974
Property, plant and equipment		1,531,677	1,590,963	2,167,777	2,962,969	2,971,021	3,030,557
Intangible assets		20,620	17,977	69,274	81,467	35,923	33,417
Other assets		310,996	297,424	551,709	461,224	595,497	519,508
Total assets		4,816,237	4,715,575	6,387,417	6,651,471	7,264,994	7,155,456
Current liabilities	Before distribution	1,724,014	1,539,879	1,973,673	2,714,026	2,974,021	2,799,184
	After distribution	1,724,014	1,539,879	1,973,673	2,714,026	2,974,021	(Note 3)
Non-current liabilities		112,810	103,057	670,881	289,017	331,191	323,301
Total liabilities	Before distribution	1,836,824	1,642,936	2,644,554	3,003,043	3,305,212	3,122,485
	After distribution	1,836,824	1,642,936	2,644,554	3,003,043	3,305,212	(Note 3)
Equity attributable to the parent company		2,962,948	3,055,611	3,725,704	3,632,590	3,946,956	4,020,545
Capital stock		786,104	786,124	795,364	796,054	796,054	796,054
Capital surplus		740,657	740,781	885,012	871,572	885,735	885,735
Retained earnings	Before distribution	1,577,086	1,655,921	2,004,556	1,972,546	2,295,344	2,401,902
	After distribution	1,577,086	1,655,921	2,004,556	1,972,546	2,295,344	(Note 3)
Other equities		11,707	25,391	40,772	26,872	(30,177)	(63,146)
Treasury stock		(152,606)	(152,606)	0	(34,454)	0	0
Non-controlling equity		16,465	17,028	17,159	15,838	12,826	12,426
Total equities	Before distribution	2,979,413	3,072,639	3,742,863	3,648,428	3,959,782	4,032,971
	After distribution	2,979,413	3,072,639	3,742,863	3,648,428	3,959,782	(Note 3)

Note 1: Said information was already audited and certified by the external auditor.
Note 2: Said titles are free from revaluation of assets.
Note 3: 2016 earnings appropriation has yet to be approved in general shareholders' meeting; hence no disclosure was made for amount after distribution.

2. Summary comprehensive income statement

Unit: TWD thousands

Item \ Year	Financial information in the most recent five (5) years (Note 1)					Financial information as at March 31, 2017 (Note 3)
	2012	2013	2014	2015	2016	
Operating revenue	2,865,212	3,035,778	4,156,132	4,013,170	4,961,755	1,127,998
Gross profit	1,316,312	1,404,321	1,936,519	1,796,111	2,296,862	471,996
Operating profit or loss	293,799	333,548	557,667	319,840	685,942	138,388
Non-operating revenue and expense	(3,542)	(6,949)	41,716	39,674	(34,454)	(19,275)
Net profit (loss) before tax	290,257	326,599	599,383	359,514	651,488	119,113
Net profit of continuing department	254,388	270,933	517,298	294,141	560,837	106,004
Loss of discontinued department	0	0	0	0	0	0
Net profit (loss)	254,388	270,933	517,298	294,141	560,837	106,004
Other comprehensive income in the current period (net after tax)	(11,101)	13,675	11,935	(22,950)	(59,284)	(32,815)
Total comprehensive income	243,287	284,608	529,233	271,191	501,553	73,189
Net profit attributable to parent company	261,931	271,033	517,636	294,820	563,279	106,558
Net profit attributable to non-controlling equity	(7,543)	(100)	(338)	(679)	(2,442)	(554)
Total comprehensive income attributable to parent company	250,101	284,045	529,102	272,512	504,565	73,589
Total comprehensive income attributable to non-controlling equity	(6,814)	563	131	(1,321)	(3,012)	(400)
EPS	3.42	3.54	6.62	3.71	7.09	1.34

Note 1: Said information was already audited and certified by the external auditor.

(II) Condensed balance sheet and comprehensive income statement - Individual

1. Condensed balance sheet

Unit: TWD thousands

Item \ Year		Financial information in the most recent five (5) years (Note 1)				
		2012	2013	2014	2015	2016
Current assets		2,642,173	2,433,597	3,291,927	2,807,369	3,226,583
Property, plant and equipment		1,481,668	1,545,879	1,930,339	2,595,075	2,612,388
Intangible assets		20,609	17,971	23,490	35,739	35,293
Other assets		590,429	608,241	991,179	1,097,297	1,256,904
Total assets		4,734,879	4,605,688	6,237,543	6,535,480	7,131,168
Current liabilities	Before distribution	1,667,265	1,456,813	1,847,374	2,620,794	2,907,588
	After distribution	1,667,265	1,456,813	1,847,374	2,620,794	(Note 3)
Non-current liabilities		104,666	93,264	664,465	282,096	276,624
Total liabilities	Before distribution	1,771,931	1,550,077	2,511,839	2,902,890	3,184,212
	After distribution	1,771,931	1,550,077	2,511,839	2,902,890	(Note 3)
Equity attributable to the parent company		2,962,948	3,055,611	3,725,704	3,632,590	3,946,956
Capital stock		786,104	786,124	795,364	796,054	796,054
Capital surplus		740,657	740,781	885,012	871,572	885,735
Retained earnings	Before distribution	1,577,086	1,655,921	2,004,556	1,972,546	2,295,344
	After distribution	1,577,086	1,655,921	2,004,556	1,972,546	(Note 3)
Other equities		11,707	25,391	40,772	26,872	(30,177)
Treasury stock		(152,606)	(152,606)	0	(34,454)	0
Non-controlling equity		0	0	0	0	0
Total equities	Before distribution	2,962,948	3,055,611	3,725,704	3,632,590	3,946,956
	After distribution	2,962,948	3,055,611	3,725,704	3,632,590	(Note 3)

Note 1: Said information was already audited and certified by the external auditor.
Note 2: Said titles are free from revaluation of assets.
Note 3: 2016 earnings appropriation has yet to be approved in general shareholders' meeting; hence no disclosure was made for amount after distribution.

2. Summary comprehensive income statement

Unit: TWD thousands

Item \ Year	Financial information in the most recent five (5) years (Note 1)				
	2012	2013	2014	2015	2016
Operating revenue	2,678,483	2,787,127	3,968,652	3,838,093	4,422,606
Gross profit	1,238,240	1,294,741	1,776,591	1,677,564	2,154,290
Operating profit or loss	309,124	313,733	515,834	284,107	636,251
Non-operating revenue and expense	(17,472)	7,513	76,126	54,570	(2,636)
Net profit (loss) before tax	291,652	321,246	591,960	338,677	633,615
Net profit of continuing department	261,931	271,033	517,636	294,820	563,279
Loss of discontinued department	0	0	0	0	0
Net profit (loss)	261,931	271,033	517,636	294,820	563,279
Other comprehensive income in the current period (net after tax)	(11,830)	13,012	11,466	(22,308)	(58,714)
Total comprehensive income	250,101	284,045	529,102	272,512	504,565
Net profit attributable to parent company	261,931	271,033	517,636	294,820	563,279
Net profit attributable to non-controlling equity	0	0	0	0	0
Total comprehensive income attributable to parent company	250,101	284,045	529,102	272,512	504,565
Total comprehensive income attributable to non-controlling equity	0	0	0	0	0
EPS	3.42	3.54	6.62	3.71	7.09

Note 1: Said information was already audited and certified by the external auditor.

(III) Individual balance sheet and income statement – R.O.C. Financial Accounting Standards

1. Condensed consolidated balance sheet

Unit: TWD thousands

Item \ Year		Financial information for the last 5 years (Note 1)				
		2012	2013	2014	2015	2016
Current assets		2,988,111	N/A			
Fund and investment		166,213				
Fixed assets (Note 2)		1,551,111				
Intangible assets		0				
Other assets		117,353				
Total assets		4,822,788				
Current liabilities	Before distribution	1,698,615				
	After distribution	1,698,615				
Long-term liabilities		76,953				
Other liabilities		22,659				
Total liabilities	Before distribution	1,798,227				
	After distribution	1,798,227				
Capital stock		786,104				
Capital surplus		740,657				
Retained earnings	Before distribution	1,639,806				
	After distribution	1,639,806				
Unrealized profit or loss from financial instruments		0				
Accumulated translation adjustment		11,707				
Net loss not recognized as pension cost		17,571				
Total shareholders' equities	Before distribution	3,024,561				
	After distribution	3,024,561				

Note 1: Said information was already audited and certified by the external auditor.
Note 2: Said titles are free from revaluation of assets.

2. Condensed consolidated income statement

Unit: TWD thousands

Item \ Year	Financial information in the most recent five (5) years (Note 1)				
	2012	2013	2014	2015	2016
Operating revenue	2,865,212	N/A			
Gross profit	1,328,992				
Operating profit or loss	314,962				
Non-operating revenue and gain	35,004				
Non-operating expense and loss	(38,546)				
Income before tax of continued departments	311,420				
Income of continued departments	275,551				
Income of discontinued departments	0				
Extraordinary income	0				
Cumulative effects of changes in accounting principles	0				
Income	275,551				
EPS (TWD) (Note 2)	3.70				

Note 1: Said information was already audited and certified by the external auditor.

Note 2: In the case of capital increase by recapitalization of earnings or capital surplus, the EPS of the previous years shall be adjusted retroactively based on the percentage of capital increase when computing EPS.

(IV) Condensed balance sheet and income statement – R.O.C. Financial Accounting Standards

1. Condensed balance sheet

Unit: TWD thousands

Item \ Year		Financial information for the last 5 years (Note 1) 2012	2013	2014	2015	2016
Current assets		2,676,664	N/A			
Fund and investment		461,143				
Fixed assets (Note 2)		1,476,877				
Intangible assets		0				
Other assets		129,601				
Total assets		4,744,285				
Current liabilities	Before distribution	1,641,890				
	After distribution	1,641,890				
Long-term liabilities		76,953				
Other liabilities		17,345				
Total liabilities	Before distribution	1,736,188				
	After distribution	1,736,188				
Capital stock		786,104				
Capital surplus		740,657				
Retained earnings	Before distribution	1,639,806				
	After distribution	1,639,806				
Unrealized profit or loss from financial instruments		0				
Accumulated translation adjustment		11,707				
Net loss not recognized as pension cost		-17,571				
Total shareholders' equities	Before distribution	3,008,097				
	After distribution	3,008,097				

Note 1: Said information was already audited and certified by the external auditor.
Note 2: Said titles are free from revaluation of assets.

2. Condensed income statement

Unit: TWD thousands

Item \ Year	Financial information in the most recent five (5) years (Note 1)				
	2012	2013	2014	2015	2016
Operating revenue	2,678,483	N/A			
Gross profit	1,250,920				
Operating profit or loss	330,308				
Non-operating revenue and gain	36,009				
Non-operating expense and loss	(53,502)				
Income before tax of continued departments	312,815				
Income of continued departments	283,094				
Income of discontinued departments	0				
Extraordinary income	0				
Cumulative effects of changes in accounting principles	0				
Income	283,094				
EPS (TWD) (Note 2)	3.70				

Note 1: Said information was already audited and certified by the external auditor.

Note 2: In the case of capital increase by recapitalization of earnings or capital surplus, the EPS of the previous years shall be adjusted retroactively based on the percentage of capital increase when computing EPS.

3. The names of CPA conducting financial audits in the most recent five years and their audit opinions.

Year	Firm Name	Name of CPA	Audit opinions
2012	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2013	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2014	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2015	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Modified unqualified opinions
2016	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Unqualified opinions

II. Financial analysis in the most recent five years

(I)Financial ratio for the most recent five (5) years - IFRSs

Item (Note 3) \ Year (Note 1)		Financial information in the most recent five (5) years				
		2012	2013	2014	2015	2016
Financial structure	Liabilities to total assets(%)	38.14	34.84	41.40	45.15	45.50
	Long-term fund to property, plant and equipment (%)	199.54	197.38	203.61	132.89	144.43
Solvency	Current ratio (%)	171.28	182.43	182.30	115.91	123.15
	Quick ratio (%)	76.86	77.96	88.49	50.99	54.01
	Multiple of interest protection	660.62	436.66	186.11	27.84	34.43
Utility	Receivables turnover (time)	4.32	4.71	6.37	4.97	5.81
	Average number of days receivables outstanding	84.49	77.49	57.30	73.44	62.82
	Inventory turnover (time)	1.02	1.08	1.38	1.33	1.48
	Payables turnover (time)	3.54	4.05	4.89	4.89	6.48
	Average number of days of sales	357.84	337.96	264.49	274.43	246.62
	Property, plant and equipment turnover (time)	2.1	1.94	2.21	1.56	1.67
	Total asset turnover (time)	0.6	0.64	0.75	0.62	0.71
Profitability	ROA (%)	5.31	5.70	9.37	4.68	8.29
	ROE (%)	8.40	8.95	15.19	7.96	14.74
	Income before tax to paid-in capital (%)	36.92	41.55	75.36	45.16	81.84
	Profit margin (%)	8.88	8.92	12.45	7.33	11.30
	EPS (TWD) (Note 2)	3.42	3.54	6.62	3.71	7.09
Cash flow	Cash flow ratio (%)	1.53	16.62	21.58	-5.82	32.59
	Cash flow adequacy ratio (%)	60.77	53.20	49.49	17.37	33.85
	Cash flow reinvestment ratio (%)	0.73	6.93	5.17	-9.89	13.45
Leverage	Operating leverage	3.47	3.19	2.81	4.37	2.70
	Financial leverage	1	1	1.01	1.04	1.03

The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Not required, if the changes are less than 20%)

1. Interest coverage ratio increased mainly due to higher pre-tax profit.
2. Payables turnover increased mainly due to an increase in current accounts payable.
3. Profitability ratios increased mainly due to increase in current net income.
4. Cash flow ratios increased mainly due to higher net cash inflow from operating activities.
5. Degree of operating leverage decreased mainly due to higher operating profit generated in the current period.

(II) Financial ratio for the most recent five (5) years - Individual

Item (Note 3)	Year (Note 1)	Financial information in the most recent five (5) years				
		2012	2013	2014	2015	2016
Financial structure	Liabilities to total assets(%)	37.42	33.66	40.27	44.42	44.65
	Long-term fund to property, plant and equipment (%)	205.17	202.04	227.43	150.85	161.68
Solvency	Current ratio (%)	158.47	167.05	178.19	107.12	110.97
	Quick ratio (%)	65.85	63.72	86.51	44.71	43.14
	Multiple of interest protection	663.79	588.86	197.86	26.70	35.05
Utility	Receivables turnover (time)	4.37	4.79	5.9	4.43	5.47
	Average number of days receivables outstanding	83.52	76.20	61.86	82.39	66.73
	Inventory turnover (time)	0.98	1.04	1.42	1.29	1.31
	Payables turnover (time)	3.51	3.94	5.16	4.95	5.87
	Average number of days of sales	372.45	350.96	257.04	282.95	278.63
	Property, plant and equipment turnover (time)	2.04	1.84	2.28	1.70	1.70
	Total asset turnover (time)	0.56	0.60	0.73	0.60	0.65
Profitability	ROA (%)	5.49	5.81	9.59	4.79	8.47
	ROE (%)	8.70	9.01	15.27	8.01	14.86
	Income before tax to paid-in capital (%)	37.10	40.86	74.43	42.54	79.59
	Profit margin (%)	9.78	9.72	13.04	7.68	12.74
	EPS (TWD) (Note 2)	3.42	3.54	6.62	3.71	7.09
Cash flow	Cash flow ratio (%)	4.39	15.89	13.09	-2.14	29.45
	Cash flow adequacy ratio (%)	60.49	50.41	46.05	18.11	34.64
	Cash flow reinvestment ratio (%)	2.07	6.37	1.54	-8.03	12.06
Leverage	Operating leverage	3.14	3.21	2.88	4.86	2.68
	Financial leverage	1	1	1.01	1.05	1.03

The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Not required, if the changes are less than 20%)

1. Interest coverage ratio increased mainly due to higher pre-tax profit.
2. Payables turnover increased mainly due to an increase in current accounts payable.
3. Profitability ratios increased mainly due to increase in current net income.
4. Cash flow ratios increased mainly due to higher net cash inflow from operating activities.
5. Degree of operating leverage decreased mainly due to higher operating profit generated in the current period.

Equation of financial analysis

Note 1: Said information in the most recent five years was already audited or reviewed by the external auditor.

Note 2: EPS is calculated based on the quantity of shares under weighted average method after being adjusted retroactively.

Note 3: The equation of said items is stated as following:

1. Financial structure
   (1) Liabilities to total assets = Total liabilities/total assets
   (2) Long-term fund to property, plant and equipment=(total equity+non-current liabilities)/property, plant and equipment, net
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets-inventory-prepayment)/current liabilities
   (3) Multiple of interest protection=income tax and interest expenses net income before income tax/interest expenses in the current period
3. Utility
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance (gross) of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
   (2) Average number of days receivable outstanding = 365 /accounts receivable turnover
   (3) Inventory turnover = sale cost/average inventory
   (4) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance (gross) of average accounts payable (including accounts payable and notes payable resulting from operation)
   (5) Average number of days of sales = 365/inventory turnover
   (6) Property, plant and equipment turnover = net sales/average property, plant and equipment, net
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) ROA = [income after income tax+interest expense*(1-tax rate)]/average total assets.
   (2) ROE = Income after income tax/average total equity
   (3) Profit margin = Income After income tax/net sales
   (4) Earnings Per Share = (income attributable to parent company – dividends from preferred shares)/weighed average quantity of outstanding shares
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities/current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
   (3) Cash reinvestment ratio=(Net cash flow from operating activities-cash dividends)(gross of property, plant and equipment+long-term investment+other non-current assets+working capital)

6. Leverage
    (1) Operating leverage=(Net operating revenue-changed operating costs and expenses)/operating income
    (2) Financial leverage=Operating income/(operating income-interest expenses)

Note 4: The following shall be considered in assessing the equation Earnings Per Share as aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual Earnings Per Share of the year. The period for the release of such new shares may be omitted.
4. Where preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) are deducted from net income, or added to net loss. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after tax if net profit after tax is earned, or no adjustment is required if loss arises.

Note 5: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow to annual capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as “zero”.
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross property, plant and equipment refer to total property, plant and equipment before subtracting by accumulated depreciation.

Note 6: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonability and consistency.

Note 7: In the case of shares issued by the Company with no par value or a par value other than TWD 10 per share, said calculation about the percentage to the paid-in capital shall be replaced by the equity attributable to the parent company identified in the balance sheet.

(III) Financial ratio for the most recent five (5) years – the R.O.C. Financial Accounting Standards

Item (Note 2) \ Year (Note 1)			Financial information in the most recent five (5) years (Note 2)				
			2012	2013	2014	2015	2016
Financial structure	Liabilities to total assets(%)		37.29	N/A			
	Long-term fund to fixed assets (%)		199.95				
Solvency	Current ratio (%)		175.91				
	Quick ratio (%)		77.82				
	Multiple of interest protection		708.72				
Utility	Receivables turnover (time)		4.32				
	Average number of days receivables outstanding		84.49				
	Inventory turnover (time)		1.01				
	Payables turnover (time)		3.51				
	Average number of days of sales		361.39				
	Fixed asset turnover (time)		2.07				
	Total asset turnover (time)		0.6				
Profitability	ROA (%)		5.73				
	ROE (%)		8.98				
	To paid-in capital(%)	Operating income	40.07				
		Income before tax	39.62				
	Profit margin (%)		9.62				
	EPS (TWD)	before retroactive	3.70				
		after retroactive	3.70				
Cash flow	Cash flow ratio (%)		21.75				
	Cash flow adequacy ratio (%)		65.26				
	Cash flow reinvestment ratio (%)		0.68				
Leverage	Operating leverage		3.28				
	Financial leverage		1				

The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Not required, if the changes are less than 20%)

N/A

(IV) Individual financial ratio for the most recent five years – the R.O.C. Financial Accounting Standards

<table>
<tr><td colspan="3" rowspan="2">Year (Note 1)
Item (Note 2)</td><td colspan="5">Financial information in the most recent five (5) years (Note 2)</td></tr>
<tr><td>2012</td><td>2013</td><td>2014</td><td>2015</td><td>2016</td></tr>
<tr><td rowspan="2">Financial structure</td><td colspan="2">Liabilities to total assets(%)</td><td>36.60</td><td colspan="4" rowspan="23">N/A</td></tr>
<tr><td colspan="2">Long-term fund to fixed assets (%)</td><td>208.89</td></tr>
<tr><td rowspan="3">Solvency</td><td colspan="2">Current ratio (%)</td><td>163.02</td></tr>
<tr><td colspan="2">Quick ratio (%)</td><td>66.83</td></tr>
<tr><td colspan="2">Multiple of interest protection</td><td>711.89</td></tr>
<tr><td rowspan="7">Utility</td><td colspan="2">Receivables turnover (time)</td><td>4.37</td></tr>
<tr><td colspan="2">Average number of days receivables outstanding</td><td>83.52</td></tr>
<tr><td colspan="2">Inventory turnover (time)</td><td>0.97</td></tr>
<tr><td colspan="2">Payables turnover (time)</td><td>3.48</td></tr>
<tr><td colspan="2">Average number of days of sales</td><td>376.28</td></tr>
<tr><td colspan="2">Fixed asset turnover (time)</td><td>2.05</td></tr>
<tr><td colspan="2">Total asset turnover (time)</td><td>0.56</td></tr>
<tr><td rowspan="7">Profitability</td><td colspan="2">ROA (%)</td><td>5.91</td></tr>
<tr><td colspan="2">ROE (%)</td><td>9.28</td></tr>
<tr><td rowspan="2">To paid-in capital(%)</td><td>Operating income</td><td>42.02</td></tr>
<tr><td>Income before tax</td><td>39.79</td></tr>
<tr><td colspan="2">Profit margin (%)</td><td>10.57</td></tr>
<tr><td rowspan="2">EPS (TWD)</td><td>before retroactive</td><td>3.67</td></tr>
<tr><td>after retroactive</td><td>3.67</td></tr>
<tr><td rowspan="3">Cash flow</td><td colspan="2">Cash flow ratio (%)</td><td>25.21</td></tr>
<tr><td colspan="2">Cash flow adequacy ratio (%)</td><td>71.16</td></tr>
<tr><td colspan="2">Cash flow reinvestment ratio (%)</td><td>1.94</td></tr>
<tr><td rowspan="2">Leverage</td><td colspan="2">Operating leverage</td><td>2.98</td></tr>
<tr><td colspan="2">Financial leverage</td><td>1.00</td></tr>
<tr><td colspan="8">The causes resulting in changes in financial rates in the most recent two (2) years by more than 20%: (Not required, if the changes are less than 20%)
N/A</td></tr>
</table>

Equation of financial analysis:

Note 1: Said information in the most recent five years was already audited or reviewed by the external auditor.

Note 2: The equation of said items is stated as following:

1. Financial structure
   (1) Liabilities to total assets = Total liabilities/total assets
   (2) Long-term fund to fixed assets = (total shareholders' equity+long-term liabilities)/fixed assets, net
2. Solvency
   (1) Current ratio = current assets/current liabilities
   (2) Quick ratio = (current assets-inventory-prepayment)/current liabilities
   (3) Multiple of interest protection=income tax and interest expenses net income before income tax/interest expenses in the current period
3. Utility
   (1) Receivables (including accounts receivable and notes receivable resulting from operation) turnover = net sales / balance of average accounts receivable (including accounts receivable and notes receivable resulting from operation)
   (2) Average number of days receivable outstanding = 365 /accounts receivable turnover
   (3) Inventory turnover = sale cost/average inventory
   (4) Payables (including accounts payable and notes payable resulting from operation) turnover = net sales / balance of average accounts payable (including accounts payable and notes payable resulting from operation)
   (5) Average number of days of sales = 365/inventory turnover
   (6) Total fixed assets turnover rate = net sales/net total fixed assets
   (7) Total assets turnover rate = net sales/average total assets
4. Profitability
   (1) ROA = [income after income tax+interest expense*(1-tax rate)]/average total assets.
   (2) ROE = Income after income tax/average total shareholders' equity
   (3) Profit margin = Income After income tax/net sales
   (4) Earnings Per Share= (income attributable to parent company – dividends from preferred shares)/weighed average quantity of outstanding shares (Note 3)
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities/current liabilities
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
   (3) Cash reinvestment ratio = (Net cash flow from operating activities-cash dividends)(gross of fixed assets+long-term investment+other assets+working capital) (Note 4)
6. Leverage:
   (1) Operating leverage = (Net operating revenue-changed operating costs and expenses)/operating income (Note 5)
   (2) Financial leverage = Operating income/(operating income-interest expenses)

Note 3: The following shall be considered in assessing said equation for Earnings Per Share as aforementioned:

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual Earnings Per Share of the year. The period for the release of such new shares may be omitted.
4. Where preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) are deducted from net income, or added to net loss. If the preferred stock is not cumulative, dividend thereon shall be subtracted from net profit after tax if net profit after tax is earned, or no adjustment is required if loss arises.

Note 4: The following shall be considered in assessing cash flow analysis:

1. Net cash flow from operating activities refers to net cash inflow from operating activities as stated in the Statement of Cash Flow.
2. Capital expenditure refers to the cash outflow to annual capital investments.
3. The increase in inventory is included only when the balance at the ending is more than that at beginning. If the inventory decreases at the end of the year, it shall be calculated as "zero".
4. Cash Dividends include the dividends in cash paid to holders of common shares and preferred shares.
5. Gross fixed assets refer to total fixed assets before subtracting by accumulated depreciation.

Note 5: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonableness and consistency.

III. Supervisors' Audit Report on the Financial Statement for the Most Recent Year: Please refer to Page No. 100 of the annual report.

IV. Financial Statement for the Most Recent Year: Please refer to Page Nos. 166~241 of the annual report.

V. Individual Financial Statement for the Most Recent Year audited and certified by the external auditor: Please refer to Page Nos. 101~165 of the annual report.

VI. In the case of any insolvency of the Company and its affiliates in the most recent year and up to the publication date of the annual report, specify its effect on the Company's financial position: N/A

Seven. Review and Analysis of Overview of Finance and Financial Performance, and Risk Management

I. Overview of finance

Overview of finance comparison and analysis for the most recent two (2) years

Unit: TWD thousands

Item \ Year	2016	2015	Variance	
			Amount	%
Current assets	3,662,553	3,145,811	516,742	16.43
Property, plant and equipment	2,971,021	2,962,969	8,052	0.27
Intangible assets	35,923	81,467	(45,544)	(55.90)
Other non-current assets	595,497	461,224	134,273	29.11
Total assets	7,264,994	6,651,471	613,523	9.22
Current liabilities	2,974,021	2,714,026	259,995	9.58
Non-current liabilities	331,191	289,017	42,174	14.59
Total liabilities	3,305,212	3,003,043	302,169	10.06
Capital stock	796,054	796,054	0	0
Capital surplus	885,735	871,572	14,163	1.62
Retained earnings	2,295,344	1,972,546	322,798	16.36
Other equities	(30,177)	26,872	(57,049)	(212.30)
Total equities	3,959,782	3,648,428	311,354	8.53

(I) Explanation to percentage changes: (only for variations exceeding 20% and amounting to more than TWD 10 million)

1. Decrease in intangible assets: Due to impairment loss on the goodwill of Allstron.
2. Increase in other non-current assets: Due to increase in prepaid equipment purchase in the current period.
3. Decrease in other equity items: Due to loss on exchange when translating financial statements of foreign operations.

(II) Future preventive policies: The Company's overview of finance is fair and no material effect is produced to the shareholders' equity.

II. Financial performance

(1) Comparison of operating performance in the last 2 years

Unit: TWD thousands

Item \ Year	2016	2015	Increase (decrease)	Variation (%)
Operating revenue	4,961,755	4,013,170	948,585	23.64
Operating costs	2,665,069	2,220,098	444,971	20.04
Gross profit	2,296,862	1,796,111	500,751	27.88

Operating expense	1,610,920	1,476,271	134,649	9.12
Operating profit	685,942	319,840	366,102	114.46
Non-operating revenue and expense	(34,454)	39,674	(74,128)	(186.84)
Net profit (loss) before tax	651,488	359,514	291,974	81.21
Income tax expenses	90,651	65,373	25,278	38.67
Net profit	560,837	294,141	266,696	90.67
Other comprehensive income	(59,284)	(22,950)	(36,334)	158.32
Total comprehensive income	501,553	271,191	230,362	84.94

1. Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more)
(1) Increase in operating revenues, operating costs, gross profit and operating profit: Mainly due to business growth in the current year.
(2) Decrease in non-operating income and expenses: Mainly due to net loss on currency exchange and impairment loss on intangible assets.
(3) Increase in pre-tax profit, income tax expense, current net income, other comprehensive income - current, and total comprehensive income - current: Mainly due to business growth in the current year.
2. Cause of changes of the Company's main business contents. If material changes have occurred or are expected to occur in the operational policies, market conditions, or other internal or external factors, causing a material increase or decrease in revenues or expenses from continuing operations, the fact and their impact and responsive policies shall be stated: N/A.
3. Sales volume forecast for the next year and the basis therefore, and main factors of the continuing growth or declination of the Company's sales volume forecast: It is expected that the future economy and market demand will increase continuously and, therefore, the sales volume of probe cards will grow. The photoelectric semi-conductor automated equipment will be changed to deal with the various fabs' testing modes due to the increasing market demand. Meanwhile, the Company will research and develop new applications, and construct the visual system on the prober. The testing operation after expansion of the LED industry is expected to be helpful for the Company's operating revenue.

(II) Analysis of changes in gross profit

Unit: TWD thousands

Gross profit	Variance in increase/decrease from one period to the next	Cause of variance			
		Difference of selling price	Difference of cost price	Difference of sale portfolio	Difference of quantity
Wafer probe card	279,416	-496,104	239,560	-176,461	712,422
Photoelectric semi-conductor automated equipment	-31,083	78,823	-13,242	-18,351	-79,470
Subtotal	248,333	-417,281	226,318	-194,812	632,952

Notes to analysis:
The number of purchase order for wafer probe cards increased more than the previous period and thereby resulted in favorable difference of quantity. A fall in raw material price was reflected on inventory cost, causing average cost to fall; meanwhile, selling price had decreased over the course of bargain, which created favorable variation in costs but unfavorable variation in selling price. Given the decrease in average gross profit and favorable difference of quantity, unfavorable difference of sale portfolio is expected to be derived accordingly.
Sales of photoelectric semiconductor automated equipment had decreased compared to the previous year,

causing unfavorable variation of sales volume. Meanwhile, cost of production had risen, resulting in an increase of unit cost that was later reflected on selling price, thereby creating unfavorable variation in cost but favorable variation in selling price. Current average gross profit had increased compared to the previous year, which signified unfavorable change in the portfolio of products sold.

III. Cash flow

(I) Analysis of cash flow variations in the last 2 years:

Unit: TWD thousands

Year / Item	2016	2015	Amount of variance	Increase (decrease) (%)
Operating activity	969,324	(157,975)	1,127,299	(713.59)
Investing activity	(536,919)	(1,046,317)	509,398	(48.68)
Financing activity	(146,973)	706,381	(853,354)	(120.81)
Total	285,432	(497,911)	783,343	(157.33)

Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more)
Increase in cash flow from operating activities was mainly caused by an increase in pre-tax profit and prepayments.
Increase in cash flow from investing activities was mainly caused by lesser purchase of property, plant and equipment in the current year.
Decrease in cash flow from operating activities was mainly due to reduced loan balance in the current year.

(II) Liquidity analysis for the last 2 years:

Year / Item	2016	2015	Increase (decrease) (%)
Cash flow ratio (%)	32.59	(5.82)	(659.97)
Cash flow adequacy ratio (%)	33.85	17.37	94.88
Cash flow reinvestment ratio (%)	13.45	(9.89)	(236)

Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more)

Analysis and explanation:
(1) Cash flow ratio and cash reinvestment ratio: Cash inflow from operating activities increased mainly due to higher pre-tax profit and higher amount received in advance in the current period, which caused cash flow ratio and cash reinvestment ratio to rise.
(2) Cash flow adequacy ratio: Cash inflow from operating activities combined with increased inventory balance in the last 5 years resulted in the rise of cash flow adequacy ratio.

(III) Analysis of the liquidity of cash for the future year:

Unit: TWD thousands

Balance of cash, beginning①	Projected Net Cash Flow from the year's operating activities②	Projected cash outflow of the year③	Projected cash balance (deficit)①+②-③	Remedial measures for projected insufficient cash position	
				Investment plan	Wealth management plan
749,227	5,015,438	5,166,199	598,466	N/A	N/A

1. Analysis of changes in cash flows:

   (1) Operating activities: Expect that the operating revenue continues to grow and operating revenue and gain increase, and there will be net cash inflow from operating activities.

   (2) Investing activities: Expect to increase the effect of procurement of machine and equipment to derive the net cash outflow from investing activities.

   (3) Financing activities: Net cash outflow derived from release of cash dividends.

2. Remedial measures for projected insufficient cash position and analysis of liquidity: N/A.

IV. Major capital expenditure for the most recent year and its effect on financial position and operation of the Company: N/A.

V. Direct investment policy, the main reasons for profit or loss, and corrective action plan for the most recent year, and investment plan in the next year:

The Company's direct investment policy upheld the philosophy of conservation and stability in the most recent year, free from great expansion.

VI. Evaluation of risk management issues in the last year up till the publication date of this annual report:

1. Impact of interest and exchange rate changes and inflation, and their future countermeasures:

Item	2016 (TWD thousands)	To net operating revenue %	To income after tax %
Interest expenses	19,490	0.39	3.48
Net exchange loss	(14,344)	(0.29)	(2.56)

(1) Impacts of interest rate variations on the company's profit and loss, and responsive measures:

The Company's interest expenses totaled TWD 19,490,000 in 2016, representing 0.39% of net revenues and 3.48% of net income, and were considered relatively insignificant. It is expected that the future interest changes will not render material effect on the Company's entire operation.

(2) Impacts of exchange rate variations on the company's profit and loss, and responsive measures:

The Company incurred a TWD 14,344,000 loss on exchange in 2016, representing -0.29% of net revenues and -2.56% of net income, and was considered relatively insignificant. The Company will keep watching the fluctuation of exchange rate in the international market and continue to take the following countermeasures:

Pay the accounts payable for purchase of foreign materials with the revenue in foreign currency received from the bank, in order to hedge the most exchange risk naturally.

A. Financial Accounting Dept. will keep touch in with the foreign exchange departments of the correspondent financial organizations to collect the information about changes of exchange rate from time to time to control the trend of exchange rate globally and respond to the effect brought by the fluctuation of exchange rate.

B. The Company has defined the "Operating Procedures for Transaction of Financial Derivatives" to strictly govern the control over such operating procedures as transaction, risk management, supervision and audit of financial derivatives.

(3) Impacts of inflation on the company's profit and loss, and responsive measures:

The price of raw materials and supplies needed by the Company is stable and free from inflation. Therefore, no impact will be produced to the Company's future income.

2. Policy on high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives, major causes for profits or losses and future countermeasures:

The Company has never engaged in the high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives. All of the transactions are conducted in accordance with the relevant requirements and countermeasures defined under the Company's "Operating Procedures for Transactions of Financial Derivatives", "Operating Procedures for Loaning of Funds to Others", "Operating Procedures for Making Endorsement/Guarantee" and

"Operating Procedures for Acquisition or Disposition of Assets".

3. Future R&D plans and expected R&D expenditure:

The Company's R&D projects have been devised primarily to satisfy customers' needs. Projects in recent years have resulted in the successful launch of several products and technologies. The Company expects to spend approximately TWD 400 million ~ TWD 500 million each year on research and development, which accounts for at least 10% of annual revenues. The key factors to success of the Company's R&D reside in recruitment, retention and training of talents to deal with the challenge of new technology and ensure the Company's leadership in technology.

Future R&D plans:

Name of plan	Key factors to success of R&D	Status	Expenditure to be invested in the future	Schedule for mass production
High speed vertical type probe card	Electricity and structural design ability	Design under validation	TWD 150 million	2018
RF micro-distance MEMS probe cards	Electricity and structural design ability	Design under validation	TWD 150 million	2018
AOI photoelectric inspection equipment for micro LED application	Accumulation of customer experience High-speed image-taking and calculation technology	Prototype under planning	50 million	2018
Mass production equipment for large volume transfer of micro-size die	Experience in automated equipment development Technological collaboration with foreign partner	Prototype under planning	80 million	2018
Micro-distance high-precision wafer prober	Accumulation of customer experience High-precision equipment development technology	Under system verification	20 million	2017
High-precision sorting equipment	Flip chip pick-and-place technology Pick-up positioning compensation technology Thermal bonding technology Automated wafer loading technology	Under system verification	30 million	2017

4. Changes in important policies and legal environment at home and abroad, and the effect on the financial status and operation of the Company, and Countermeasures:

The changes in important policies and legal environment at home and abroad did not render any effect on the financial status and operation of the Company. The Company is used to keep watching the development of policies and changes in legal environment at home and abroad, in order to draft the countermeasures against contingencies at home and abroad at any time.

5. The effect of technological and industrial changes on financial status and operation of the Company, and countermeasures:

In order to deal with the changes of technology and industry and to control the changes of market from time to time, the Company accesses the industrial information through exhibitions, network, and related meetings held by industrial, trading and labor unions, and expands business and precisely controls the trend of industrial information in line with the upgrading R&D technology and outstanding competitive strength, in order to create better sales performance in the future.

6. Crisis management, impacts, and responsive measures in the event of a change in corporate image: Not applicable as the Company has maintained sound corporate image.

7. Expected benefits and possible risks of merger and acquisition, and countermeasures: N/A.

8. Expected benefits and possible risks of facilities expansion, and countermeasures: N/A.

9. Risk from centralized purchasing or selling, and countermeasures: N/A.

10. Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: N/A.

11. Impact and risk associated with changes in management rights, and countermeasures: N/A.

12. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any director, supervisor, the general manager, any person with actual responsibility for the firm and any major shareholder holding a stake of greater than 10 percent of the Company, and/or any company or companies controlled by the Company, and that have been concluded by means of a final and non-appealable judgment, or are still under litigation. Moreover,where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report: N/A.

13. Other important risks, and countermeasures being or to be taken: N/A.

14. Key Performance Indicator (KPI):

    The KPI of the Company's probe card operating center characteristics refer to the R&D of advanced probe card technology and the percentage of operating revenue thereof. The higher the percentage is, the better it is. The following is the list of the percentage of advanced probe card in the Company's operating revenue for the most recent two (2) years:

Item of production and technology	2015	2016
Epoxy/Cantilever Probe Cards	62%	46%
Advanced Probe Cards	38%	54%

VII. Other important notes:

1. Basis and ground for provision of balance sheet evaluation titles

<table>
<tr><th>Item No.</th><th>Balance sheet evaluation titles</th><th>Basis of evaluation</th><th colspan="6">Ground of evaluation</th></tr>
<tr><td rowspan="15">1</td><td rowspan="15">Allowance for inventory obsolescence losses</td><td rowspan="15">Analysis of the accounts age for inventory obsolescence</td><td colspan="2">Item</td><td>Percentage of provision for 1~2 years</td><td>Percentage of provision for 2~3 years</td><td>Percentage of provision for 3~4 years</td><td>Percentage of provision for more than 4 years</td></tr>
<tr><td rowspan="8">Wafer probe card</td><td>Raw material-PCB</td><td>10%</td><td>40%</td><td>80%</td><td>100%</td></tr>
<tr><td>Raw material-needle</td><td>20%</td><td>40%</td><td>100%</td><td>100%</td></tr>
<tr><td>Raw material - others</td><td>20%</td><td>40%</td><td>100%</td><td>100%</td></tr>
<tr><td>Supplies</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Semi-finished goods</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Work-in-progress - semi-finished goods</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Work-in-progress - finished goods</td><td>0%</td><td>0%</td><td>100%</td><td>100%</td></tr>
<tr><td>Finished goods</td><td>0%</td><td>0%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="6">Photoelectric semi-conductor automated equipment</td><td>Raw material</td><td>20%</td><td>50%</td><td>100%</td><td>100%</td></tr>
<tr><td>Supplies</td><td>20%</td><td>50%</td><td>100%</td><td>100%</td></tr>
<tr><td>Semi-finished goods</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Work-in-progress - semi-finished goods</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Work-in-progress - finished goods</td><td>0%</td><td>30%</td><td>100%</td><td>100%</td></tr>
<tr><td>Finished goods</td><td>0%</td><td>30%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="5">2</td><td rowspan="5">Allowance for bad debt</td><td rowspan="5">Analysis of the accounts age</td><td colspan="6">In the case of the accounts age of overdue receivable accounts for 1~3 months, 7% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for 4~6 months, 15% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for 7~12 months, 25% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for 1~2 years, 50% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for more than 2 years, 100% of the balance shall be provided as bad debt.</td></tr>
</table>

Eight. Special notes

I. Information on affiliates:

Prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" defined by Securities and Futures Bureau in the most recent year.

(I) Consolidated business reports of affiliated enterprises: Please see Page Nos. 94~99 of the annual report.

(II) Consolidated financial statements of affiliated enterprises: Please see Page No. 166 of the annual report.

(III) Affiliation report: N/A.

II. Private placement of securities in the most recent year and up to the publication date of the annual report: N/A.

III. Holding or disposition of the Company’s stock by subsidiaries in the most recent year and up to the publication date of the annual report: N/A.

IV. Other supplementary disclosure: N/A.

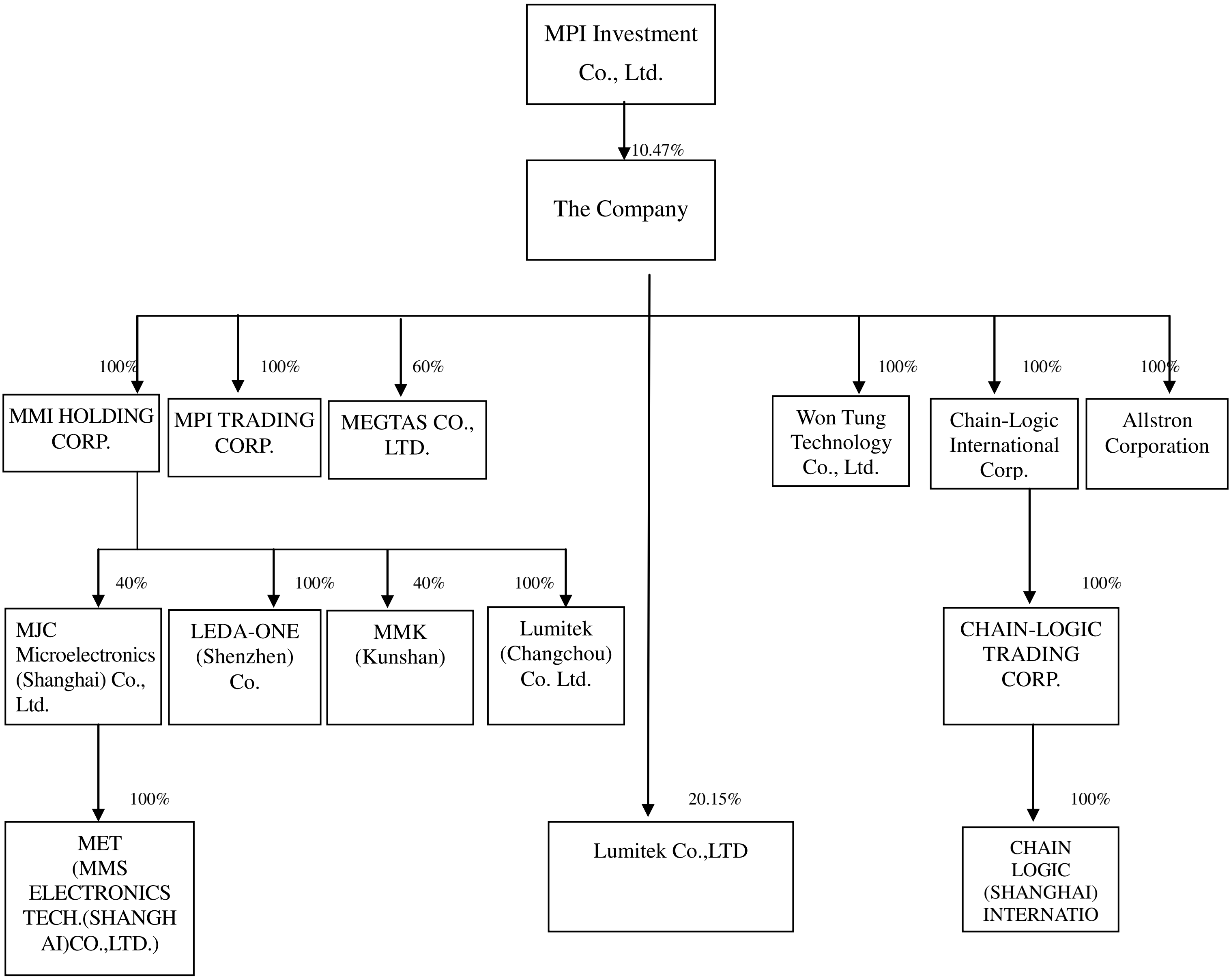
V. Any significant events materially affecting shareholders’ equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report: N/A.

One. Overview of affiliates

I. Overview of affiliates' organization

(I) Affiliates' organizational chart

December 31, 2016



(II) The affiliates that meet Article 369-2 of the Company Law were included into the consolidated financial statements of affiliated enterprises.

(III) Entities presumed in parent-subsidiary relations according to Article 369-3 of the Company Law: N/A.

II. Basic information of affiliate

December 31, 2016; unit: TWD thousands

Name of enterprise	Date of incorporation	Address	Paid-in capital	Principal business or production lines
MPI Investment Co., Ltd.	December 29, 2000	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City	1,107	General investment
Chain-Logic International Corp.	March 1, 1994	2F, No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	50,000	Semi-conductor equipment agent
MPI TRADING CORP.	December 12, 2000	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	USD 1,000	Engage in Probe Card business
MMI HOLDING CO., LTD.	August 7, 2001	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	USD 20,390,045	Holding company
MEGTAS CO., LTD.	September 1, 2010	134 Gunseo-ri, Jikson-eub, Seobuk-gu,Cheonan,Chungnam, 331-811,Korea	2,500,000,000 WON	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts
Won Tung Technology Co., Ltd.	December 22, 2010	3F, No. 8, Lane 98, Jiaren Street, Shixing Vil., Zhubei City, Hsinchu County	500	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components
Allstron Corporation	March 31, 2006	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	15,500	Information software wholesale, and wholesale and retail of electronic materials, telecommunication devices and precision instruments
LEDA-ONE (Shenzhen) Co.	May 7, 2010	No. 802-1, Complex Building No. c6, Dou He Chou Heng Fong Industrial City, Ssu Hsiang Street, Po An District, Shenzhen City	USD 1,800,000	Production of new electronic components, LED prober, LED sorting machine, and LED spectrometer, and development of new electronic components
Lumitek (Changchou) Co. Ltd.	January 10, 2014	No. 377, Wu Yi S. Road, China Wujin High-tech Industrial Development Zone	USD 16,000,000	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; domestic procurement,

				wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.
CHAIN-LOGIC TRADING CORP.	November 19, 2001	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	USD 1,400,100	International trading
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	February 8, 2002	Suite 304, No. 500, Bing Ke Road, Shanghai Waigaoqiao Free Trade Zone, Shanghai City, Jiangsu Province	USD 1,400,000	Trading

Note: According to Article 6 of the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", no disclosure is required if no relationship of control or subordination exists. Therefore, it is not necessary to disclose MJC Microelectronics (Shanghai) Co., Ltd., MMK (Kunshan) , MET and Lumitek Co., Ltd.

III. Entities presumed in parent-subsidiary relations and information on identical shareholders: N/A.

IV. The industries housed in the same business location of the whole business group:

The business lines run by the Company and its affiliates include investment business; production, testing, R&D, manufacturing and trading of semi-conductor equipment and spare parts; agency of semi-conductor equipment; trading; supply service of electronic information; wholesale and retail of electronic appliances and materials and manufacturing of electronic spare parts.

V. Profiles of Directors, Supervisors and Presidents of affiliates: December 31, 2016

	Job title (Note 1)	Name or representative	Shares held (Note 2) (Note 3)	
			Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
MPI Investment Co., Ltd.	Chairman of the Board Director Supervisor	Ko, Chang-Lin Steve Chen Scott Kuo	45,133 (shares) 10,029 (shares) 2,966 (shares)	40.76% 9.06% 2.68%

Chain-Logic International Corp.	Name of investor Chairman of the Board Director Director Supervisor President	MPI Corporation Representative: Ko, Chang-Lin Steve Chen Scott Kuo Rose Jao Chan, Chao-Nan	5,000,000 (shares)	100.00%
MPI TRADING CORP.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	1,000 (shares)	100.00%
MMI HOLDING CO., LTD.	Name of investor Responsible person	MPI Corporation Steve Chen	20,390,045 (shares)	100.00%
MEGTAS CO.,LTD.	Name of investor Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation LUCID DISPLAY TECHNOLOGY CO.,LTD Representative: HUAN-SHENG LIN HUAN-SHENG LIN DU-HWA HWANG SHENG-YI CHEN	300,000 (shares) 200,000 (shares)	60.00% 40.00%
Won Tung Technology Co., Ltd.	Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation Representative: Steve Chen Sun, Hung-Chuan Gu, Wei-Cheng Rose Jao	50,000 (shares)	100.00%
Allstron Corporation	Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation Representative: Scott Kuo Steve Chen Liu, Yung-Chin Rose Jao	15,500,000 (shares)	100.00%
LEDA-ONE (Shenzhen) Co.	Name of investor Responsible person	MMI HOLDING CO., LTD. Fan, Wei-Ju	USD 1,800,000	100.00%
Lumitek (Changchou) Co. Ltd.	Name of investor Responsible person	MMI HOLDING CO., LTD. Scott Kuo	USD 16,000,000	100.00%
CHAIN-LOGIC TRADING CORP.	Name of investor Responsible person	Chain-Logic International Corp. Ko, Chang-Lin	1,400,100 (shares)	100.00%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Name of investor Responsible person	CHAIN-LOGIC TRADINGP Ko, Chang-Lin	USD 1,400,000	100.00%

Note 1. If the affiliate is a foreign company, please list the one of equivalent job rank.

Note 2. If the investee is a limited company by share, please identify the quantity of shares and shareholding; otherwise, please specify the capital contribution and percentage thereof, and note the same.

Note 3. If the director or supervisor is a corporation, please also disclose the information about its representative.

Note 4. If said affiliate does not appoint a president, the president shall be assumed by the Chairman (or responsible person or director) of the affiliate concurrently.

Two. Overview of operation of affiliates

Financial position and operating result of affiliates:

December 31, 2016; unit: TWD thousands

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Income (after tax)	EPS (Dollar) (after tax)
Chain-Logic International Corp.	50,000	324,422	88,565	235,857	232,557	11,982	13,528	2.71
MPI TRADING CORP.	32	69,143	10,710	58,433	16,874	7,089	5,827	5,827
MMI HOLDING CO., LTD.	635,844	589,749	—	589,749	4,678	4,637	6,447	0.33
MEGTAS CO., LTD.	66,509	41,234	9,170	32,064	65,548	(7,087)	(6,104)	(12.21)
Won Tung Technology Co., Ltd.	500	513	325	188	—	(116)	(116)	(2.31)
Allstron Corporation	15,500	2,824	328	2,496	—	(237)	(224)	(0.14)
LEDA-ONE (Shenzhen) Co.	54,111	5,333	188	5,145	—	(10,226)	(12,847)	—
Lumitek (Changchou) Co. Ltd.	502,470	721,814	245,990	475,824	332,707	17,299	13,094	—
CHAIN-LOGIC TRADING CORP.	46,921	73,317	—	73,317	—	—	(7,231)	(5.16)
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	46,917	109,452	41,640	67,812	96,395	(5,444)	(7,235)	—

Note 1. All of the affiliates should be disclosed, irrelevant to scale and size.

Note 2. If the affiliate refers to a foreign company, the relevant figures shall be stated in TWD at the foreign exchange rate prevailing on the date of the report.

Note 3. The financial statements of said affiliates were audited and certified by the external auditor of the parent company.

Note 4. If the investee is a limited company, its EPS shall not apply.

Note 5. Foreign exchange rate prevailing on the date of the report:

RMB:USD=1: 6.9843; weighted average exchange rate: 1:6.76991

RMB:TWD = 1:4.6175; weighted average exchange rate: 1:4.80638

TWD:USD = 1:32.25; weighted average exchange rate: 1:32.53875

TWD:WON=1:0.02701; weighted average exchange rate: 1:0.02756

MPI Corporation

Supervisors' Audit Report

The 2016 individual and consolidated financial statements submitted by the Board of Directors have been audited by Wu, Kuei-Chen (CPA) and Chen, Tsan-Huang (CPA) of Nexia Sun Rise CPAs & Co., and presented a fair view of the Company's financial position, business performance and cash flow. We also reviewed the business report and motion for earnings allocation submitted together with the financial statements. We hereby recognize said report and statements after conducting the audit on them pursuant to Article 219 of the Company Law and Article 36 of Securities and Exchange Act.

To:

2017 General Shareholders' Meeting of MPI Corporation

MPI Corporation

Supervisor: Li, Tu-Cheng

Liu, Fang-Sheng

Tsai, Chang-Shou

March 24, 2017

Independent Auditor's Audit Report

The Board of Directors and Shareholders

MPI Corporation

Opinion

We have audited the accompanying financial statements of MPI CORPORATION (the "Company"), which comprise the balance sheets as of December 31, 2016 and 2015, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and 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 Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Based on our audits and the reports of other auditors, 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 financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the 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 on the financial statements for the year ended December 31, 2016 were as follows:

1. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (16) of Note 4 of the Individual Financial Statements. Regarding relevant disclosure, please refer to Note 9 and Statements of Major Accounting Items - Statement of Operating Revenue.

Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Corporation. As the point in time for revenue recognition and the amount of recognized revenue can make a big difference on the financial statements, the CPA(s) has also reviewed the accuracy of these two key factors during the audit.

Audit Procedures in Response

The CPA(s) has implemented audit procedures in response as summarized below:

(1) Understood and tested the design and implementation efficiency of sales and receiving circulation control system.

(2) Understood the major revenue type and trading terms of MPI Corporation to assess if the accounting policy of point in time for revenue recognition is appropriate.

(3) Understood the product type and sales of the top 10 customers; sampled and reviewed the orders; assessed the influence of trading terms to revenue recognition; and confirmed if MPI Corporation has handled accounting relevant activities appropriately.

(4) Evaluated if the number of days for turning over the sales revenue and payables; and analyzed changes to customers of this and last year at the same time point to see if there is any abnormality.

(5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (7) of Note 4 of Individual Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial Statements. The Company recognize inventories amounting to NT$2,132,335 thousand and Allowance for inventories amounting to NT$212,012 thousand. The book value of the Company's inventories as December 31, 2016 was NT$1,920,323 thousand and accounted 27% of the total assets in the consolidated balance sheet.

MPI Corporation mainly engages in the manufacturing and sales of semiconductor production and testing equipment. Due to rapid technological changes, short life cycle and intense market competition of electronic products, there is a high tendency for inventory valuation loss and losses caused by outdated inventory. The inventory is evaluated by either the cost or net realizable value, depending on which one has the lower value. Inventories that exceed specific inventory age or are evaluated as outdated during individual assessment shall have the inventory loss evaluation conducted also based on the inventory age and future product demand during specific period of time. The information comes from the management's judgement on each product's net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Corporation's inventory is great; a number of items are included on the inventory list; and the valuation of inventories that have exceeded specific age or are outdated relies heavily on the management's subjective judgement and involves a high degree of uncertainty, the Account(s) believes that the inventory valuation and obsolescence loss is one of the key audit matters of the year.

Audit Procedures in Response

The CPA(s) has implemented the audit procedures in response as summarized below:

(1) With the CPA's knowledge of the industry and MPI Corporation's operations, evaluated the soundness of the Corporation's policies concerning the allowance for inventory valuation loss and doubtful debts.

(2) Understood MPI Corporation's inventory management procedures, reviewed its annul inventory plan, and participated in its annual inventory check to evaluate the management's judgement and control efficiency of outdated inventories.

(3) Acquired the list of product inventory age, verified the appropriateness of reporting system logic, and confirmed the consistency of report information and adopted policies.

(4) Evaluated the appropriateness of the methods of calculating inventory valuation impairment, including deciding the inventory classification based on the net realizable value, checking individual material number to verify the basic assumption of the calculation in relevant supporting document, and verify the accuracy of calculation.

3. Impairment Evaluation of Investments Accounted for Using the Equity Method (Goodwill Impairment Evaluation):

Matter Description

Regarding the accounting policy of goodwill impairment, please refer to impairment of intangible assets and non-financial assets as described in (12) and (13) of Note 4 of Individual Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of goodwill impairment evaluation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of goodwill impairment evaluation, please refer to Investments Accounted for Using the Equity Method as described in (6) of Note 6 of Individual Financial Statements.

MPI Corporation acquired 100% equity of Allstron Corp (Allstron), and recognized goodwill with a value of NT$45,533 thousand in the Consolidated Financial Statements. As a player in the electronic industry, Allstron is targeting the segment of measurement applications for its product line. For MPI Corporation, Allstron is a cash generating unit, and for goodwill impairment evaluation, Allstron's forecasted cash flow has been applied with an appropriate discount rate to measure this cash generating unit's recoverable amount. This year, the Allstron product line suffered from market downturn and unfavorable sales. Conducted by MPI Corporation, the evaluation of Allstron's recoverable amount revealed that its recoverable amount was lower than its goodwill carrying amount. MPI Corporation therefore recognized goodwill impairment with a value of NT$45,533 thousand which is around 7% of individual benefits before tax, this year.

Regarding this cash generating unit's forecasted cash flow that is used to measure its recoverable amount, the forecast can come easily with subjective judgement and is accompanied with a high degree of uncertainty as it involves a number of assumptions, including the applied discount rate and five-year financial forecast that is used to estimate the future cash flow. These assumptions can make a huge difference in the measurement of recoverable amount and further affect the estimation of goodwill impairment amount. Therefore, the CPA(s) believes that the goodwill impairment evaluation conducted by MPI Corporation on Allstron shall be is one of the key audit matters of the year.

Audit Procedures in Response

Regarding specific descriptions of above key audit matters, the CPA(s) has implemented the audit procedures in response as summarized below:

(1) Evaluated the management's procedures of forecasting Allstron's future cash flow and compared the consistency between the evaluation model's cash-flow forecast for the incoming five years and the operation approved by the management.

(2) Discussed specific actions conducted during the operation plan and reviewed management's actual performance in the past operation plan to evaluate its will and ability to perform.

(3) With supports of the Nexia Sun Rise's financial consultants and experts, evaluated the soundness of evaluation model, all types of growth rates, discount rate and other major assumptions

adopted by the internal evaluators of the management. The procedures include:

A. The process and accordance of forecasting the sales growth rate and interest rate.

B. Check the generating unit's capital cost assumptions for adopted discount rate and compare it with similar return on assets in the market.

C. Checked the parameter and equation setting of the evaluation model.

D. Evaluated alternative assumptions of various forecasted growth rates and discounts rates adopted by the management to perform the sensitivity analysis of future cash flow; and confirmed the management has appropriately handled the uncertainty and possible influence involved in the estimation of impairment evaluation.

Other Matter-Making Reference to the Audits of Component Auditors

As stated in the individual financial statements Note 6，Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other independent accountants. Respectively, the related shares of investment income from the subsidiaries amounted to NT$(3,420) thousand and NT$(1,018) thousand. Insofar as it related to the investments accounted for under the equity method balances of NT$ 19,074 thousand and NT$23,351 thousand as of December 31, 2016, December 31, 2015.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the 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 Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 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.

Sun Rise CPAs & Company
Taipei, Taiwan, Republic of China
March 24, 2017

The accompanying financial statements are intended only to present the 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 financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying 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 financial statements shall prevail.

MPI CORPORATION

CONSOLIDATED BALANCE SHEETS (ASSETS)

DECEMBER 31 ,2016 AND 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

		December 31,2016		December 31,2015	
ASSETS	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Cash and cash equivalents	6(1)	$ 475,399	7	$ 234,594	4
Current financial assets at fair value through profit or loss	6(12)	60	-	-	-
Notes receivable, net	6(2)	5	-	5,403	-
Accounts receivable, net	6(3)	543,350	8	554,238	8
Accounts receivable -related parties, net	6(3).7	185,119	3	329,232	5
Other receivables		12,808	-	17,644	-
Other receivables -related parties	7	28,253	-	21,499	-
Inventories, net	6(4)	1,920,323	27	1,590,834	24
Prepayments		51,798	1	44,705	1
Other current assets	8	9,468	-	9,220	1
Total Current Assets		3,226,583	46	2,807,369	43
NONCURRENT ASSETS					
Investments accounted for using equity method	6(6)	809,405	11	837,241	13
Property, plant and equipment	6(7).7.8	2,612,388	37	2,595,075	40
Intangible assets	6(8)	35,293	-	35,739	-
Deferred income tax assets	6(18)	62,330	1	58,444	1
Other noncurrent assets		385,169	5	201,612	3
Total Noncurrent Assets		3,904,585	54	3,728,111	57
TOTAL ASSETS		$ 7,131,168	100	$ 6,535,480	100

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION

CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2016 AND 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

LIABILITIES AND EQUITY	Note	December 31,2016 Amounts	December 31,2016 %	December 31,2015 Amounts	December 31,2015 %
CURRENT LIABILITIES					
Short-term loans	6(9)	$ 380,000	5	$ 550,000	8
Current financial liabilites at fair value through profit or loss	6(12)	-	-	1,682	-
Accounts payable		405,426	6	369,674	6
Accounts payable-related parties	7	747	-	4,419	-
Payables on equipment		129,342	2	90,945	1
Other payables	6(10)	602,208	9	444,317	7
Other payables-related parties	7	85,971	1	63,569	1
Income tax payable		42,644	1	40,191	1
Provisions	6(11)	2,595	-	1,240	-
Sales revenue received in advance	7	648,794	9	453,325	7
Corporate bonds payable – current portion	6(12)	590,647	8	579,433	9
Current portion of long-term liabilities	6(13)	9,328	-	9,328	-
Other current liabilities		9,886	-	12,671	-
Total Current Liabilities		2,907,588	41	2,620,794	40
NONCURRENT LIABILITIES					
Long-term loans	6(13)	240,640	4	250,068	4
Deferred income tax liabilities	6(18)	8,433	-	7,547	-
Accrued pension cost	6(14)	27,454	-	23,225	-
Other noncurrent liabilities		97	-	1,256	-
Total Other Liabilities		276,624	4	282,096	4
TOTAL LIABILITIES		3,184,212	45	2,902,890	44
EQUITY	6(15)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		796,054	11	796,054	12
Capital surplus		885,735	12	871,572	13
Retained earnings					
Appropriated as legal capital reserve		492,188	7	462,706	7
Unappropriated earnings		1,803,156	25	1,509,840	23
Total Retained Earnings		2,295,344	32	1,972,546	30
Other					
Foreign currency translation adjustments		(30,177)	-	26,872	1
Total others		(30,177)	-	26,872	1
Treasury stock		-	-	(34,454)	-
Equity attributable to shareholders of the parent		3,946,956	55	3,632,590	56
TOTAL EQUITY		3,946,956	55	3,632,590	56
TOTAL LIABILITIES AND EQUITY		$ 7,131,168	100	$ 6,535,480	100

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2016 and 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Note	January 1 ~ December 31,2016 Amounts	%	January 1 ~ December 31,2015 Amounts	%
OPERATING REVENUE, NET	7				
Sales revenue		$ 4,344,020	98	$ 3,787,894	99
Less: sales returns		(2,532)	-	(2,862)	-
sales discounts and allowances		-	-	(2,101)	-
Commission revenue		81,118	2	55,162	1
Operating Revenue, net		4,422,606	100	3,838,093	100
OPERATING COSTS	6(4).7	(2,291,817)	(52)	(2,076,616)	(54)
GROSS PROFIT		2,130,789	48	1,761,477	46
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		23,501	1	(83,913)	(2)
GROSS PROFIT, NET		2,154,290	49	1,677,564	44
OPERATING EXPENSES	7				
Selling expenses		(423,157)	(10)	(379,727)	(10)
General & administrative expenses		(246,118)	(6)	(194,240)	(5)
Research and development expenses	6(8)	(848,764)	(19)	(819,490)	(21)
Operating expense, net		(1,518,039)	(35)	(1,393,457)	(36)
OPERATING INCOME		636,251	14	284,107	8
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(17)	(58,574)	(1)	17,385	-
Finance costs	6(17)	(18,608)	-	(13,177)	-
Share of profits of subsidiaries and associates	6(6)	18,596	-	3,402	-
Interest income	7	540	-	887	-
Rent income	7	11,424	-	12,758	-
Allowance (reversal) for doubtful accounts	6(3)	235	-	-	-
Other non-operating revenue-other items	7	43,751	1	33,315	1
Total Non-operating Income		(2,636)	-	54,570	1
INCOME BEFORE INCOME TAX		633,615	14	338,677	9
INCOME TAX BENEFIT(EXPENSE)	6(18)	(70,336)	(1)	(43,857)	(1)
NET INCOME		563,279	13	294,820	8
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(2,682)	-	(8,049)	-
Share of remeasurements of defined benefit plans of subsidiaries and associates		1,017	-	(359)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(57,049)	(1)	(13,900)	(1)
Share of other comprehensive income of subsidiaries		-	-	-	-
Other comprehensive income for the year, net of income tax		(58,714)	(1)	(22,308)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 504,565	12	$ 272,512	7
NET INCOME(LOSS) ATTRIBUTABLE TO：	6(19)	After-tax		After-tax	
Shareholers of the parent		$ 7.09		$ 3.71	
Noncontrolling interests		$ 6.49		$ 3.42	

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31 ,2016 and 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Capital- Common Stock	Capital Surplus	Retained Earnings: Legal Capital Reserve	Retained Earnings: Special Capital Reserve	Retained Earnings: Unappropriated Earnings	Others: Foreign Currency Translation Reserve	Treasury Stock	Total Equity
BALANCE,JANUARY,1,2015	$ 795,364	$ 885,012	$ 410,942	$ -	$ 1,593,614	$ 40,772	$ -	$ 3,725,704
Legal capital reserve			51,764		(51,764)			-
Cash Dividends of Common Stock					(318,422)			(318,422)
Capital Reserve From Stock Warrants		(325)						(325)
Disposal of investments accounted for under the equity method		(19,306)						(19,306)
Net Income in 2015					294,820			294,820
Other comprehensive income in 2015, net of income tax					(8,408)	(13,900)		(22,308)
Total comprehensive income in 2015	-	-	-	-	286,412	(13,900)	-	272,512
Convertible Bonds Transferred To Common Stock	690	6,191						6,881
Decrease (increase) in treasury stock							(34,454)	(34,454)
BALANCE,DECEMBER,31,2015	$ 796,054	$ 871,572	$ 462,706	$ -	$ 1,509,840	$ 26,872	$ (34,454)	$ 3,632,590
BALANCE,JANUARY,1,2016	$ 796,054	$ 871,572	$ 462,706	$ -	$ 1,509,840	$ 26,872	$ (34,454)	$ 3,632,590
Legal capital reserve			29,482		(29,482)			-
Cash Dividends of Common Stock					(238,816)			(238,816)
Net Income in 2016					563,279			563,279
Other comprehensive income in 2016, net of income tax					(1,665)	(57,049)		(58,714)
Total comprehensive income	-	-	-	-	561,614	(57,049)	-	504,565
Issuance of stock from exercise of employee stock options		14,163					34,454	48,617
BALANCE,DECEMBER,31,2016	$ 796,054	$ 885,735	$ 492,188	$ -	$ 1,803,156	$ (30,177)	$ -	$ 3,946,956

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

MPI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2016 and 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31,2016	Jan 1 ~ Dec 31,2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 633,615	$ 338,677
Adjustments to reconcile net income to net		
Depreciation	232,438	176,163
Amortization	44,731	40,241
(Reversal) allowance for doubtful receivables	(235)	3,649
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	(1,742)	2,285
Interest expense	18,608	13,177
Interest revenue	(540)	(887)
Compensation cost of employee stock options	12,937	-
Loss (gain) on equity-method investments	(18,596)	(3,402)
(Gain) loss on disposal of property, plant and equipment	175	285
Gains on disposal of investments	-	(5,706)
Loss on valuation of nonfinancial asset	45,533	-
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(23,501)	83,913
Adjustments-exchange (Gain) loss on prepayments for equipment	(564)	1,677
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	5,398	4,527
Decrease (Increase) in notes receivable-related parties	-	5,299
Decrease (Increase) in accounts receivable	11,050	(98,879)
Decrease (Increase) in accounts receivable-related parties	144,186	41,808
Decrease (Increase) in other receivables	4,835	2,656
Decrease (Increase) in other receivables-related parties	(6,754)	(17,490)
Decrease (Increase) in inventories	(329,489)	42,384
Decrease (Increase) in prepayments	(7,093)	15,917
Decrease (Increase) in other current assets	(210)	(166)
Net changes in operating assets and liabilities		
(Decrease) Increase in accounts payable	35,752	(87,260)
(Decrease) Increase in accounts payable-related parties	(3,672)	(3,386)
(Decrease) Increase in other accounts payable	158,008	(72,313)
(Decrease) Increase in other accounts payable-related parties	22,401	23,033
(Decrease) Increase in provision of liabilities	1,355	(3,616)
(Decrease) Increase in sales revenue received in advance	195,469	(154,819)
(Decrease) Increase in other current liabilities	(2,785)	625
Decrease(Increase) in accrued pension cost	1,548	(3,168)
Cash generated from operations	1,172,858	345,224
Interest received	540	1,027
Interest (excluding capitalization of interest)	(7,512)	(2,039)
Cash dividends	(238,816)	(318,422)
Income taxes paid	(70,881)	(81,979)
Net cash Provided By Operating Activities	856,189	(56,189)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets measured at cost	-	25,938
Addition of investments accounted for using equity method	(48,555)	(349,990)
Disposal of investments accounted for using equity method	13,254	-
Additions to property, plant and equipment	(211,447)	(886,717)
Proceeds from sale of property, plant and equipment	482	126
Intangible assets	(22,402)	(28,057)
Increase in other financial assets	(38)	(29)
(Increase) in other non-current assets	(205,440)	-
Decrease in other non-current assets	-	80,161
Cash dividends received from equity-method investees	5,000	22,700
Net cash Provided Used In Investing Activities	(469,146)	(1,135,868)

(Continue)

MPI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2016 and 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31,2016	Jan 1 ~ Dec 31,2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	-	550,000
(decrease) in short-term loans	(170,000)	-
Increase in long-term borrowings	-	191,771
Repayments of long-term loans	(9,428)	-
Increase (decrease) in nocurrent liabilities	(1,159)	-
Decrease (increase) in treasury stock	-	(34,454)
Employees to repurchase of treasury stock	34,349	-
Net cash (Used In) Financing Activities	(146,238)	707,317
Net increase in cash and cash equivalents	240,805	(484,740)
Cash and cash equivalents at beginning of year	234,594	719,334
Cash and cash equivalents at end of year	$ 475,399	$ 234,594

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION and its Subsidiaries

Notes to parent company only financial statements

January 1 to December 31, 2016 and 2015

(Expressed in NT$1,000, Unless Otherwise Noted)

1. Company profile

(1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT$796,054 thousand and outstanding stock has been 79,605,392 shares until December 31, 2016. Upon resolution of the special shareholders' meeting on December 28, 2006, the Company raised the authorized capital as NT$1,000,000,000, divided into 100,000,000 shares at par value of NT$10 per share. The board of directors is authorized to issue the stock in lots. NT$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.

(2) The Company and its subsidiaries (hereinafter referred to as the "Group" collectively) primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.

(III) The Company was approved to initiate the IPO in July 2001, and started to trade on Taiwan Stock Exchange as of January 6, 2003.

2. Date and procedure for ratification of financial report

The parent company only financial statement was passed by the Board for release on March 24, 2017.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by

	International Accounting Standards Board
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
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
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016

As of the date the consolidated financial statements were authorized for issue, the Company is continuously assessing the possible impact of amended IFRS applied on 2017 will have on the financial position and financial performance of each period, and will disclose the relevant impact when the assessment is completed.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2017 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018

Applying IFRS 9 'Financial instruments' with IFRS 4'Insurance contracts' (amendments to IFRS 4)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Clarifications to IFRS 15, "Revenue from contract with customers"	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ' First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ' Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ' Investments in associates and joint ventures'	January 1, 2018

The Company is currently evaluating how the above standards and interpretations would affect its financial position and business performance. Further impacts will be disclosed once the evaluation is completed.

4. Summary of Significant Accounting Policies

The important accounting policies applied by the financial statements are summarized as follows: Unless otherwise provided, the following accounting policies have been applied during the presentation period of the consolidated financial statements.

(1) Statement of compliance

This separate financial statement is prepared in accordance with the "Criteria for the Compilation of Financial Statements by Securities Issuers".

(2) Basis for preparation

A. Basis for measurement

With the exception of the following items contained in the balance sheet, the company prepared its financial statements on the basis of historical cost:

(a) Financial instruments at fair value through profit or loss (including derivative financial instruments):

(b) Available-for-sale financial assets measured at fair value;

(c) Defined benefit liability stated based on the net after pension fund assets less the present value of defined benefit obligations.

B. Functional currency and presentation of currency

The currency circulated in the economic environment of its principal place of business shall be the functional currency. NTD is the functional currency denomination in this separate financial statement. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(3) Foreign currency

A. Foreign currency transactions

The foreign currency exchange shall be stated at the functional currency translated at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency on the reporting date shall be stated at the functional currency translated at the exchange rate on the same day. The exchange gain or loss refers to the difference between the amounts upon adjustment of the valid interest, payment on the same period based on the amortized cost denominated in the functional currency, the amount translated from the amortized cost denominated in foreign currency at the exchange rate on the reporting date. The non-monetary items at fair value denominated in foreign currency shall be stated at the functional currency re-translated at the exchange rate prevailing on the same date of fair value measurement, while the non-monetary items at historical cost denominated in foreign currency shall be stated at the functional currency translated at the exchange rate on the date of transaction. Other than the foreign currency exchange difference generated from the translation of available-for-sale financial assets, financial liabilities designated as net investment hedge for foreign operations or qualified cash flow hedging, which shall be stated as other comprehensive income, any difference shall be stated as income.

B. Foreign operations

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be translated into functional currency at the exchange rate prevailing on the reporting date. Unless in the case of inflation, the income and expense & loss items shall be translated into functional currency at the average exchange rate in the current period, and the exchange different generated therefore shall be stated as other comprehensive income.

When disposition of foreign operations results in loss of control, common control or any material effect, the accumulated exchange difference related to the foreign operations shall be reclassified into income in whole. If the disposition involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposition involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income on a pro rata basis.

If no repayment program is defined with respect to receivable or payable items of foreign operations denominated in currency and it is impossible to repay the same in the foreseeable future, the foreign currency exchange gain or loss generated therefore shall be held a part of the net investment in the foreign operations and stated as other comprehensive income.

(4) <u>Current and non-current assets and liabilities</u>

Assets which meet one of the following conditions shall be classified into current assets, and any assets other than the current assets shall be classified into noncurrent assets:

A. Assets expected to be realized, or intent to be sold or consumed, in the Company’s normal operating cycle;
B. Assets primarily held for the purpose of trading;
C. Assets expected to be realized within 12 months after the date of the balance sheet;
D. Cash or cash equivalent, exclusive of the assets to be used for an exchange or to settle a liability, or otherwise remain restricted at more than 12 months after the date of the balance sheet.

Liabilities which meet one of the following conditions shall be classified into current liabilities, and any liabilities other than the current liabilities shall be classified into noncurrent liabilities:

A. Liabilities expected to be repaid in the Company’s normal operating cycle;
B. Assets primarily held for the purpose of trading;
C. Assets expected to be discharged within 12 months after the date of the balance sheet; and
D. Liabilities of which the Company does not have an unconditional right to defer settlement for at least 12 months after the date of the balance sheet. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

(5) <u>Cash and cash equivalent</u>

Cash or cash equivalent include cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalent.

(6) Financial instruments

Financial assets and financial liabilities shall be recognized at the time the company becomes a contracting party of the terms and conditions of the financial instruments concerned:

A. Financial assets

The Company's financial assets shall be classified as: financial assets at fair value through profit or loss, financial assets available for sale, financial assets held-to-maturity, and receivables.

(a) Financial instruments at fair value through profit or loss

Such assets mean the financial assets held for trading or designated to be measured at fair value through profit or loss.

The financial assets held for trading are acquired or incurred principally for the purpose of sale in the near term or repurchase. Financial assets other than those held for trading are measured at fair value through profit and loss if they meet any of the following conditions:

The performance of financial assets is evaluated based on fair value:

Financial instrument with embedded derivatives.

Such financial assets are measured at fair value at the time of initial recognition. The relevant transaction costs shall be stated as income when they are incurred. The following measurement shall be based on fair value, and then the gain or loss generated therefore should be measured (including the relevant stock dividend revenue and interest revenue) and recognized as income and stated as non-operating revenue and expenses. The purchase or disposal of financial instruments in customary transactions shall be subject to accounting on the date of transaction.

If the financial assets are the equity investments without public market price and the fair value of which cannot be reliably measured, they should be measured at the cost less the impairment loss and stated as "financial asset measured at cost".

(b) Account receivables

Accounts receivables refer to financial assets without a public market price available but with fixed or determinable payments, including accounts receivable and other receivables. The loans and accounts receivable shall be initially evaluated based on fair value, plus the directly attributable transaction cost. The subsequent measurement shall be based on the amortized cost using effective interest method less impairment, unless the recognition of the interest on short-term accounts receivable is insignificant.

(c) Impairment on financial assets

The impairment on any financial assets other than financial assets at fair value through profit or loss shall be evaluated on each reporting date. If there is any objective evidence showing that the future cash flow of the financial assets is impaired due to a single or multiple events occurring after the initial recognition of the financial assets, the financial assets should be deemed impaired.

The objective evidence about impairment on financial assets include obvious financial problems confronting the issuer or debtor, breach (e.g. overdue or non-performance of interest or principal payment), the debtor likely to wind up or proceed with other financial reorganizations, and the active market of financial assets extinguishing due to financial difficulty.

For some accounts receivable was held unimpaired upon individual evaluation, the impairment should be evaluated on a combined basis again. Objective evidence implicating the portfolio of account receivables may include the experience of the company in collection in the past, the increase of delinquent payment beyond the average due dates of the portfolio, and national or regional economic downturn related to the receivables.

The recognized impairment loss on the financial assets measured at cost is the difference in the book value of financial assets and the present value after the projected cash flow is discounted at the rate of return on the similar asset market. The impairment loss cannot be reversed subsequently.

The impairment loss on financial assets should be deducted from the book value of financial assets, provided that the book value of accounts receivable is adjusted through allowance accounts. If the accounts receivable were held uncollectible, they should have been written off against the allowance accounts. The accounts initially written off but collected afterwards were credited into the allowance evaluation accounts. The changes in book value of allowance evaluation accounts were stated as income.

(d) Derecognition of financial assets

The company removes particular item of asset only at the termination of the contractual right of the cash flow of the asset, or the ownership of the financial asset is being transferred with all inherent risk and return transferred to other enterprises.

B. Financial liabilities and equity instruments

(a) Classification of liabilities or equity

The debt and equity instruments issued by the company are based on the definition of substantive and financial liabilities and equity instruments under the terms and conditions in the contracts for classification as financial liabilities or equity.

Equity instrument refers to any contract representing the equity of the company after deducting its assets by all liabilities. The equity instrument issued by the company shall be recognized by the payment net of the direct cost of issuance.

The compound financial instruments issued by the Company reflect that the holders own the convertible corporate bonds which may be converted into capital stock. The quantity of issued shares will remain unchanged, irrelevant with the change in fair value, if any.

The amount of elements of the compound financial instrument liability recognized initially excludes the measurement on fair value of similar liability of the equity conversion option. The amount of elements of equity recognized initially is measured based on the price difference between fair value of the entire compound financial instrument and fair value of elements of liability. Any directly attributable trading cost shall be amortized to the elements of liability and equity on a pro rata basis subject to the book value of initial liability and equity.

Upon the initial recognition, the elements of compound financial instrument liability is measured based on the cost amortized under effective interest method. It is necessary to re-measure the elements of equity of compound financial instruments upon the initial recognition.

The interest and loss or gain related to financial liabilities should be recognized as income and stated into non-operating revenue and expenses.

The financial liabilities shall be re-classified into equity at the time of conversion, and no income is generated from the conversion.

(b) Financial instruments at fair value through profit or loss

Such assets mean the financial assets held for trading or designated to be measured at fair value through profit or loss.

The financial liabilities held for trading are acquired or incurred principally for the purpose of sale or repurchase in the near term or repurchase. Financial liabilities other than those held for trading are measured at fair value through profit and loss if they meet any of the following conditions:

The performance of financial assets is evaluated based on fair value.

Financial instrument with embedded derivatives

Such financial liabilities are measured at fair value at the time of initial recognition. The relevant transaction costs shall be stated as income when they are incurred. The following measurement shall be based on fair value, and then the gain or loss generated therefore should be measured (including the relevant interest expenses) and recognized as income and stated as non-operating revenue and expenses.

(c) Other financial liabilities

When recognizing the financial liabilities other than those held for trading and not designated to be measured at fair value through profit or loss (including short-term and long-term loans, accounts payable and other payables) initially, such liabilities shall be evaluated based on fair value, plus the directly attributable transaction cost. The following measurement shall be based on the cost after amortization under the effective interest rate method, unless the recognition of interest on short-term loan and accounts payable is of no importance. The interest expenses on asset costs, which are not capitalized, should be stated as "financial cost" under the non-operating revenue and expenses.

(d) Derecongition of financial liabilities

Financial liabilities will be removed if the contractual obligation has been performed, canceled or expired.

(e) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other only when the company has the legitimate right for offsetting and has the intent to make settlement in net value, or the simultaneous liquidation of assets and settlement of liabilities. The net value between the offsetting shall be presented in the balance sheet.

(7) Inventory

The inventories shall be stated at the lower of cost and net realizable present value. The cost should include the costs of acquisition, production or processing or others incurred when the inventory is sellable or producible and at the location where the inventory is sellable or producible, and calculated under weighted average method. The costs of inventories for finished goods and work in process include the manufacturing expenses amortized based on the normal productivity on a pro rata basis.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(8) Investment in affiliates

Associates shall be the entities over which the company has significant influence over its financial and corporate policy but not to the extent of dominant control. The Group will be assumed having major influence when it holds 20%~50% of the voting right in the investee.

Under the equity method, the investment is stated at cost at time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

Separate financial statement of individual entities shall present the income and other comprehensive incomes of respective associates in proportion to the investment by the company after the adjustment of the accounting policy in consistence with the company from the effective date to the expiration date during which the company exercises dominant power.

The unrealized gain deriving from the transactions between the company and the associates will be eliminated within the scope of equity of the company over the investee. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains; provided that the unrealized loss is limited to that arises under no impairment evidence is available.

When the company recognizes the loss in proportion to its ownership of the associates is equal to or in excess of the equity of the company at the associates, stop further recognition for loss and shall be realized only within the scope of legal obligation, presumed obligation or has already effected payment in favor of the investee for recognition additional loss and related liabilities.

Where the Group forfeits its material influence over an affiliate when the Group disposes of the affiliate, the capital surplus related to the affiliate will be stated as income, provided that where it still has material influence over the affiliate, the capital surplus shall be stated as income based on the proportion of disposition.

(9) Investment in subsidiaries

In compiling the financial statements for the individual entities, the company shall valuate the investee of which the company has dominant control under the equity method. Under the equity method, income of current period and other comprehensive incomes as presented in the financial statement of the individual entity shall be identical with the income of current period and other comprehensive incomes attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the financial statement of the individual entities shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

If the change in all shareholders' equities of the subsidiaries does not cause the loss of dominant control of the company, handled as equity transactions with the shareholders.

The subsidiary's financial statement shall be included into the consolidated financial statements as of the date of acquisition of the control is acquired, until the date of loss of the control.

(10) Property, plant and equipment

A. Recognition and measurement

Property, plant and equipment shall be recognized and measured using a cost model, and measured at the cost less accumulated depreciation and accumulated impairment. The costs include the expenses directly attributable to the acquisition of assets. The costs of self-built assets include the costs of raw materials and direct labor, any other costs directly attributable to usable status of investment assets, costs of dismantling and removal of the items and recovery of premises, and loan cost that meets the requisite asset capitalization. Meanwhile, the costs also include the purchase of property, plant and equipment denominated in foreign currency.

When property, plant and equipment consist of various components, and the total cost for the item is significant and it is advisable to apply different depreciation ratio or methods, the property, plant and equipment should be treated separately (for major components).

The gain or loss on disposal of property, plant and equipment shall be decided based on the price difference between the book value of property, plant and equipment and proceeds on disposal of the same and recognized as the "other gains and losses" in the income statement on a net basis.

B. After cost

If the anticipated economic benefits of subsequent spending on real properties, plant and equipment probably inflow into the company and the amount can be reliably measured, recognize the spending as a part of the book value of this title and the book value of replacement shall be removed. The routine maintenance and repairs of property, plant and equipment shall be stated as income when incurred.

C. Depreciation

The depreciation shall be calculated at the cost of assets less residual value using the straight-line method over the estimated useful years, and evaluated based on the various major components of the assets. If the useful years for any component are different from those of other components, the component shall be depreciated separately. The depreciation shall be stated as income.

No depreciation of land is required.

The estimated useful years in the current period and comparative period are stated as follows:

Item	Useful years
House and building	
Plant and dormitory	50
Clean room	20
Electrical and mechanical facilities	20
Others	10-20
Machine & equipment	5-13
Transportation equipment	5
Furniture and fixtures	5-6
Research equipment	2-13
Other equipments	5-9

D. Depreciation, useful years and residual value shall be reviewed at the end of each fiscal year. If the expected value is different from the previous estimate, adjustment should be made if necessary, and the changes shall be treated as changes in accounting estimates.

(11) Lease

A. None of the Company's lease terms and conditions has transferred the risk and return attached to the title of assets to the lessee. All of the leases are classified as operating leases. The income from lease shall be stated as income based on the straight line method within the related lease period. The lease payment shall be stated as expenses based on the straight line method within the related lease period. The contingent rent under operating lease shall be stated as expenses when it is incurred.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(12) Intangible assets

A. Goodwill

Where the acquisition cost of identifiable net assets acquired upon merger, if any, is more than the fair value of the assets, the excess shall be stated as goodwill. Goodwill shall be measured at cost less accumulated impairment.

For the investment under equity method, the face value of goodwill is included into that of the investment. Meanwhile, the impairment loss on such investment is not allocated to goodwill or any assets, but a part of the book value of the investment under equity method.

B. Software

Software is amortized over 2~5years on a straight-line basis.

C. Internally generated intangible assets—research and development expenditures

(a) Research expenditures are recognised as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:

ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;

ⓑ An entity intends to complete the intangible asset and use or sell it;

ⓒ An entity has the ability to use or sell the intangible asset;

ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;

ⓔAdequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And

ⓕ The expenditure attributable to the intangible asset during its development can be reliably measured.

(13) Impairment on non-financial assets

A. The Company will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount means the higher of fair value of one asset less its disposition cost, or its useful value. Impairment loss recognized in previous years on assets other than goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.

B. The recoverable amount of goodwill, intangible assets with indefinite useful years and intangible assets not available for use shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.

C. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment. The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit group expected to benefit from the merger of businesses generating the goodwill.

(14) Reserve for liabilities

The recognition of provision for liabilities is the current obligation of past events to the extent that the company may have to outflow resources of economic benefit in the future to perform the obligations and the amount of such obligation could be assessed with reliability.

The Company reserve for liabilities for warranty shall be recognized when the goods or services are sold. The reserve for liabilities shall be measured under weighted method based on the historical warranty information and potential results subject to the relevant possibility.

(15) Treasury stock

The proceeds (including the payment directly attributable to the cost) for the repurchase of company shares by the company shall be recognized as "treasury shares" net of applicable taxes, and as a debit item of equity. Where the gain on disposal of treasury stock is higher than the book value, the difference shall be credited under the title "additional paid-in capital-transaction of treasury stock". Where the gain is lower than the book value, the difference is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. The book value thereof is calculated based on the weighted average method according to the type of stock (common stock or special shares) and causes for the withdrawal.

Cancellation of treasury stock shall be credited under the title "treasury stock", and debited as "additional paid-in capital-stock premium" and "capital stock". Where the book value of treasury stock is higher than the total of the book value and stock premium, the balance is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. Where the book value of treasury stock is lower than the total of the book value and stock premium, the difference should be credited as the additional paid-in capital generated from the transactions of treasury stock under the same type.

(16) Recognition of revenue

A. Sale of products

The revenue generated from sale of goods in normal activities is stated at the fair value of received or receivable consideration after taking the sale returns, sales discount and quantity discount into consideration. The revenue shall be recognized when there is persuasive evidence (normally an executed sale agreement), major risk and return over the ownership are transferred to the buyer, it is very likely to collect the payment, the related cost and possible sale return may be estimated reliably, participation in management of products is discontinued and revenue may be measured reliably. If a discount is likely to be incurred and the amount thereof may be measured reliably, it shall be stated as deduction from revenue when the sale is recognized.

The timing of transfer of risk and return shall be subject to the individual provisions in the sale agreement.

B. Labor service

The revenue generated from provision of labor services shall be recognized based on the progress in completion of the transaction on the reporting date.

C. Revenue from commission

If the company acts as an agent but not consignee, the income shall be recognized on the basis net commission incomes.

D. Rent revenue

The income from sublease of the real property shall be stated as "rent revenue" under non-operating revenue and expenditure.

The calculation method based on the lease agreement agreed by both parties within the lease term recognized as Revenue.

E. Dividend revenue

If the company is entitled to dividend, recognized as dividend income if realized.

(17) Cost of borrowing

A. Loans shall be measured based on the fair value less trading cost at the time of initial recognition. The subsequent measurement of any difference between the price (less trading cost) and redemption value shall be stated at the amortized cost under effective interest method within the borrowing period.

B. When it is very likely to withdraw the expenses paid for setting the borrowing limit, in part or in whole, the expenses shall be stated as the trading cost for the loan, deferred and stated as effective interest adjustment when the loan is drawn down. When it is not likely to withdraw the expenses, in part or in whole, the expenses shall be stated as prepayment and amortized within the period related to the limit.

(18) Government subsidies

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the nature of government subsidy is the compensation of the expenses of the company, recognize at profits and loss accounts in current period in the period of the realization of related expenses under systematic government subsidy.

(19) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid, and stated as expenses when the relevant services are provided.

B. Pension

(a) Defined contribution plan

Under the defined contribution plan, every contribution made to the pension fund is recognized as pension cost in the period occurred using the accrual basis. The prepaid contribution may be stated as assets, insofar as it may be refunded in cash or the future payment is reduced.

(b) Defined benefit plan

Ⓐ The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate shall be based on the market yield rate of corporate bonds of high credit standing that have the same currency exposure and maturity date as the obligations on the balance sheet date, but the market yield rate of government bonds (on the balance sheet date) shall apply in the country where no market of corporate bonds of high credit standing is available.

Ⓑ The re-measurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.

Ⓒ The expenses related to the service cost in the previous period shall be recognized as income immediately.

Ⓓ The interim pension cost applied the pension cost ratio decided upon actuation at the end of the previous fiscal year, and was calculated from the beginning of year until the end of the current period. In the case of material changes in market and material reduction, repayment or other important event at the end, it shall be adjusted and related information shall be disclosed pursuant to said policies.

C. Resignation benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Company will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Remuneration to employee and directors/supervisors

The remuneration to employees and directors/supervisors shall be recognized as expenses and liabilities only when legal or constructive obligation is constituted and the value thereof may be estimated reasonably. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate.

(20) Employees' share-based payment

The transaction is share-based payment for settlement of equity. The share-based payment agreement shall measure the labor services provided by employees based on the fair value of the equity instruments granted on the date of granting, which shall be recognized as the remuneration cost during the vested period, and the equity shall be adjusted relatively. The fair value of equity instruments shall reflect the effect produced by the vested conditions and non-vested conditions of market value. The recognized remuneration cost is adjusted based on the quantity of remuneration expected to meet service conditions and non-market value vested conditions, until the amount recognized ultimately is measured based on the vested quantity on the vested date.

(21) Income tax

A. The income tax expenses consist of current income tax and deferred income tax. The income tax shall be stated as income other than the income tax related to the titles stated into other comprehensive incomes or into equity directly, which shall be stated into other comprehensive income or into equities directly.

B. The Company calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied 10% income tax. 10% income tax expenses for undistributed earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.

C. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the consolidated balance sheet using the balance sheet method. The deferred income tax liabilities resulting from the initial recognition of goodwill shall not be recognized. The deferred income tax resulting from the initial recognition of assets or liabilities in a transaction (exclusive of business merger) shall not be recognized, insofar as the accounting profit or taxable income (taxable loss) is not affected by the transaction. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Company and which is not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.

D. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be re-evaluated on each balance sheet date.

E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.

G. The average effective tax rate used to estimate the interim income tax expenses shall apply to the interim income before tax, and the relevant information shall be disclosed pursuant to said policies.

(22) Business combination

A. The Company adopts the acquisition method to proceed with business combination. The consideration for combination is calculated at the fair value of the assets to be transferred or liabilities to be derived or borne and the equity instruments to be issued. The consideration for the transfer includes the fair value of any assets and liabilities generated from the contingent consideration agreement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets and liabilities acquired from the business combination shall be measured at the fair value on the day of acquisition. Based on individual acquisition transaction, the elements of non-controlling equity which refer to the current ownership, of which the holder is entitled to the business's net assets on a pro rata basis at the time of liquidation may choose to measure the fair value based on the fair value on the date of acquisition or subject to proportion of non-controlling equity in the acquired identifiable net assets. The other elements of non-controlling equity shall be measured at the fair value on the date of acquisition.

B. Goodwill arises when the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held exceeds the fair value of identifiable assets and liabilities. The price difference shall be stated as income on the date of acquisition if the fair value of identifiable assets and liabilities as acquired exceeds the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held.

(23) EPS

The company displays the basic and diluted earnings per share of the bearers of common shares. The basic earnings per share of the company are based on the income attributable to the bearers of common shares divided by the weighted average outstanding quantity of shares. The diluted earnings per share are based on the income attributable to the bearers and the weighted average quantity of outstanding shares adjusted for possible effect of potential dilution of common shares. The potential dilution of common shares of the company includes the employee stock options.

(24) Information by department

The company has already disclosed the information on the segments in the consolidated financial statements and no disclosure of segments will be made in the financial statement of individual entities.

5. Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty

The accounting estimate performed by the company is based on the reasonable expectation on possible events in the future in circumstances as of the balance sheet date. However, the actual result may vary with the estimate. The following explains the estimate and assumption of the risk of possible major adjustment of the book value presented in the assets and liabilities in the next fiscal year:

(1) Allowance for bad debt of receivable accounts

The company conducts assessment on the recoverability of account receivables on the basis of the credit quality of the customers and the collection of the accounts and the experience of bad debts in the past and estimates for the provision of doubtful accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for bad debt. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and bad debt expenses in the year in which the estimation is changed. Until December 31, 2016, the book value of receivable accounts has been NT$728,474 thousand (exclusive of the allowance for bad debt, NT$6,462 thousand).

(2) Evaluation of inventory

Inventory shall be evaluated on the basis of the lower the cost and net realizable value. As such, the company must make judgment and estimate the net realizable value of the inventory on the balance sheet date. Rapid technological change compels the company to assess the amount of normal wearing out and phasing out of inventory or inventory with no market price and write off the cost of inventory from net realizable value. Until December 31, 2016, the book value of the Company's inventories has been NT$1,920,323 thousand

(exclusive of the allowance for inventory devaluation and obsolescence loss, NT$212,012 thousand)

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. As of December 31, 2016, the Company had deferred income tax assets amounting to NT$62,330 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. As of December 31, 2016, the Company recognized provision for liabilities amounted to NT$2,595 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company. As of December 31, 2016, the book value of accrual pension liabilities of the Company amounted to NT$27,454 thousand.

(6) Goodwill impairment evaluation

The impairment on goodwill is evaluated by the Company to its sole discretion, including identifying the cash-generating units and amortizing assets, liabilities and goodwill into the related cash-generating units, and deciding the recoverable amount of related cash-generating units. For the evaluation on goodwill impairment, please refer to Note 6(6). As of December 31, 2016, the book value of the Company's goodwill amounted to NT$0 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash:		
Cash on hand	$ 3,193	$ 2,556
Bank deposit:		

Check deposit	-	-
Foreign currency deposit	30,534	31,800
Demand deposit	441,672	200,238
Time deposit	-	-
Total	$ 475,399	$ 234,594

Bank deposits pledged by the company to the bank as collaterals have been recognized under the title of other current assets. Please refer to Note 8.

(2) Note receivables, net

	December 31, 2016	December 31, 2015
Receivable notes	$ 5	$ 5,403
Less: Allowance for bad debt	—	—
Receivable notes, net	$ 5	$ 5,403
Note receivables –related parties	$ —	$ —
Less: Allowance for bad debt	—	—
Note receivables- related parties-net	$ —	$ —

The note receivables of the Company are accrued from business operation and have not been pledged as collaterals.

(3) Accounts receivable, net

	December 31, 2016	December 31, 2015
Receivable accounts	$ 549,365	$ 563,282
Less: Allowance for bad debt	(6,015)	(9,044)
Receivable accounts, net	$ 543,350	$ 554,238

	December 31, 2016	December 31, 2015
Receivable accounts-related party	$ 185,566	$ 329,752
Less: Allowance for bad debt	(447)	(520)
Receivable accounts-related party, net	$ 185,119	$ 329,232

	December 31, 2016	December 31, 2015
Receivable on demand (stated as other non-current assets)	$ —	$ 51
Less: Allowance for bad debt	—	(51)
Receivable on demand, net	$ —	$ —

A. All account receivables of the company are accrued from business operation and have not been pledged as collaterals.

B. For the information about the changes of bad debt provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note 12(2)):

	Group evaluation Impairment loss	Individual evaluation Impairment loss	Total
January 1, 2016	$ 9,615	—	$ 9,615
Impairment loss provided in the current period	—	—	—
Impairment loss reversed in the current period	(235)	—	(235)
Accounts written off and uncollected in the current period	(2,918)	—	(2,918)
December 31, 2016	$ 6,462	—	$ 6,462
January 1, 2015	$ 5,966	$ 15,947	$ 21,913
Impairment loss provided in the current period	3,649	—	3,649
Impairment loss reversed in the current period	—	—	—
Accounts written off and uncollected in the current period	—	(15,947)	(15,947)
December 31, 2015	$ 9,615	—	$ 9,615

C. Account age analysis on loans is stated as follows:

	December 31, 2016		December 31, 2015	
	Total	Impairment	Total	Impairment
Undue	$662,722	$ -	$814,637	$ -
Overdue for 1~90 days	58,891	4,122	59,422	4,160
Overdue for 91~180 days	9,906	1,486	12,015	1,802
Overdue for 181~360 days	3,417	854	10,316	2,579
Overdue for 1~2 years	—	—	2,047	1,023
Overdue for more than 2 years	—	—	51	51
Total	$734,936	$ 6,462	$898,488	$ 9,615

(4) Inventories

	December 31, 2016	December 31, 2015
Raw material	$ 343,385	$ 345,245

Supplies	76,147	67,712
Work in progress	336,890	287,695
Semi-finished goods	280,973	212,380
Finished goods	1,060,108	859,780
Commodity	24,516	24,300
Materials and supplies in transit	10,316	17,012
Less: Allowance for inventory devaluation and obsolescence losses	(212,012)	(223,290)
Inventory, net	$ 1,920,323	$ 1,590,834

A. Expenses and losses related to inventory recognized in the current period:

	2016	2015
Cost of sold inventory	$ 2,260,958	$ 2,021,559
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	(11,277)	37,175
Inventory retirement loss	5,478	3,814
Other operating cost - employee remuneration	33,375	14,738
Estimated maintenance and warranty cost	3,283	(670)
Sale cost, net	$ 2,291,817	$ 2,076,616

B. Before December 31, 2016 and 2015, the Company had not pledged its inventory as collaterals.

(5) Financial assets measured at cost

The financial assets on the basis of cost held by the Company on the financial reporting day are shown below:

	December 31, 2016	December 31, 2015
Noncurrent items:		
TAISelec Co.,Ltd	$ —	$ 20,231
Less: Impairment loss	—	—
Total	$ —	$ 20,231

A. The investment of the company in stocks not listed in TWSE or GTSM could be classified as financial assets available for sales by intent of investment. However, the subject of investment has not active market for open trading and has no sufficient industry information on similar company and related financial information on the investees that no reasonably measurement of its fair value. As such, the company classified the asset as “financial assets on the basis of cost”.

B. The Company transferred 18.75% of the equity of TAISelec Co., Ltd. to the non-related party upon approval of the board of directors in February 2015. The proceeds from sale was NT$25,938 thousand, and the gain from disposition was NT$5,706 thousand.

C. As of December 31, 2016 and 2015, the Company had not pledged its financial assets on the basis of cost as collaterals.

(6) Investments accounted for using equity method

The investment of the company accounted for under the equity method on the ending day of the financial reporting period:

Investee	December 31, 2016 Book value	December 31, 2016 Ratio of shareholding %	December 31, 2015 Book value	December 31, 2015 Ratio of shareholding %
Subsidiaries:				
MPI TRADING CORP.	$ 58,433	100 %	$ 53,601	100 %
MMI HOLDING CO., LTD.	491,142	100 %	476,494	100 %
MEGTAS CO.,LTD.	19,074	60 %	23,351	60 %
Chain-Logic International Corp.	234,712	100 %	230,787	100 %
Chia Hsin Investment Co., Ltd.	—	100 %	2,295	100 %
Yi Hsin Investment Co., Ltd.	—	100 %	2,295	100 %
Won Tung Technology Co., Ltd.	188	100 %	304	100 %
Allstron Corporation	2,496	100 %	48,253	100 %
Affiliates:				
Lumitek Co.,LTD	3,360	2.28 %	(139)	2.28 %
Total	$ 809,405		$ 837,241	

A.Changes in investment under equity method:

	2016	2015
Balance, beginning	$ 837,241	$ 624,026
Increase in investment in the current period	48,555	349,990
Disposal of investments for book value	(13,254)	—
Cash dividend distributed by affiliates	(5,000)	(22,700)
Transfer of treasury stock to subsidiaries' employees	1,331	—
Capital surplus - write-off of long-term investment	—	(19,306)
Investment income (loss) recognized under equity method	18,596	3,402
Exchange difference arising from translation of the financial statement of foreign operations	(57,049)	(13,899)
Realized (unrealized) income from downstream transactions with investees	23,501	(83,913)
Other comprehensive income – Actuarial income (loss) of determined welfare	1,017	(359)
Loss on valuation of nonfinancial asset	(45,533)	—
Balance, ending	$ 809,405	$ 837,241

B. The information about affiliates important to the consolidated companies is stated as following:
Refer to the consolidated financial statements of FY2016

C. The information about the Company is stated as following:

Name of Affiliate	Nature of relationship with consolidated company	Principal business place/country where the company is registered	Proportion of ownership and voting right December 31, 2016	Proportion of ownership and voting right December 31, 2015	Measurement Method
Lumitek Co.,LTD	Primarily engaged in OEM service of LED dice production process; the affiliate has been dissolved on February 28, 2015. (The Company has gone into liquidation as of reporting date.)	Taiwan	20.15%	2.28%	Equity method

D. Book value and share of operating result of the affiliates not important to the Company individually
The financial information about the Company's affiliates under equity method not important the Company individually is summarized as following. Said financial information refers to the figures included into the Company's separate financial statements:

	December 31, 2016	December 31, 2015
Summarized total book value of the equity of individual unimportant affiliates	$ 3,360	$ (139)

	2016	2015
Shares attributed to the Company:		
Net profit (net loss) of continuing department	$ —	$ —
Income after tax of discontinued department	—	—
Other comprehensive income	—	—
Total comprehensive income	$ —	$ —

E. For the year of 2016, apart from Lumitek Co., LTD. that has already applied for dissolution and is under the liquidation process (the Company has recognized the share of affiliated enterprise with the equity methods according to the invested company's non-CPA audited financial statements, and the Company's management believes that no major adjustment will be made to the said statements even after a CPA audit), the Company has recognized invested companies' shares of investment gains and losses with the equity methods according to their financial statements audited by CPA.

The Company recognized the income of these investees on the basis of their respective audited financial statements in proportion to the investment by the company accounted for under the equity method in 2015.

F. The financial statements of subsidiary MEGTAS CO., LTD. in FY2016 and FY2015 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to (NT$3,663) thousand and (NT$1,018) thousand, respectively.

G. The Group reinvested the affiliate, Lumitek Co., LTD, via its subsidiaries, Chia Hsin Investment Co., Ltd., Yi Hsin Investment Co., Ltd. and Chia Ying Investment Co., Ltd. So far, the Group held a total of 6,630,000 shares at par value of NT$10 per share, and until December 31, 2015, the Company's shareholding is 17.87%. By resolution of the board of directors on May 11, 2016, the Group would sell 17.87% of LUMITED Corporation's equity shares owned by its three subsidiaries (JIA-SIN INVESTMENT CORP., YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP.) to ultimate parent company, MPI CORPORATION, which was in the event of liquidation. According to the legal interpretation of Ministry of Economic Affairs, original shareholders have the right to transfer their shares to others during company liquidation and it does not violate corporate law. The Group has migrated and integrated in MPI CORPORATION, and the Uni-President Enterprises Corporation deal with the proportional distribution of LUMITED CORPORATION of residual property claims request. It is unnecessary to keep the three subsidiaries in operation after their equity shares of LUMITED CORPORATION were all transferred. Therefore, the three subsidiaries were closed down.

H. The Company has acquired 843,968 shares of stock issued by Lumitek Co., LTD in April 2013 at the cost of NT$1,976 thousand and has acquired 6,630,000 shares of stock at the cost of NT$16,575 thousand.； As of December 31, 2016 and 2015, the Group held 7,473,968 shares or 20.15% of the shares issued by Lumitek Co., LTD and is accounted for under the equity method.

I. The Company acquired 100% of the shares of Allstron Corporation ("Allstron") in March 2014 and controlled the company in whole. Allstron is a probe card manufacturer engaged in high-frequency wafer measurement primarily. Acquisition of the control over Allstron enabled the Company to improve the Company's production process via Allstron's patented technology. Meanwhile, the Company secured the acquiree's clientele via the acquisition. Accordingly, the Company is expected to increase the Company's market shares of semi-conductor production process and testing equipment and products. The Company also expects to reduce the cost through the scale of economy.

The transfer consideration and the assets and liabilities recognized on the date of acquisition are stated as following:

(a) Transfer consideration: NT$50,000 thousand in cash

(b) Fair values of identifiable net assets acquired on acquisition date: NT$ 4,467 thousand dollars.

(c) Goodwill

Goodwill recognized due to acquisition:

Transfer consideration	$	50,000
Less: Fair value of identifiable net assets		(4,467)
Goodwill	$	45,533

The goodwill arose from acquisition of Allstron primarily originated from the measurement application product lines in the electronic industry, such as high-frequency wafer measurement, related patented technology for wide-distance probe card measurement to meet the changeable needs in the electronic industry, and its employees' value. Meanwhile, the payment of transfer consideration was made as it was expected that consolidation synergy, growth of revenue and future market development may be generated from the integration of Allstron's and the Company's semi-conductor production process and testing equipment businesses. Notwithstanding, as said benefits failed to meet the conditions for recognition of identifiable intangible assets and, therefore, were not recognized independently. No income tax effect was expected to be derived from the recognized goodwill.

The Company's goodwill arises due to merger and acquisition of the subsidiary. The transfer consideration was set based on the value of investment in Allstron calculated under income-based method referred to in the appraisal report issued by the expert. The income-based method applied Allstron's financial forecast for next five (5) years and estimated discount rate as the evaluation basis.

(d) Goodwill Impairment Charges

Upon the discussion of the management and report to the Board of Directors on March 24 of 2017, the Group has, according to the forecasted cash flow of Allstron Probing Solution, recognized the difference between the investment cost of the original investment day and the net equity value in the goodwill impairment loss with a value of NT$45,533 thousand for the year of 2016.

(e) Goodwill Impairment Test

For the purpose of impairment test, goodwill acquired from amalgamation already amortized to cash generating units. The goodwill in account books is as follows:

	Cash-generating units-**Allstron**	
	December 31, 2016	**December 31, 2015**
Goodwill	$ —	$ 45,533

Cash Generating Unit - Allstron

As Allstron has been evaluated as an independent cash generating unit at the end of December, 2016, its recoverable amount shall be decided according to its use value. Allstron's recoverable amount was measured according to its forecasted cash flow (in a five-year financial forecast approved by the management) applied with a discount rate; the forecasted growth of the sixth-year cash flow is zero and the demand for an increase of net working capital is zero. The cash flow forecast is already updated to reflect changes to the needs for relevant products; discount rate adopted for the cash flow forecast is based on the pre-tax value. The management already, according to the analysis results, recognized goodwill impairment loss with a value of NT$45,533 thousand at the end of 2016.

Key Assumptions Used to Calculate Cash Generating Unit's Recoverable Amount

Ⓐ The forecast of cash flow is based on the past experience, past performance and the five-year business plan with regard to the market development. The management believes that the forecast period, which is from 2017 to 2021, is reasonable.

Ⓑ The first-year revenue in the business plan is forecasted according to the past experience. Besides, the growth rate of forecasted annual revenue from 2018 to 2021 is based on the prediction of market performance. The management believes that such forecast is reasonable.

Ⓒ The gross margin in the business plan is forecasted based on the past experience and the management believes that such forecast is reasonable.

Ⓓ The purpose of applying a discount rate is to interpret risks to be taken over and required necessary returns for the future operation or use.

Values of these key assumptions represent the management's evaluation on Allstron's future trend and are based on both of external and internal information (historical information).

J. Guarantee

As of December 31, 2016 and 2015, the company had not pledged its investment accounted for under the equity method as collaterals.

(7) Property, plant and equipment

A. The changes in the cost, depreciations and impairments of the property, plant and equipment of the Company in FY2016 and FY2015:

	Land	House and building	Machine & equipment	Transportation equipment	Furniture and fixtures	Research equipment	Other equipments	Construction in progress	Total
Cost:									
January 1, 2016	$ 763,767	$ 1,263,213	$ 599,352	$ 1,320	$ 85,913	$ 559,288	$ 19,116	$ 52,106	$ 3,344,075
Addition	-	20,908	35,421	-	9,538	13,544	80	60,728	140,219
Disposition	-	-	(40,290)	(1,320)	(21,806)	(19,462)	(5,002)	-	(87,880)
Transfer	-	69,999	78,145	-	536	31,402	-	(69,999)	110,083
December 31, 2016	$ 763,767	$ 1,354,120	$ 672,628	$ -	$ 74,181	$ 584,772	$ 14,194	$ 42,835	$ 3,506,497
Cost:									
January 1, 2015	$ 512,073	$ 1,172,537	$ 318,341	$ 1,320	$ 70,768	$ 424,972	$ 17,037	$ 4,603	$ 2,521,651
Addition	251,817	90,676	291,878	-	19,108	139,858	2,147	47,503	842,987
Disposition	(123)	-	(9,100)	-	(3,963)	(5,632)	(68)	-	(18,886)
Transfer	-	-	(1,767)	-	-	90	-	-	(1,677)
December 31, 2015	$ 763,767	$ 1,263,213	$ 599,352	$ 1,320	$ 85,913	$ 559,288	$ 19,116	$ 52,106	$ 3,344,075
Depreciation and impairment:									
January 1, 2016	$ -	$ 188,641	$ 228,502	$ 623	$ 47,334	$ 273,019	$ 10,881	$ -	$ 749,000
Depreciation	-	44,594	89,086	55	17,731	78,526	2,446	-	232,438
Disposition	-	-	(40,290)	(678)	(21,796)	(19,458)	(5,002)	-	(87,224)
Transfer	-	-	(105)	-	-	-	-	-	(105)
December 31, 2016	$ -	$ 233,235	$ 277,193	$ -	$ 43,269	$ 332,087	$ 8,325	$ -	$ 894,109
Depreciation and impairment:									
January 1, 2015	$ -	$ 154,230	$ 182,159	$ 403	$ 35,648	$ 210,301	$ 8,571	$ -	$ 591,312
Depreciation	-	34,411	55,356	220	15,476	68,322	2,378	-	176,163
Disposition	-	-	(9,013)	-	(3,790)	(5,604)	(68)	-	(18,475)
Transfer	-	-	-	-	-	-	-	-	-
December 31, 2015	$ -	$ 188,641	$ 228,502	$ 623	$ 47,334	$ 273,019	$ 10,881	$ -	$ 749,000
Net book value									
December 31, 2016	$ 763,767	$ 1,120,885	$ 395,435	$ -	$ 30,912	$ 252,685	$ 5,869	$ 42,835	$ 2,612,388
December 31, 2015	$ 763,767	$ 1,074,572	$ 370,850	$ 697	$ 38,579	$ 286,269	$ 8,235	$ 52,106	$ 2,595,075

B. The Company purchased from the non-related party the land at Tai Ho Section, Zhubei City in July 2015. The total contract amount including necessary trading cost was NT$251,817 thousand. The transfer registration was completed on September 24, 2015. Factory premises would be built on the land.

C. The Company purchased from the non-related party the land at Tai Ho Section, Zhubei City in December 2015. The total contract amount was NT$123 thousand. The transfer registration was completed in December 2015.

D. Guarantee

For details about the secured long-term loan and facility until December 31, 2016 and 2015, please see Note 8.

E. For the capitalized interest, please see Note 6(17) 2. Financial cost.

(8) Intangible assets

The cost, amortization and impairment of intangible assets of the Company in FY2016 and FY2015 are shown below:

	Computer software		**Computer software**
January 1, 2016	$ 35,739	**January 1, 2015**	$ 23,490
Addition	22,402	Addition	26,809
Reclassification	—	Reclassification	1,248
Amortization expenses	(22,848)	Amortization expenses	(15,808)
December 31, 2016	$ 35,293	**December 31, 2015**	$ 35,739

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2016 and 2015 were stated as the following items in the comprehensive income statement:

	2016	**2015**
Operating cost	$ 15,864	$ 12,495
Operating expense	28,867	27,746
Total amortization expenses	$ 44,731	$ 40,241

B. R&D expenditure

In FY2016 and FY2015, the R&D spending deriving from intangible assets internally developed amounted to NT$848,764 thousand and NT$819,490 thousand, respectively, recognized under the title of "Operating expenses –R&D expenses" in the comprehensive income statement.

(9) Short-term loan

	December 31, 2016		**December 31, 2015**	
Nature of loan	Amount	Interest rate	Amount	Interest rate
Credit loan	$ 180,000	0.92%	—	
Iortgage loan	200,000	1.00%	$ 550,000	1.18%
Total	$ 380,000		$ 550,000	

1. For the information about exposure of the Company's interest rate and liquidity risks, please refer to Note 12(2).
2. Collateral for bank loan.

For bank loans secured by the Company's assets, please see Note 8.

(10) Other payable accounts

	December 31, 2016	December 31, 2015
Payable expenses	$ 470,311	$ 374,633
Payable employees' remuneration	61,660	28,640
Short-term employee benefits	53,632	33,884
Others (all less than 5%)	16,605	7,160
Total	$ 602,208	$ 444,317

(11) Reserve for liabilities

	Warranty		Warranty
Balance, January 1, 2016	$ 1,240	**Balance, January 1, 2015**	4,856
Increase (decrease)	1,355	Increase (decrease)	(3,616)
Balance, December 31, 2016	$ 2,595	**Balance, December 31, 2015**	$ 1,240
Current	$ 2,595	Current	$ 1,240
Non-current	-	Non-current	-
Balance, December 31, 2016	$ 2,595	**Balance, December 31, 2015**	$ 1,240

The provision for warranty liabilities of the company in 2016 and 2015 was mainly related to the sales of semiconductor production process and test equipment. The provision for warranty liabilities is estimated on the basis of historical data on warranty. The Company expected most of the liabilities would be realized in the year after the sales.

(12)Corporate bonds-payable

	December 31, 2016	December 31, 2015
Total amount of 3rd domestic unsecured convertible corporate bond	$ 700,000	$ 700,000
Less: Conversion amount	(99,300)	(99,300)
Less: Corporate bond discount	(10,053)	(21,267)
Corporate bond payable, net	$ 590,647	$ 579,433
Current	$ 590,647	$ 579,433
Non-current	-	-
Total	$ 590,647	$ 579,433
Embedded financial derivatives - financial liabilities (assets)	$ (60)	$ 1,682
Elements of equity	$ 28,261	$ 28,261

A. In order to purchase factory premises and machine & equipment and repayment of bank loan, the Company issued 3rd domestic unsecured convertible corporate bonds upon resolution of the board of directors on October 16, 2014, and upon approval of

FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1030042656 dated November 4, 2014. The issuance conditions are stated as following:

(a) Total issued amount: NT$700 million

(b) Duration: 3 years (November 18, 2014~November 18, 2017)

(c) Coupon rate: 0%

(d) Duration: The day following expiration of one month after the date of issuance (December 19, 2014) until the expiry date (November 18, 2017).

(e) Conversion price and adjustment thereof:

Ⓐ The conversion price at the time of issuance shall be NT$100 per share.

Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.

Ⓒ The Company's board of directors resolved on August 7, 2015 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 13, 2015, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$93.4 per share.

Ⓓ The Company's board of directors resolved on July 11, 2016 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of August 26, 2016, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$90.2 per share.

(f) Bondholders' put option: The bondholders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, November 18, 2016, upon expiration of two years after issuance of the bonds. The bondholders may ask the Company to redeem the bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

(g) The Company's right of redemption:

Ⓐ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for

30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

Ⓑ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal: Except those converted to the Company’s common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

B. Until December 31, 2016, the book value of 3rd domestic unsecured convertible corporate bonds which have been converted upon request cumulatively was NT$99,300 thousand. The issued stock totaled 993 thousand shares and the capital surplus-convertible corporate bond conversion premium generated was NT$88,540.

C. The Company analyzed the 3rd domestic unsecured convertible corporate bonds according to IFRS No. 7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively.

	November 18, 2014 (Issuing date)
Total issuing amount of convertible corporate bond	$ 700,000
Cost of convertible corporate bond	(5,203)
Elements of equity at the time of issuance - conversion option	(32,933)
Embedded financial derivatives at the time of issuance	(980)
Corporate bond payable, net on the issuing date	$ 660,884

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of 2016, which was stated into the "financial asset (liability) held for trading". The "gain (loss) from financial assets and liabilities at fair value through profit or loss" was NT$1,742 thousand and NT$$2,285 thousand in 2016 and 2015.

The effective interest rate for the 3rd domestic unsecured convertible corporate bonds was 1.9183%. The interest expenses of convertible corporate bond recognized in 2016 and 2015 were NT$11,214 thousand and NT$11,032 thousand.

(13) Long-term Loans

Bank	Nature	Limit	Duration	December 31, 2016
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 201,100	2015/09/30~2020/09/30	$ 201,000
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 163,000	2009/03/02~2022/03/02	48,968
Less: current portion				(9,328)
Total				$ 240,640
Interest rate range				1.28 %~1.32 %

Bank	Nature	Limit	Duration	December 31, 2015
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 201,100	2015/09/30~2020/09/30	$ 201,100
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 163,000	2009/03/02~2022/03/02	58,296
Less: current portion				(9,328)
Total				$ 250,068
Interest rate range				1.49 %~1.53 %

A. Information on the exposure of interest risk and liquidity risks of the company is shown in Note 12 (2).

B. Collateral for bank loan.

The company pledged its assets under lien as collaterals for the security of loans from the banks. Related information is shown in Note 8.

(14) Pension Benefits

A. Defined benefit plan

(a) The Company has established the regulation for retirement with welfare in accordance with the “Labor Standards Act”, which is applicable to the years of service for full-time employees before the implementation of the “Labor Pension Act” on July 1 2005, and the employees continued to adopt the “Labor Standards Act” after the “Labor Pension Act” has come into effect. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six (6) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The company contributes at 2% of the total salary on a monthly basis to the pension fund and deposit at the special pension account under the title of the Pension Reserve Monitoring Committee at the Bank of Taiwan. As of December 2016, the balance of the pension contribution in the special account at the Bank of Taiwan amounted to NT$47,506 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	$ 74,960	$ 66,445
Fair value of planned assets	(47,506)	(43,220)
Net defined benefit liability	$ 27,454	$ 23,225

(c) Changes in the present value of defined benefit obligation:

	2016	2015
Present value of defined benefit obligation, January 1	$ 66,445	$ 56,911
Service cost in current period	5,128	125
Interest cost	1,196	1,149
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	1,254	2,263
Empirical adjustment	937	5,997
Present value of defined benefit obligation, December 31	$ 74,960	$ 66,445

(d) Changes in fair value of planned assets:

	2016	2015
Fair value of planned assets, January 1	$ 43,220	$ 38,567
Interest revenue	811	807
Return (loss) on remuneration of planned assets	(491)	211
Contribution by employer	3,966	3,635
Benefit payment-from planned assets	-	-
Fair value of planned assets, December 31	$ 47,506	$ 43,220

(e) Total expenses recognized in comprehensive income statement:

	2016	2015
Service cost in current period	$ 5,128	$ 125
Interest cost of defined benefit obligation	1,196	1,149
Interest revenue from planned assets	(811)	(807)
Defined benefit cost stated into income	$ 5,513	$ 467

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was not impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2016 and 2015, please see the labor pension fund utilization report published by the government each year.

(g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	2016	**2015**
Discount rate	1.70%	1.80%
Future salary and benefit level	2.25%	2.25%

Until December 31, 2016, the weighted average duration of the pension plan has been 17~20 years.

(h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any change in the actuarial assumption may cause the amount of the determined welfare obligation of the company at significant level. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company.

(i) The variance in the estimation of discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	Discount rate		**Future raise rate**	
	Increase by 0.25%	**Decrease by 0.25%**	**Increase by 1.00%**	**Decrease by 1.00%**
December 31, 2016				
Effect on defined benefit obligation %	(4.12%)	4.33%	18.62%	(15.48%)
Amount of effect on defined benefit obligation %	$ (3,088)	$ 3,246	$ 13,958	$ (11,604)

December 31, 2015

Effect on defined benefit obligation %	(4.24%)	4.46%	19.04%	(15.79%)
Amount of effect on defined benefit obligation %	$ (2,817)	$ 2,963	$ 12,651	$ (10,492)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

(j) The Company is expected to contribute NT$3,900 thousand to the Plan in the reporting period of next year.

B. Defined contribution plans

(a) With effect on July 1, 2005, the company has established the regulation for the contribution of pension fund in accordance with the “Labor Pension Act” which is applicable to employees of ROC nationality. For the employees electing to adopt the “Labor Pension Act” for retirement, the company allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the personal pension account with accumulated return payable monthly or in lump sum.

(b) In FY2016 and FY2015, the Company has recognized pension expenses amounted to NT$47,463 thousand and NT$43,484 thousand in accordance with the regulation for determination of pension allocation.

(1 5) EQUITY

A. The Company's outstanding common stock at beginning and ending is reconciled as follows:

	2016	**2015**
Balance, January 1	79,005,392	79,536,392
Transfer of treasury stock to employees	600,000	-
Corporate bond conversion	-	69,000
Repurchase of treasury stock	-	(600,000)
Balance, December 31	79,605,392	79,005,392

B. Capital surplus

(a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	December 31, 2016	December 31, 2015
Common stock premium	$ 210,163	$ 210,163
Convertible corporate bond conversion premium	569,216	569,216
Treasury stock trading	58,236	44,073
Donation from shareholders	1	1
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	28,261	28,261
Total	$ 885,735	$ 871,572

Ⓐ The conversion of 1st and 2nd non-secured domestic convertible corporate bonds already issued by the Company has been completed and generated the capital surplus-convertible corporate bond conversion premium, NT$480,676 thousand, and capital surplus-treasury stock trading, NT$8,477 thousand.

Ⓑ The Company has repurchased 500,000 shares in accordance with the "Regulation for the First Repurchase of Shares for Assignment to Employees" at the cost of NT$35,387 thousand. As resolved by the Board in a session dated November 26 2009, the treasury shares were assigned to the employees and set November 26 2009 as the subscription date. The Board also resolved to assign all the shares to the employees and the employees of subsidiary Chain-Logic International Corp. at NT$61.53/share. Under the Black-Scholes pricing model, it is estimated that the fair value of each share is NT$14.03. The company had capital surplus –treasury trade amounted to NT$2,300 thousand.

Ⓒ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT$1,000.

ⒹThe Company has made investment through subsidiaries - Chia Hsin Investment Co., Ltd., Yi Hsin Investment Co., Ltd. and Chia Ying Investment Co., Ltd. in associated enterprise - Lumitek Co., LTD, and has raised new capital through the issuance of new shares and the exercise of ESO. The subsidiaries have not subscribed in proportion to their shareholding, the company recognized capital surplus-change in the net equity value of associated accounted for under the equity method amounted to NT$19,306 thousand. Lumitek Co., LTD. was dissolved on February 28, 2015, and said capital surplus was settled as NT$0 accordingly.

Ⓔ The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. on June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net worth of the acquired equity was NT$19,858 thousand on the date of investment, stated as capital surplus-others.3. Retained earnings.

C. Retained earnings

(a) According to the Company's Articles of Incorporation, if the Company has profits after final account for the concerning fiscal year, the profits shall be allocated in the following order: (1) Payment of tax. (2) Covering of loss; (3) 10% set aside as legal reserve; (4) Provision of special reserve pursuant to laws; (5) The remainder, if any, plus allocable earnings at the end of the year may be subject to the motion for distribution of allocable earnings prepared by the board of directors and submitted to a shareholders' meeting for resolution. Where the earnings are resolved to be allocated, they shall be allocated in the following manners:

- Employee remuneration: at least 20% of the allocable earnings.
- Remuneration to directors/supervisors: no more than 3% of the allocable earnings.
- Shareholders remuneration: the remainder less the allocated amount referred to in the preceding two sub-paragraphs.

The counterparts whom the stock dividends may be allocated to shall include the employees of affiliated companies.

(b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

(c) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

(d) Legal reserve

According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(e) Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company doesn't need to provide special reserve, pursuant to the related laws in, in 2016 and 2015.

(f) The Company resolved to allocate the cash dividend, NT$238,816 thousand (NT$3 per share), to shareholders from earnings 2015 on June 16, 2016.

The Company resolved to allocate the cash dividend, NT$318,422 thousand (NT$4 per share), to shareholders from earnings 2014 on June 12, 2015.

(g) The information about allocation of retained earning approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(h) For the information about remuneration to employees and remuneration to directors/supervisors, please see Note 6(20)

D. Treasury stock

(a) Cause of repurchase and increase/decrease in quantity:

	January 1 to December 31, 2016			
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**

For transfer of shares to employees	600,000	–	600,000	–

Cause	January 1 to December 31, 2015			
	Quantity, beginning	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	–	600,000	–	600,000

(b) According to the Securities and Exchange Act, the number of outstanding shares repurchased may not exceed ten percent of the Company's total number of issued shares. The total amount of the repurchased shares may not exceed the amount of retained earnings plus premium on capital stock and realized capital surplus. The Company repurchased the treasury stock totaling 600,000 shares, i.e. NT$34,454 thousand, from August to October 2015.

(c) According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged. Before the transfer, the treasury stock shall not be entitled to any shareholder right.

(d) According to the Securities and Exchange Act, the shares repurchased by a company for transfer of the same to employees shall be transferred within three years from the date of repurchase. The shares not transferred within the said time limit shall be deemed as not issued by the company, and amendment registration shall be processed.

(e) In order to recruit and retain the technical and professional talents for the Company, and encourage their long-term service, loyalty, productivity and sense of belonging to create interest for the Company and shareholders jointly, the Company established the "Third time Regulations Governing Share Repurchase and Transfer of Shares to Employees", in accordance with Article 28-2 of Securities and Exchange Act, and the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies promulgated by FSC. The Regulations were approved upon resolution of the board of directors on March 9, 2016. The treasury stock, totaling 2,000,000 shares, was transferred to employees of the Company and Chain-Logic International Corp. wholly owned by the Company on the record date of stock option, namely March 9, 2016, at NT$54.72 per share. According to the estimation under Black-Scholes evaluation model, the fair value was NT$23.78 per share on the grant date. The Company recognized the remuneration cost, NT$12,937 thousand (stated as salary expenses) and the subsidiaries-Chain-Logic International Corp. recognized the remuneration cost, NT$1,331 thousand (stated as investments accounted for using equity method). The parameters adopted by the evaluation model are stated as following:

		2016 Treasury stock transferred to employees
Evaluation Model	Black-Scholes option-pricing model	
	Vesting period	March 9~14,2016
	Dividend yield rate	4.42 %
	Exercise price	$ 57.42
	Stock price	$ 81.20
	Expected price volatility	49.60 %
	Risk-free interest rate	0.210 %

The price difference between the transfer consideration less necessary trading cost, NT$34,349 thousand, and capital surplus-employee stock option, NT$14,268 thousand, and the repurchase cost, NT$34,454 thousand, was stated into the capital surplus-treasury stock exchange, NT$14,163 thousand.

(16) Share-based payment－employee compensation plan

As of December 31, 2016, information on outstanding ESO is shown below: N/A

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	2016	2015
Gain (loss) from disposition of property, plant and equipment	$ (175)	$ (80)
Gain on disposition of investment	－	5,706
Gain (debt) from financial assets and liabilities at fair value through profit or loss	1,742	(2,285)
Foreign currency exchange gain (loss), net	(14,500)	14,843
Loss on valuation of nonfinancial asset	(45,533)	－
Others	(108)	(799)
Total	$ (58,574)	$ 17,385

(a) For the notes to gain on disposition of investment, please refer to Note 4(6).

(b) For the notes to loss on valuation of Investments accounted for using equity method, please refer to Note 6(6).

B. Financial cost

	2016	2015
Interest expenses		
Bank loan	$ 9,937	$ 3,834
Convertible corporate bond	11,214	11,032
Subtotal	21,151	14,866

Less: capitalized interest	(2,543)	(1,689)
Total	$ 18,608	$ 13,177
Capitalized interest rate	1.04%~1.57%	0.5%~1.56%

(18) Income Tax

A. The detail of income tax expenses (benefits) of the company is shown below:

	2016	2015
Income tax in current period:		
Generated in the current period	$ 73,284	$ 65,693
Overestimated (underestimated) income tax in previous year	52	(47)
Total income tax in the current period	73,336	65,646
Deferred income tax		
Occurrence and reversal of temporary difference	(3,000)	(21,789)
Effect of changes in tax rate	—	—
Total deferred income tax	(3,000)	(21,789)
Total	$ 70,336	$ 43,857

B. The Group recognized Income tax expenses in other comprehensive income are NT$ 0 start from January to December, at 2016 and 2015.

C. The income tax expenses recognized under the title of equity are NT$0 start from January to December, at 2016 and 2015.

D. Relations between income tax expenses (gains) and accounting profit

	2016	2015
Net profit (loss) before tax	$ 633,615	$ 338,677
Income tax on net profit before tax calculated at the domestic tax rate applicable in the place where the Company is situated (17%)	$ 107,715	$ 57,575
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(5,607)	22,341
Income tax effect on deferred income tax assets/liabilities	(3,000)	(21,789)
Unrecognized deferred income tax assets	—	—
Tax-free income	(47,598)	(24,178)
Maximum foreign-tax deduction	—	(706)
Income tax effect on investment credit	(16,896)	(21,027)
Imposition of 10% income tax on undistributed earnings	1,811	14,353
Income tax effect under minimum tax system	33,859	17,335

Overestimated (underestimated) income tax in previous year	52	(47)
Total	$ 70,336	$ 43,857

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2016				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 37,960	$ (1,918)	-	-	$ 36,042
Unrealized exchange loss	275	1,935	-	-	2,210
Unrealized warranty cost	211	230	-	-	441
Bad debt loss	107	(107)	-	-	-
Unrealized loss on valuation of nonfinancial asset	-	7,741	-	-	7,741
Unrealized gain on inter-affiliate accounts	19,878	(3,995)	-	-	15,883
Tax difference on depreciation expenses	13	-	-	-	13
Total	$ 58,444	$ 3,886	-	-	$ 62,330
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (1,147)	$ 417	-	-	$ (730)
Unrealized net investment income (foreign)	(2,084)	(1,566)	-	-	(3,650)
Recognition of pension expenses (deficit)	(4,316)	263	-	-	(4,053)
Total	$ (7,547)	$ (886)	-	-	$ (8,433)

	2015				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**

Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 31,640	$ 6,320	-	-	$ 37,960
Unrealized exchange loss	373	(98)	-	-	275
Unrealized warranty cost	826	(615)	-	-	211
Bad debt loss	2,250	(2,143)	-	-	107
Unrealized gain on inter-affiliate accounts	5,613	14,265	-	-	19,878
Tax difference on depreciation expenses	13	-	-	-	13
Total	$ 40,715	$ 17,729	-	-	$ 58,444

Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (3,060)	$ 1,913	-	-	$ (1,147)
Unrealized net investment income (foreign)	(4,770)	2,686	-	-	(2,084)
Recognition of pension expenses (deficit)	(3,777)	(539)	-	-	(4,316)
Total	$(11,607)	$ 4,060	-	-	$ (7,547)

(b) Unrecognized deferred income tax assets

	December 31, 2016	December 31, 2015
Investment credit	-	-
Amount of unrecognized deferred income tax assets	-	-

(c) Unrecognized deferred income tax liabilities

	December 31, 2016	December 31, 2015
Taxable temporary difference	-	-
Amount of unrecognized deferred income tax liabilities	-	-

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2016 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D spending in	$ 75,098	$ —	$ 16,896	$ —	(non-deferred)

$ 75,098	$ –	$ 16,896	$ –

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

G Authorization of income tax:

The Company has its corporate income tax approved by the taxation authorities until 2014.

H. Information about the Company's two-in-one tax policy:

	December 31, 2016	December 31, 2015
Deductible tax account-Balance	$ 229,656	$ 203,330

	2016 (Projected)	2015 (Actual)
Deductible rate of earnings allocation	15.10 %	16.25 %

Said information about the two-in-one tax policy refers to the amount treated according to the letter of Ministry of Finance under Tai-Tsai-Shui No. 10204562810 dated October 17, 2013.

According to Article 66-6 of the amended Income Tax Law, the tax deduction applicable to individual shareholders residing within the territories of the R.O.C. may be discounted at 50% as of January 1, 2015 when the earnings are allocated.

I. Information about the Company's undistributed earnings

Except the balance, NT$322 thousand, before 1997, the remainder of the Company's undistributed earnings refers to those after 1998.

(19) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

2016			2015		
Amount after tax	Weighted average number	EPS (NT$)	Amount after tax	Weighted average number	EPS (NT$)

		of outstanding common stock (thousand shares)			of outstanding common stock (thousand shares)	
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 563,279	79,480	$ 7.09	$ 294,820	79,429	$ 3.71
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 563,279	**79,480**		$ 294,820	79,429	
Effect of all potential diluted common stocks						
3rd domestic unsecured convertible corporate bond	−	6,660		−	6,431	
Employee stock option exercise adjustment	−	−		−	−	
Employee stock bonus	−	717		−	470	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 563,279	**86,857**	$ 6.49	$ 294,820	86,330	$ 3.42

For the details about capital increase, please see Note 6(15).

(20) Employee benefits, depreciation, depletion and amortization expenses are summarized as follows

Function / Nature	2016			2015		
	Operating cost	Operating expense	Total	Operating cost	Operating expense	Total

Employee benefit expense						
Salary expense (including employees' compensation)	765,048	655,009	1,420,057	545,040	539,575	1,084,615
Labor/health insurance expenses	54,289	46,602	100,891	39,209	33,307	72,516
Pension expenses	28,400	24,577	52,977	21,363	22,588	43,951
Other employee benefit expenses (Note 1)	74,357	22,387	96,744	39,577	23,881	63,458
Depreciation expenses	165,055	67,383	232,438	115,080	61,083	176,163
Depletion expenses	—	—	—	—	—	—
Amortization expenses	15,864	28,867	44,731	12,495	27,746	40,241

(Note 1) The other employee benefit expenses including meal expenses, overtime pay and workers' benefits.

(Note 2) Until the end of 2016 and 2015, the Company has hired 1,444 employees and 1,372 employees respectively.

A. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings. For the details about capital increase, please see Note 6(15).

Notwithstanding, according to the Company Law amended on May 20, 2015, the Company shall allocate remuneration to employees in specific amount or at specific percentage, subject to the status of earnings in the year.

B. The Company has approved the motion for amendments to the Articles of Incorporation on June 16, 2016:

Where the Company retains income before tax after the account settlement, it shall allocate 5%~15% thereof as the remuneration to employees, and 1%~3% thereof as the remuneration to directors/supervisors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors/supervisors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

The motion for amendments to the Articles of Incorporation will be submitted to the general shareholders' meeting 2016 for resolution.

C. The Company estimated the remuneration to employees was NT$61,660 thousand and NT$28,640 thousand, respectively, in 2016 and 2015, and the remuneration to directors/supervisors NT$14,760 thousand and NT$7,160 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).

D. The remuneration to employees and directors/supervisors 2015 resolved to be allocated at the directors' meeting on June 16, 2016 were NT $28,640 thousand dollars and NT $7,160 thousand dollars, respectively, identical with that recognized in the financial statement 2015, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2016.

E. Upon resolution by the shareholders' meeting, the Company's actual cash dividend to shareholders and remuneration to directors/supervisors in 2014 were NT$49,168 thousand and NT$11,240 thousand. The difference between the employee remuneration, NT$48,242 thousand, and remuneration to directors/supervisors, NT$12,061 thousand, as recognized in the financial statements 2014 was NT$105 thousand, resulting from the amendment to the estimated employee remuneration and remuneration to directors/supervisors after the Company took the shareholders' equity and employee benefits, and also the standards in the same trade and future operation into consideration. The difference was held as a change in the accounting estimation and adjusted as income 2015.

F. The information about remuneration to employees and remuneration to directors/supervisors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the “MOPS”.

(21) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	2016	2015
Purchase of property, plant and equipment	$ 249,844	$ 842,986
Add: Payables for equipment, beginning	90,945	134,676
Less: Payables for equipment, ending	(129,342)	(90,945)
Cash paid in current period	$ 211,447	$ 886,717

B. Financing activities not affecting cash flow:

	2016	2015
Conversion of corporate bond conversion into capital stock	$ –	$ 690

7. Transactions with related parties

(1) Relations between parent company and subsidiary

The Company's subsidiaries are stated as follows:

	Place of incorporation	Owner's equity (shareholding %) December 31, 2016	Owner's equity (shareholding %) December 31, 2015
Chain-Logic International Corp.	Taiwan	100%	100%
Yi Hsin Investment Co., Ltd.	Taiwan	–	100%
Chia Hsin Investment Co., Ltd.	Taiwan	–	100%

Chia Ying Investment Co., Ltd.	Taiwan	－	100%
Won Tung Technology Co., Ltd.	Taiwan	100%	100%
Allstron Corporation	Taiwan	100%	100%
MPI TRADING CORP.	Samoa	100%	100%
MMI HOLDING CO.,LTD.	Samoa	100%	100%
CHAIN-LOGIC TRADING CORP.	Mauritius	100%	100%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Mainland China	100%	100%
LEDA-ONE (Shenzhen) Co.	Mainland China	100%	100%
Lumitek (Changchou) Co. Ltd.	Mainland China	100%	100%
MEGTAS CO.,LTD.	Korea	60%	60%

(2) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(3) Important transactions with related parties

A. Operating revenue

The Company's sales values to related parties are stated as follows:

Type	2016	2015
Sale of products:		
-Affiliates	$ 58,019	$ 45,436
-The Company's director	356,503	559,295
-Subsidiary	79,987	352,594
Sale of labor services:		
-The Company's director	81,118	55,162
Total	$ 575,627	$ 1,012,487

The price of the Company’s sale to related parties was not significantly different from the Company's general selling price.

B. Purchase

The Company's purchase values to related parties are stated as follows:

Type	2016	2015
Affiliates	$ 666	$ 23,598
The Company's director	75,070	61,748
Subsidiary	2,541	3,539
Total	$ 78,277	$ 88,885

The price of the Company’s purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Receivable accounts-related parties

The Company's receivable accounts-related parties are stated as following:

Title	Type	December 31, 2016	December 31, 2015
Receivable notes	Subsidiary	$ —	$ —
Receivable accounts	Affiliates	14,670	18,633
Receivable accounts	The Company's director	22,390	63,825
Receivable accounts	Subsidiary	148,506	247,294
Accounts receivable		185,566	329,752
Less: Allowance for bad debt		(447)	(520)
Accounts receivable, net		$ 185,119	$ 329,232
Other receivable accounts	Subsidiary	$ 32,745	$ 18,327

D. Payable accounts-related parties

The Company's payable accounts-related parties are stated as following:

Title	Type	December 31, 2016	December 31, 2015
Accounts payable	Affiliates	$ 11	$ 19
Accounts payable	The Company's director	81	2,910
Accounts payable	Subsidiary	655	1,490
Other payable accounts	The Company's director	342	6,667
Other payable accounts	Subsidiary	85,629	56,902
Total		$ 86,718	$ 67,988

E. Prepayment

The Company's payable accounts-related parties are stated as following:

Title	Type	December 31, 2016	December 31, 2015
Prepayment for purchase	Subsidiary	$ —	$ 165

F. Exchange of property

a. Acquisition of property, plant, and equipment

Type	Nature	2016	2015
The Company's director	Machine & equipment	$,224	$ 203
Subsidiary	R&D equipment	$ 3,818	$ 849
Affiliates	Other equipments	$ —	$ 130

b. Disposition of property, plant, and equipment: None.

G. Loan to others (stated as other receivable accounts-related party)

2016:

Type	Maximum balance	Balance ending	Interest rate %	Interest revenue
Subsidiary	$ 3,096	$ —	5.35%	$ 40

2015:

Type	Maximum balance	Balance ending	Interest rate %	Interest revenue
Subsidiary	$ 10,983	$ 3,096	5.35%	$ 174 (Note)

H. Purchase of labor services from related parties

The Company's expenditure in labor services to related parties are stated as follows:

Type	**2016**	**2015**
Promotion-expenditure in commission:		
-Affiliates	$ 2,770	$ 3,482
-The Company's director	3,978	1,981
-Subsidiary	82,291	86,647
Promotion-expenditure in royalty:		
-The Company's director	—	42,776
Total	$ 89,039	$ 134,886

For the calculation of the royalty to related parties, please see Note 9(2).

I. Others

a. Payment on behalf of others (stated as other current assets): N/A

b. Advance sale receipts

Type	**December 31, 2016**	**December 31, 2015**
Affiliates	$ 2,413	$ 23
The Company's director	611	688
Subsidiary	3,360	—
Total	$ 6,384	$ 711

c. Temporary receipts (stated as other current liabilities): None.

d. Manufacturing expenses (stated as operating cost)

Type	Nature	2016	2015
Affiliates	Other expenses	$ —	$ 665
Affiliates	Processing expenses	$ 2,795	$ 5,380
The Company's director	Other expenses	$ 4	$ 4
Subsidiary	Repair and maintenance expense	$ 6	$ —
Subsidiary	Other expenses	$ 42	$ 192

e. Selling expenses

Type	Nature	2016	2015
The Company's director	Repair and maintenance expense	$ —	$ 4
The Company's director	Other expenses	$ 964	$ 1,440
Affiliates	Other expenses	$ 75	$ 67
Affiliates	Other expenses	$ 1,794	$ —
Subsidiary		$ 5,511	$ 436

f. Management expenses

Type	Nature	2016	2015
Affiliates	Other expenses	$ —	$ 232
Subsidiary	Dormitory fees paid by employees	$ (38)	$ (37)

g. Research expense

Type	Nature	2016	2015
Affiliates	Stationary	$ —	$ 4
Affiliates	Other expenses	$ —	$ 1,089
Subsidiary	Other expenses	$ 83	$ 67
Subsidiary	Repair and maintenance expense	$ 38	$ —

h. Lease

The Company's lease revenue from related parties is stated as follows:

Type	2016	2015
Subsidiary	$ 3,859	$ 3,870
Affiliates	$ 450	$ 1,314

The main contents of lease contract:

Type	Subject matter	Duration of lease	Mode of collection

Subsidiary	Sublet the factory premises building and parking lots at Wenshan Road, Xinpu Township, Hsinchu County	2014/12/21~2017/12/20	NT$242 thousand per month (before tax) The rent of parking lots was calculated subject to the actual service condition on a monthly basis.
Subsidiary	Jiaren St., Zhubei City, Hsinchu County (Employee dormitory)	2005/12/01~2006/11/30, Renewed automatically upon expiration	Settled based on the actual number of persons on a monthly basis.
Subsidiary	Rent the branch company office at Luchu, Kaohsiung City	2008/04/18~2009/04/17, Renewed automatically upon expiration	NT$10 thousand per month (before tax)
Affiliates	Sublet the factory premises building at Wenshan Road, Xinpu Township, Hsinchu County	2014/11/01~2017/10/31	NT$1,359 thousand per month (before tax) The rent of health center was NT$296 (before tax) after January 1, 2015; The rent of health center was NT$185 (before tax) after February 1, 2015; The rent of health center was NT$162 (before tax) after March 1, 2015; The rent of health center was NT$105 (before tax) after April 1, 2015; The rent of health center was NT$67 (before tax) after June 1, 2015; The rent of health center was NT$61 (before tax) after July 1, 2015; The rent of parking lots was calculated subject to the actual service condition on a monthly basis.

i. Other revenue

Type	2016	2015
The Company's director	$ 272	$ 6,504
Affiliates	$ 812	$ 1,476
Subsidiary	$ 30,702	$ 18,608

j. Information about remuneration to the management

Information about remuneration to the Company's management is stated as follows:

	2016	2015
Salary and other short-term employee benefits	$ 10,540	$ 13,857
Resignation benefits	—	—
Retirement benefits	—	—

Other long-term benefits	—	—
Total	$ 10,540	$ 13,857

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

8. Pledged assets

The following assets have been provided to the Company as the collaterals for bank loans, import business tax and sale commitment. The book value thereof is stated as follows:

	December 31, 2016	December 31, 2015
Land	$ 699,538	$ 699,538
Building	910,837	937,299
Pledged time deposit (stated as other current assets)	8,469	8,431
Total	$ 1,618,844	$ 1,645,268

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: N/A.

(2) Commitment:

A. In order to upgrade the product quality and local content rate, the Group entered into the cooperative contract with the following companies. The main contents of the contract are stated as follows:

Cooperative company	Payment method	Product by technical cooperation
the Company's director-MICRONICS JAPAN CO., LTD.	The technical remuneration equivalent to 3% of the total sales value of all probe cards manufactured and sold by the Company shall be payable once per quarter. (Terminated on November 30, 2015)	Provide the technology and intelligence for improvement on precision of the position of pins applied to IC wafer inspection.

B. Balance of unused letter of credit issued by the Company, guarantee money paid and service charges: N/A.

C. The Company's significant long-term rent:

(a) The Company rented the land lots in Tainan Science Park from Southern Taiwan Science Park Administration for construction of Luchu 1st Plant and 2nd Plant. The lease commenced from February 15, 2005 and October 1, 2006 respectively.

According to the lease contract, the lease of the land shall persist for no more than 20 years, and the lease shall expire on December 31, 2024. Upon expiration of the lease, both parties may enter into a new contract; otherwise, the contract shall terminate naturally and the Company is prohibited from claiming the continuance of lease or irregular lease with any excuse. In the case of land price re-set by the government pursuant to laws, the rent shall be adjusted and collected based on the re-set land price.

(b) The Company rented the land at Taiho Section, Zhubei City, Hsinchu Country from a non-related party for parking lots. The lease shall be effective from May 15, 2012 to May 14, 2017, for a total of 5 years. The Company shall surrender the land to the lessor upon expiration of termination of the lease contract.

(c) The Company rented the land and the construction at Zhonghe Street, Zhubei City, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on August 31, 2018. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

(d) The Company rented the land and the construction at Guangfu Rd, Hukou Township, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on September 30, 2021. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

The income expenses for said two lots of long-term operating leased land were stated as NT$8,737 thousand and NT$7,395 thousand in 2016 and 2015.

The future payable rent for important long-term operating lease is stated as follows:

	December 31, 2016
Less than one year	$ 13,537
One year to five years	39,254
More than five years	11,653
Total	$ 64,444

D. The outstanding amount under the purchase orders signed for the Company's purchase of equipment is stated as following:

	December 31, 2016	December 31, 2015
Purchase of property, plant and equipment	$ 196,205	$ 73,940

10. Significant disaster loss: N/A.

11. Significant subsequent events: N/A.

12. Others

(1) Fair value information of financial instruments

A. Financial instruments not at fair value：

The carrying amounts of the Company' (including cash and cash equivalents, accounts receivable, other receivables, Pledged time deposit ,short-term loans, notes payable, accounts payable and other payables are approximate to their fair values.

Noncurrent financial instrument (including refundable deposit, deposits received, long-term loans, term accounts payable)，The effect of discounting is minor, thus, the book value are approximate their the fair values. Fair value recognized in the consolidated balance sheet:

B. Fair value measurements recognized in the consolidated balance sheets：

The Company applied the input which was observable in the market as possible as it could when measuring its assets and liabilities. The level of fair value is concluded as following based on the input used by the valuation technology:

1st level: Open quotation of the same assets or liabilities in an active market on the date when the assets or liabilities may be acquired (before adjustment). The active market means the market in which there are frequent and large volumes of transactions to provide the information about pricing on an ongoing basis.

2nd level: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

3rd level: Inputs for the asset or liability that are not based on.

	1st level	2nd level	3rd level	Total
December 31, 2016				
Financial assets				
Financial Assets held for trading - current	－	$ 60	－	$ 60
Financial liabilities	－	－	－	－
December 31, 2015				
Financial assets	－	－	－	－
Financial liabilities				
Financial liabilities held for trading - current	－	$ 1,682	－	$ 1,682
Convertible corporate bond				

(a) The methods and hypotheses used by the Company to measure fair value are stated as following:

With respect to more complicate financial instruments; the Company applied the evaluation models consisting of the evaluation methods and technologies extensively employed in the same trade to measure the fair value. Such evaluation model is used to applying to the debt instruments or securitization products, including financial derivatives and embedded derivatives.

(b) There was no transfer between Level 1 and Level 2 for the measurement of fair value for 2016 and 2015.

(c) Among the total gains (losses) stated into the income, the gains (losses) related to the financial derivatives were NT$1,742 thousand and (NT$2,285) thousand in 2016 and 2015.

(2) Financial risk management

A. Purpose

(a) The Company's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.

(b) The Company has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Company shall strictly comply with the requirements related to financial risk management defined by the Company.

B. Nature and degree of important financial risk

(a) Market risk

The Company's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Company's foreign exchange risk arises primarily from the operating activities (revenue or expense denominated in the currency different from the Company's functional currency) and net investment in foreign operations.

The Company's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Company did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Company's income and equity. The Company's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen and Euro.

The Company's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or Won). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

December 31, 2016

	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 8,079	32.25	$260,548
	NTD/JPY	$ 1,832	0.2727	$ 500
	NTD/EUR	$ 48	33.775	$ 1,621
	NTD/RMB	$ 27,515	4.6175	$127,051
	NTD/KRW	$ 327	0.02701	$ 9
	NTD/HKD	$ 4	4.1055	$ 16
	NTD/SGD	$ 6	22.17	$ 133
	NTD/MYR	$ 11	6.905	$ 76
Financial liabilities	NTD/USD	$ 2,668	32.25	$ 86,043
	NTD/JPY	$ 16,934	0.2727	$ 4,618
	NTD/EUR	$ 329	33.775	$ 11,112
	NTD/RMB	$ 28	4.6175	$ 129
	NTD/SGD	$ 10	22.17	$ 222

December 31, 2015

Currency unit	**Amount in foreign currency (thousand**	**Applicable foreign exchange rate, ending**	**Book value (NTD) (thousand dollars)**

		dollars)	(Dollar)	
Financial assets	NTD/USD	$ 8,232	32.8725	$ 270,226
	NTD/JPY	$ 1,674	0.2727	$ 464
	NTD/EUR	$ 601	35.8815	$ 21,575
	NTD/RMB	$ 43,589	4.9925	$ 217,736
	NTD/KRW	$ 617	0.02811	$ 17
	NTD/HKD	$ 4	4.181	$ 16
	NTD/SGD	$ 6	23.248	$ 132
	NTD/MYR	$ 7	7.3425	$ 52
Financial liabilities	NTD/USD	$ 1,508	32.875	$ 49,557
	NTD/JPY	$ 65,757	0.2737	$ 18,034
	NTD/EUR	$ 165	35.8815	$ 5,956
	NTD/RMB	$ 27	4.9925	$ 134
	NTD/KRW	$ 270	0.02811	$ 8
	NTD/SGD	$ 17	23.248	$ 389

In consideration of the Company's multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) was (NT$14,500) thousand and NT$14,843 thousand in 2016 and 2015.

Ⓑ Interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Company's interest rate risk arises primarily from the loan with floating interest rate.

The Company maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

Ⓒ Pricing risk

Due to the fact that in the investment held by the Company indicated in the individual balance sheet, the Company did not hold the financial assets including equity instruments. Therefore, the Company did not suffer significant pricing risk.

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Company did not sign any product contract which did not apply net settlement.

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2016 and 2015 is stated as following:

December 31, 2016		
Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-10,770 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 1,575 thousand

December 31, 2015		
Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-13,226 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 2,023 thousand

(b) Credit risk

Ⓐ Credit risk represents the financial loss that would be incurred by the Company if its customers or financial instrument trading counterparts fail to perform the contracts.

Ⓑ According to the loan policy expressly defined internally in the Company, Business Dept. shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Bank also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.

Ⓒ In 2016 and 2015, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.

Ⓓ The Company grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of bad debt provided for the Company's impairment on receivable accounts and account age analysis on loans, please see Note 6(3):

Ⓔ The Company's Finance Dept. manages the credit risk over the deposits in banks and other financial instruments according to the Company's policy. The Company's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.

Ⓕ Guarantee

According to the Company's policy, the Company may only make financial guarantee for the subsidiaries wholly owned by the Company. Before December 31, 2016 and 2015, the Company has never made any endorsements/guarantees.

(c) Liquidity risk

Ⓐ The liquidity risk arises when the Company fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.

Ⓑ The Company's will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Company will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Company's loan totaled NT$1,450,000 on December 31, 2016.

Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Company did not hold derivative financial liabilities.

	December 31, 2016			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 380,000	$ -	$ -	$ 380,000
Payable accounts (including related party)	406,173	-	-	406,173
Other payable accounts (including related party)	817,521	-	-	817,521
Current portion of call option	590,647	-	-	590,647

Long-term loan (including the current portion)	9,328	9,328	231,312	249,968
Total	$2,203,669	$ 9,328	$ 231,312	$ 2,444,309

Non-derivative financial liabilities	December 31, 2015 Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	$ 550,000	$ -	$ -	$ 550,000
Payable accounts (including related party)	374,093	-	-	374,093
Other payable accounts (including related party)	598,831	-	-	598,831
Current portion of call option	579,433	-	-	579,433
Long-term loan (including the current portion)	9,328	9,328	240,740	259,396
Total	$2,111,685	$ 9,328	$ 240,740	$ 2,361,753

(3) Capital risk management

The Company's capital management objective is intended to protect the Company's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Company manages and adjusts the capital structure subject to the economic condition. The Company might adjust the stock dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Company controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Company maintained the same strategy in 2016 as that in 2015, dedicated to maintaining the debt/equity ratio less than 100%. The Company's debt ratios on December 31, 2016 and 2015 are stated as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 3,184,212	$ 2,902,890
Total net worth	3,946,956	3,632,590
Debt/equity ratio	81%	80%

13. Disclosures of Notes

(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall also disclose the information about important transactions:

No.	Contents	2016
1	Loans to others:	Attached table 1

2	Endorsement/guarantees made for others:	N/A
3	Marketable securities-ending	N/A
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 2
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 3
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	N/A

Attached table 1: Loans to others

No. (Note 1)	Lender	Borrower	Account titles	Related party	Maximum balance in current period (Note 2)	Balance, ending	Drawdown (Note 3)	Interest rate range	Nature of loans to others	Amount of transaction	Reasons necessary for offering short-term loans	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 5)	Limit of total loans (Note 5)
													Name	Value		
0	The Company	MEGTAS CO.,LTD.	Other receivable accounts-related party	Yes	$7,980	—	—	5.35%	Short-term loans	—	Working capital	—	—	—	$372,570	$1,490,282

Note 1:“0" for the Company and each investee are numbered in sequential order starting from 1.

Note 2:The maximum balance of the loan to others accumulated in the current year until the reporting month.

Note 3: The facility of the loan to others still effective until the reporting month

Note 4: The Company's board of directors resolved on March 24, 2015 to loan the fund to its subsidiary, MEGTAS CO., LTD., in the amount of NT$7,980 thousand. The Contract term is from July 23, 2015 to July 22, 2016.

The subsidiary, MEGTAS CO., LTD., has repaid NT$3,096 thousand of the loan on March 23, 2016.

Note 5: According to the Company's Operating Procedure for Loaning to Others, the limit of loan shall be set in the following manners:

A. The limit of total loans tp ptjers shall be no more than 40% of the net worth in the Company's latest financial statement: NT$3,725,704 thousand (the Company's net worth on December 31, 2014) X 40% ＝ NT$1,490,282 thousand.

B. The limit of loan to any single subsidiary shall be no more than 10% of the net worth in the Company's latest financial statement: NT$3,725,704 thousand (the Company's net worth on December 31, 2014) X 10% ＝ NT$372,570 thousand.

Attached table 2: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital

Seller/ buyer	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Extension of loan Duration	Unit price	Duration of loan	Balance	Percentage in total accounts/notes receivable (payable)	
The Company	MJC Electronics Corporation	Subsidiary of the Company's director, MJC	Sale	$ 346,186	8 %	same as that applicable to the general customer	—	—	Receivable accounts $ 22,390	3%	

Attached Table 3: Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital

Name of company stated into receivable accounts	Trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Allowance for bad debt
					Amount	Treatment		
MPI Corporation	Lumitek (Changchou) Co. Ltd.	The Company's subsidiaries are stated as follows:	Receivable accounts $ 125,963	0.1307	—	—	$ 5,956	—

(2) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Company may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) in 2016 is stated as follows:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			

MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 58,433	$ 5,827	$ 5,827	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 635,844	$ 603,864	19,390,045	100%	$ 589,749	$ 6,447	$ 6,810	Subsidiary of MPI Corporation (Note 4)
MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	$ 39,906	$ 39,906	300,000	60%	$ 19,074	$ (6,104)	$ (3,420)	Subsidiary of MPI Corporation
MPI Corporation	Chain-Logic International Corp.	3F, No. 153, Zhonghe Street, Zhubei City, Hsinchu County	Professional agent of semi-conductor	$ 50,000	$ 50,000	5,000,000	100%	$ 234,742	$ 13,528	$ 14,269	Subsidiary of MPI Corporation
MPI Corporation	Chia Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	— (Note5)	$ 33,500	—	—	—	$ 4,332	$ 4,332	Subsidiary of MPI Corporation
MPI Corporation	Yi Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	— (Note5)	$ 33,500	—	—	—	$ 4,332	$ 4,332	Subsidiary of MPI Corporation

MPI Corporation	Won Tung Technology Co., Ltd.	1F, No. 100, Jiaren Street, Zhubei City, Hsinchu County	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	$ 500	$ 500	50,000	100%	$ 188	$ (116)	$ (116)	Subsidiary of MPI Corporation
MPI Corporation	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 18,551	$ 1,976	7,473,968	20.15 %	$ 3,360	$ (1,687)	$ (13,214)	MPI adopted the evaluation under equity method.
MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	$ 50,000	$ 50,000	1,550,000	100%	$ 2,496	$ (224)	$ (224)	Subsidiary of MPI Corporation (Note 5)
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	$ 46,921	$ 46,921	1,400,100	100%	$ 73,317	$ (7,231)	—	Subsidiary of Chain-Logic International Corp.
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	— (Note5)	$ 33,300	—	—	—	$ 4,551	—	Subsidiary of Chain-Logic International Corp.

Chia Ying Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	－(Note5)	$ 18,000	－	－	－	－	－	Chia Ying Investment Co., Ltd. adopted the evaluation under equity method.
Chia Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	－(Note5)	$ 33,000	－	－	－	－	－	Chia Hsin Investment Co., Ltd. adopted the evaluation under equity method.
Yi Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	－(Note5)	$ 33,000	－	－	－	－	－	Yi Hsin Investment Co., Ltd. adopted the evaluation under equity method.

Note 1: Except MEGTAS CO., LTD., which recognized the investment income based on the financial statements audited and certified by other external auditors and Lumitek Co., LTD. that has already applied for dissolution and is under the liquidation process (the Company has recognized the share of affiliated enterprise with the equity methods according to the invested company’s non-CPA audited financial statements, and the Company’s management believes that no major adjustment will be made to the said statements even after a CPA audit), the Company has recognized invested companies’ shares of investment gains and losses with the equity methods according to their financial statements audited by CPA.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: In order to meet the need for business expansion, the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$7,500,000 (equivalent to NT$235,875 thousand) in February 2015, and by US$600,000 (equivalent to

NT$19,140 thousand) in August 2015, and by US$2,900,000 (equivalent to NT$94,975 thousand) in November 2015, and by US1, 000,000 (equivalent to NT$31,980 thousand) in December 2016. So far, the Group has invested a total of US$20,390,045 in the subsidiary, MMI HOLDING CO., LTD., totaling 20,390,045 shares, at the par value of US$1 per share. The Company's shareholding was 100%.

In order to expand the market in Mainland China, the Group invested Lumitek (Changchou) Co. Ltd. via the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$7,500,000 thousand (equivalent to NT$235,875 thousand) again in February 2015, and by US$600,000 (equivalent to NT$19,140 thousand) again in August 2015, and by US$2,900,000 (equivalent to NT$94,975 thousand) in November 2015, and by US$1,000,000 (equivalent to NT$31,980 thousand) in December 2016. Until now, a total of US$16,000,000 has been invested in Lumitek (Changchou) Co. Ltd., and the subsidiary, MMI HOLDING CO., LTD., held it wholly. The investment project was approved by Investment Commission, Ministry of Economic Affairs.

Note 5: By resolution of the board of directors on May 11, 2016, the Group would sell 17.87% of LUMITED Corporation’s equity shares owned by its three subsidiaries (JIA-SIN INVESTMENT CORP., YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP.) to ultimate parent company, MPI CORPORATION, which was in the event of liquidation. According to the legal interpretation of Ministry of Economic Affairs, original shareholders have the right to transfer their shares to others during company liquidation and it does not violate corporate law. The Group has migrated and integrated in MPI CORPORATION, and the Uni-President Enterprises Corporation deal with the proportional distribution of LUMITED CORPORATION of residual property claims request. It is unnecessary to keep the three subsidiaries in operation after their equity shares of LUMITED CORPORATION were all transferred. Therefore, the three subsidiaries were closed down.

(3) Information related to investments in China

A. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Recognized in the current period Investment income recognized in the current period (Note 4)	Book value, ending	Accumulated investment income received until the end of period
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Primarily engaged in international trading	USD 1,400,000 ($46,917)	(Note 1)	USD 1,400,000 ($ 46,917)	—	—	USD 1,400,000 ($ 46,917)	$ (7,235)	100 %	$(7,235)	$ 67,812	$15,852
Mjc Microelectronics (Shanghai) Co., Ltd.	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	—	—	USD 600,000 ($ 20,813)	$ 1,689	40 %	$ 676	$ 30,155	$40,273
MET	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	—	—	—	—	$ 2,050	40 %	$ 820	$ 2,359	—
LEDA-ONE (Shenzhen) Co.	Production of new electronic components, LED prober, LED sorting machine, and LED spectrometer, and development of new electronic components	USD 1,800,000 ($54,111)	(Note 2)	USD 1,800,000 ($ 54,111)	—	—	USD 1,800,000 ($ 54,111)	$ (12,847)	100 %	$(12,847)	$ 5,145	—

M	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,960,000 ($ 57,423)	—	—	USD 1,960,000 ($ 57,423)	$ 9,162	40 %	$ 3,665	$ 62,982	—
Lu	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.	USD 16,000,000 ($502,470)	(Note 2)	USD 15,000,000 ($470,490)	USD 1,000,000 ($31,980)	—	USD 16,000,000 ($502,470)	$ 13,094	100 %	$ 13,094	$475,824	—

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP.

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 3: Reinvest the company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd.

Note 4: The investment income was recognized based on the financial statements audited by the parent company's external auditors.

Note 5: The motion for liquidation of LEDA-ONE (Shenzhen) Co. submitted by the Company and approved by the directors' meeting on September 5, 2014 was still pending liquidation on the reporting date.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 21,760,000 (NTD 681,734)	USD 21,760,000 (NTD 681,734)	NTD 2,375,869

Note: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

C. Important transactions:

For the important transactions of the Company with the investees in Mainland China, direct or indirect, in 2016 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

14. Information by department

Please see the consolidated financial statements 2016.

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2016 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,
MPI CORPORATION
By

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Chairman
March 24, 2016

Independent Auditor's Audit Report

The Board of Directors and Shareholders

MPI Corporation

Opinion

We have audited the accompanying consolidated financial statements of **MPI CORPORATION** (the "Company") and its subsidiaries (collectively referred to as 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, 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 on the consolidated financial statements for the year ended December 31, 2016 were as follows:

I. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (16) of Note 4 of the Consolidated Financial Statements.

Sales revenue is the major index for investors and the management to evaluate the finance or performance of MPI Group. As the point in time for revenue recognition and the amount of recognized revenue can make a big difference on the financial statements, the CPA(s) has also reviewed the accuracy of these two key factors during the audit.

Audit Procedures in Response

The CPA(s) has implemented audit procedures in response as summarized below:

(1) Understood and tested the design and implementation efficiency of sales and receiving circulation control system.

(2) Understood the major revenue type and trading terms of MPI Group to assess if the accounting policy of point in time for revenue recognition is appropriate.

(3) Understood the product type and sales of the top 10 customers; sampled and reviewed the orders; assessed the influence of trading terms to revenue recognition; and confirmed if MPI Group has handled accounting relevant activities appropriately.

(4) Evaluated if the number of days for turning over the sales revenue and payables; and analyzed changes to customers of this and last year at the same time point to see if there is any abnormality.

(5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (8) of Note 4 of Consolidated Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial Statements. The Group recognize inventories amounting to NT$2,174,063 thousand and Allowance for inventories amounting to NT$219,377 thousand. The book value of the Group's inventories as December 31, 2016 was NT$1,954,686 thousand and accounted 27% of the total assets in the consolidated balance sheet.

MPI Group mainly engages in the manufacturing and sales of semiconductor production and testing equipment. Due to rapid technological changes, short life cycle and intense market competition of electronic products, there is a high tendency for inventory valuation loss and losses caused by outdated inventory. The inventory is evaluated by either the cost or net realizable value, depending on which one has the lower value. Inventories that exceed specific inventory age or are evaluated as outdated during individual assessment shall have the inventory loss evaluation conducted also based on the inventory age and future product demand during specific period of time. The information comes from the management’s judgement on each product’s net realizable value based on the inventory sales, age and quality conditions. As the amount of MPI Corporation’s inventory is great; a number of items are included on the inventory list; and the valuation of inventories that have exceeded specific age or are outdated relies heavily on the management’s subjective judgement and involves a high degree of uncertainty, the Account(s) believes that the inventory valuation and obsolescence loss is one of the key audit matters of the year.

Audit Procedures in Response

The CPA(s) has implemented the audit procedures in response as summarized below:

(1) With the CPA’s knowledge of the industry and MPI Group’s operations, evaluated the soundness of the Corporation’s policies concerning the allowance for inventory valuation loss and doubtful debts.

(2) Understood MPI Group’s inventory management procedures, reviewed its annul inventory plan, and participated in its annual inventory check to evaluate the management’s judgement and control efficiency of outdated inventories.

(3) Acquired the list of product inventory age, verified the appropriateness of reporting system logic, and confirmed the consistency of report information and adopted policies.

(4) Evaluated the appropriateness of the methods of calculating inventory valuation impairment, including deciding the inventory classification based on the net realizable value, checking individual material number to verify the basic assumption of the calculation in relevant supporting document, and verify the accuracy of calculation.

3. Impairment Evaluation of Investments Accounted for Using the Equity Method (Goodwill Impairment Evaluation):

Matter Description

Regarding the accounting policy of goodwill impairment, please refer to impairment of intangible assets and non-financial assets as described in (12) and (13) of Note 4 of Consolidated Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of goodwill impairment evaluation, please refer to Note 5 of Consolidated Financial Statements. Regarding descriptions of goodwill impairment evaluation, please refer to Investments Accounted for Using the Equity Method as described in (8) of Note 6 of Consolidated Financial Statements.

MPI Group acquired 100% equity of Allstron Corp (Allstron), and recognized goodwill with a value of NT$45,533 thousand in the Consolidated Financial Statements. As a player in the electronic industry, Allstron is targeting the segment of measurement applications for its product line. For MPI Group, Allstron is a cash generating unit, and for goodwill impairment evaluation, Allstron's forecasted cash flow has been applied with an appropriate discount rate to measure this cash generating unit's recoverable amount. This year, the Allstron product line suffered from market downturn and unfavorable sales. Conducted by MPI Group, the evaluation of Allstron's recoverable amount revealed that its recoverable amount was lower than its goodwill carrying amount. MPI Group therefore recognized goodwill impairment with a value of NT$45,533 thousand which is around 7% of individual benefits before tax, this year.

Regarding this cash generating unit's forecasted cash flow that is used to measure its recoverable amount, the forecast can come easily with subjective judgement and is accompanied with a high degree of uncertainty as it involves a number of assumptions, including the applied discount rate and five-year financial forecast that is used to estimate the future cash flow. These assumptions can make a huge difference in the measurement of recoverable amount and further affect the estimation of goodwill impairment amount. Therefore, the CPA(s) believes that the goodwill impairment evaluation conducted by MPI Group on Allstron shall be is one of the key audit matters of the year.

Audit Procedures in Response

Regarding specific descriptions of above key audit matters, the CPA(s) has implemented the audit procedures in response as summarized below:

(1) Evaluated the management's procedures of forecasting Allstron's future cash flow and compared the consistency between the evaluation model's cash-flow forecast for the incoming five years and the operation approved by the management.

(2) Discussed specific actions conducted during the operation plan and reviewed management's actual performance in the past operation plan to evaluate its will and ability to perform.

(3) With supports of the Nexia Sun Rise's financial consultants and experts, evaluated the soundness of evaluation model, all types of growth rates, discount rate and other major assumptions adopted by the internal evaluators of the management. The procedures include:

A. The process and accordance of forecasting the sales growth rate and interest rate.

B. Check the generating unit’s capital cost assumptions for adopted discount rate and compare it with similar return on assets in the market.

C. Checked the parameter and equation setting of the evaluation model.

D. Evaluated alternative assumptions of various forecasted growth rates and discounts rates adopted by the management to perform the sensitivity analysis of future cash flow; and confirmed the management has appropriately handled the uncertainty and possible influence involved in the estimation of impairment evaluation.

Other Matter-Making Reference to the Audits of Component Auditors

Information on the subsidiaries of MPI Corporation included in the aforementioned statements covering the period of 2016 and 2015. And the information on direct investment as disclosed in note 13 is valuated as audited by other public accountants. Said subsidiaries' total assets of are NT$39,649 thousand and NT$52,276 thousand or accounted for 0.55% and 0.79% of the consolidated total assets as of December 31, 2016 and 2015, respectively. As of January 1 to December 31, 2016 and 2015, had net operating revenue amounted to NT$52,927 thousand and NT$56,362 thousand, or accounted for 1.07% and 1.40% of the consolidated net operating revenue, respectively.

Other Matter

We have also audited the parent Group only financial statements of MPI CORPORATION as of and for the years ended December 31, 2016 and 2015 on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 supervisors, 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.

Sun Rise CPAs & Company
Taipei, Taiwan, Republic of China

March 24, 2017

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.

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (ASSETS)

DECEMBER 31 ,2016 AND 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ASSETS	Note	December 31,2016 Amounts	%	December 31,2015 Amounts	%
CURRENT LIABILITIES					
Cash and cash equivalents	6(1)	$ 749,227	10	$ 473,793	7
Current financial assets at fair value through profit or loss	6(12)	60	-	-	-
Notes receivable, net	6(2)	18,001	-	26,568	-
Accounts receivable, net	6(3)	774,020	11	769,566	12
Accounts receivable -related parties, net	6(3).7	36,613	1	81,938	1
Other receivables		14,944	-	19,725	-
Income tax receivable		1,736	-	1,603	-
Inventories, net	6(4)	1,954,686	27	1,636,177	25
Prepayments		101,670	1	125,854	2
Other current assets	8	11,596	-	10,587	-
Total Current Assets		3,662,553	50	3,145,811	47
NONCURRENT ASSETS					
Investments accounted for using equity method	6(6)	96,221	1	112,301	2
Property, plant and equipment	6(7).7.8	2,971,021	41	2,962,969	45
Intangible assets	6(8)	35,923	1	81,467	1
Deferred income tax assets	6(18)	65,622	1	59,193	1
Other noncurrent assets		433,654	6	289,730	4
Total Noncurrent Assets		3,602,441	50	3,505,660	53
TOTAL ASSETS		$ 7,264,994	100	$ 6,651,471	100

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2016 AND 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

		December 31,2016		December 31,2015	
LIABILITIES AND EQUITY	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(9)	$ 384,052	5	$ 554,217	9
Current financial liabilites at fair value through profit or loss	6(12)	-	-	1,682	-
Notes payable		-	-	56	-
Accounts payable		425,773	6	394,182	6
Accounts payable-related parties	7	92	-	2,992	-
Payables on equipment		134,487	2	127,068	2
Other payables	6(10)	640,354	9	479,110	7
Other payables-related parties	7	342	-	6,667	-
Income tax payable		46,762	1	42,783	1
Provisions	6(11)	2,595	-	1,240	-
Sales revenue received in advance	7	696,866	10	492,069	8
Corporate bonds payable – current portion	6(12)	590,647	8	579,433	9
Current portion of long-term liabilities	6(13)	9,328	-	9,328	-
Lease obligations payable－current		16,697	-	-	-
Other current liabilities		26,026	-	23,199	-
Total Current Liabilities		2,974,021	41	2,714,026	42
NONCURRENT LIABILITIES					
Long-term loans	6(13)	240,640	3	250,068	4
Deferred income tax liabilities	6(18)	11,292	-	11,679	-
Lease obligations payable－noncurrent		50,091	1	-	-
Accrued pension cost	`	29,071	1	26,014	-
Other noncurrent liabilities		97	-	1,256	-
Total Other Liabilities		331,191	5	289,017	4
TOTAL LIABILITIES		3,305,212	46	3,003,043	46
EQUITY	6(15)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		796,054	11	796,054	12
Capital surplus		885,735	12	871,572	13
Retained earnings					
Appropriated as legal capital reserve		492,188	7	462,706	7
Unappropriated earnings		1,803,156	24	1,509,840	23
Total Retained Earnings		2,295,344	31	1,972,546	30
Other					
Foreign currency translation adjustments		(30,177)	-	26,872	-
Total others		(30,177)	-	26,872	-
Treasury stock		-	-	(34,454)	(1)
Equity attributable to shareholders of the parent		3,946,956	54	3,632,590	54
NONCONTROLLING INTERESTS		12,826	-	15,838	-
TOTAL EQUITY		3,959,782	54	3,648,428	54
TOTAL LIABILITIES AND EQUITY		$ 7,264,994	100	$ 6,651,471	100

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2016 and 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Note	January 1 ~ December 31,2016 Amounts	%	January 1 ~ December 31,2015 Amounts	%
OPERATING REVENUE, NET	7				
Sales revenue		$ 4,532,993	91	$ 3,712,683	92
Less: sales returns		(2,531)	-	(3,270)	-
sales discounts and allowances		(34)	-	(2,289)	-
Commission revenue		99,065	2	65,254	2
Processing Fees revenue		332,262	7	240,792	6
Operating Revenue, net		4,961,755	100	4,013,170	100
OPERATING COSTS	6(4).7	(2,665,069)	(54)	(2,220,098)	(55)
GROSS PROFIT		2,296,686	46	1,793,072	45
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		176	-	3,039	-
GROSS PROFIT, NET		2,296,862	46	1,796,111	45
OPERATING EXPENSES	7				
Selling expenses		(443,492)	(9)	(396,216)	(10)
General & administrative expenses		(318,812)	(6)	(260,632)	(7)
Research and development expenses	6(8)	(848,616)	(17)	(819,423)	(20)
Operating expense, net		(1,610,920)	(32)	(1,476,271)	(37)
OPERATING INCOME		685,942	14	319,840	8
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(17)	(61,394)	(1)	19,578	1
Finance costs	6(17)	(19,490)	(1)	(13,397)	-
Share of profits of subsidiaries and associates	6(6)	4,341	-	6,728	-
Interest income	7	1,725	-	2,126	-
Rent income	7	7,565	-	8,888	-
Other non-operating revenue-other items	7	32,799	1	15,751	-
Total Non-operating Income		(34,454)	(1)	39,674	1
INCOME BEFORE INCOME TAX		651,488	13	359,514	9
INCOME TAX BENEFIT(EXPENSE)	6(18)	(90,651)	(2)	(65,373)	(2)
NET INCOME		560,837	11	294,141	7
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(1,665)	-	(8,408)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(57,619)	(1)	(14,542)	-
Other comprehensive income for the year, net of income tax		(59,284)	(1)	(22,950)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 501,553	10	$ 271,191	7
NET INCOME(LOSS) ATTRIBUTABLE TO：					
Shareholers of the parent		$ 563,279	11	$ 294,820	7
Noncontrolling interests		(2,442)	-	(679)	-
		$ 560,837	11	$ 294,141	7
TOTAL COMPREHENSIVE INCOME(LOSS)					
Shareholers of the parent		$ 504,565	10	$ 272,512	7
Noncontrolling interests		(3,012)	-	(1,321)	-
		$ 501,553	10	$ 271,191	7
		After-tax		After-tax	
EARNINGS PER COMMON SHARE(NTD)	6(19)				
Basic earnings per share		$ 7.09		$ 3.71	
Diluted earnings per share		$ 6.49		$ 3.42	

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31, 2016 and 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Capital-		Retained Earnings		Others				
	Common Stock	Capital Surplus	Legal Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Treasury Stock	Total	Non-controlling	Total Equity
BALANCE,JANUARY,1,2015	$ 795,364	$ 885,012	$ 410,942	$ 1,593,614	$ 40,772	$ -	$ 3,725,704	$ 17,159	$ 3,742,863
Legal capital reserve			51,764	(51,764)			-		-
Cash Dividends of Common Stock				(318,422)			(318,422)		(318,422)
Capital Reserve From Stock Warrants		(325)					(325)		(325)
Disposal of investments accounted for under the equity method		(19,306)					(19,306)		(19,306)
Net Income in 2015				294,820			294,820	(679)	294,141
Other comprehensive income in 2015, net of income tax				(8,408)	(13,900)		(22,308)	(642)	(22,950)
Total comprehensive income in 2015	-	-	-	286,412	(13,900)	-	272,512	(1,321)	271,191
Convertible Bonds Transferred To Common Stock	690	6,191					6,881		6,881
Decrease (increase) in treasury stock						(34,454)	(34,454)		(34,454)
BALANCE,DECEMBER,31,2015	$ 796,054	$ 871,572	$ 462,706	$ 1,509,840	$ 26,872	$ (34,454)	$ 3,632,590	$ 15,838	$ 3,648,428
BALANCE,JANUARY,1,2016	$ 796,054	$ 871,572	$ 462,706	$ 1,509,840	$ 26,872	$ (34,454)	$ 3,632,590	$ 15,838	$ 3,648,428
Legal capital reserve			29,482	(29,482)			-		-
Cash Dividends of Common Stock				(238,816)			(238,816)		(238,816)
Net Income in 2016				563,279			563,279	(2,442)	560,837
Other comprehensive income in 2016, net of income tax				(1,665)	(57,049)		(58,714)	(570)	(59,284)
Total comprehensive income	-	-	-	561,614	(57,049)	-	504,565	(3,012)	501,553
Issuance of stock from exercise of employee stock options		14,163				34,454	48,617		48,617
BALANCE,DECEMBER,31,2016	$ 796,054	$ 885,735	$ 492,188	$ 1,803,156	$ (30,177)	$ -	$ 3,946,956	$ 12,826	$ 3,959,782

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

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
From January 1 to December 31, 2016 and 2015
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31,2016	Jan 1 ~ Dec 31,2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 651,488	$ 359,514
Adjustments to reconcile net income to net		
Depreciation	361,936	268,359
Amortization	57,161	47,684
(Reversal) allowance for doubtful receivables	1,726	4,984
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	(1,742)	2,285
Interest expense	19,490	13,397
Interest revenue	(1,725)	(2,126)
Compensation cost of employee stock options	14,268	-
Loss (gain) on equity-method investments	(4,341)	(6,728)
(Gain) loss on disposal of property, plant and equipment	191	307
Gains on disposal of investments	-	(5,706)
Loss on valuation of nonfinancial asset	45,533	-
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(176)	(3,039)
Adjustments-exchange (Gain) loss on prepayments for equipment	(564)	1,677
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	8,567	18,280
Decrease (Increase) in accounts receivable	(5,804)	(185,891)
Decrease (Increase) in accounts receivable-related parties	45,398	21,366
Decrease (Increase) in other receivables	4,780	2,518
Decrease (Increase) in inventories	(318,509)	75,415
Decrease (Increase) in prepayments	24,183	14,049
Decrease (Increase) in other current assets	(666)	1,179
(Decrease) Increase in notes payable	(56)	(2,204)
(Decrease) Increase in accounts payable	31,592	(106,623)
(Decrease) Increase in accounts payable-related parties	(2,900)	(5,032)
(Decrease) Increase in other accounts payable	161,361	(60,622)
(Decrease) Increase in other accounts payable-related parties	(6,325)	(7,189)
(Decrease) Increase in provision of liabilities	1,355	(3,616)
(Decrease) Increase in sales revenue received in advance	204,798	(171,217)
(Decrease) Increase in other current liabilities	2,826	4,152
Decrease(Increase) in accrued pension cost	1,392	(3,327)
Cash generated from operations	1,295,237	271,846
Interest received	1,726	2,267
Cash dividends received	13,192	-
Interest (excluding capitalization of interest)	(8,393)	(2,259)
Cash dividends	(238,816)	(318,422)
Income taxes paid	(93,622)	(111,407)
Net cash Provided By Operating Activities	969,324	(157,975)

(Continue)

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2016 and 2015

(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31,2016	Jan 1 ~ Dec 31,2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets measured at cost	-	25,938
Net cash flow from acquisition of subsidiaries	(332,669)	(1,087,949)
Proceeds from sale of property, plant and equipment	482	149
Intangible assets	(22,966)	(28,057)
Increase in other financial assets	(344)	(34)
(Increase) in other non-current assets	(181,299)	-
Decrease in other non-current assets	-	43,636
Cash dividends received from equity-method investees	(123)	-
Net cash Provided Used In Investing Activities	(536,919)	(1,046,317)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	-	549,833
(decrease) in short-term loans	(170,165)	-
Increase in long-term borrowings	-	191,771
Repayments of long-term loans	(9,428)	-
Increase (decrease) in other nocurrent liabilities	(1,159)	(127)
Decrease (increase) in treasury stock	-	(34,454)
Employees to repurchase of treasury stock	34,349	-
Increase (decrease) in noncontrolling interests	(570)	(642)
Net cash (Used In) Financing Activities	(146,973)	706,381
Effects of exchange rate change on cash	(9,998)	(3,908)
Net increase in cash and cash equivalents	275,434	(501,819)
Cash and cash equivalents at beginning of year	473,793	975,612
Cash and cash equivalents at end of year	$ 749,227	$ 473,793

(The accompanying notes are an integral part of the parent company only financial statements)

MPI CORPORATION and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in NT$1,000, Unless Otherwise Noted)

1. Company profile

(1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT$796,054 thousand and outstanding stock has been 79,605,392 shares until December 31, 2016. Upon resolution of the special shareholders' meeting on December 28, 2006, the Company raised the authorized capital as NT$1,000,000,000, divided into 100,000,000 shares at par value of NT$10 per share. The board of directors is authorized to issue the stock in lots. NT$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.

(2) The Company and its subsidiaries (hereinafter referred to as the "Group" collectively) primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.

(3) The Company was approved to initiate the IPO in July 2001, and started to trade on Taiwan Stock Exchange as of January 6, 2003.

2. Date and procedure for ratification of financial report

The consolidated financial statements have been approved and released by the Board of Directors on March 24, 2017.

3. Application of new standards, amendments and interpretations

(1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRSs") as endorsed by Financial Supervisory Commission ("FSC")

None.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

New standards, interpretations and amendments endorsed by FSC effective from 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
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
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
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact of amended IFRS applied on 2017 will have on the financial position and financial performance of each period, and will disclose the relevant impact when the assessment is completed.

(3) IFRSs issued by IASB but not yet endorsed by the FSC

New standards, interpretations and amendments issued by IASB but not yet included in the 2017 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Applying IFRS "Financial instruments" with IFRS 4 "Insurance contracts"	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB

IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, "Revenue from contract with customers"	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Transfers of investment property (amendments to IAS 40)	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 1, ' First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IFRS 12, ' Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle- Amendments to IAS 28, ' Investments in associates and joint ventures'	January 1, 2018

The Group is currently evaluating how the above standards and interpretations would affect its financial position and business performance. Further impacts will be disclosed once the evaluation is completed.

4. Summary of Significant Accounting Policies

The important accounting policies applied by the financial statements are summarized as follows: Unless otherwise provided, the following accounting policies have been applied during the presentation period of the consolidated financial statements.

(1) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and IFRSs recognized by FSC to disclose all of the necessary to be disclosed in the annual consolidated financial statements.

(2) Basis for preparation

A. Basis for measurement

Except the following important items in the balance sheet, the consolidated financial statement was prepared based on the historical cost:

(1) Financial instruments at fair value through profit or loss (including derivative financial instruments);

(2) Available-for-sale financial assets measured at fair value;

(3) Defined benefit liability stated based on the net after pension fund assets less the present value of defined benefit obligations.

B. Functional currency and presentation of currency

The functional currency of each of the Group's entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The consolidated financial statements should be presented based on the Company’s functional currency, NTD. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(3) Basis for consolidation

A. Principles for preparation of consolidated financial statements

(a) The Group included all of the subsidiaries into the consolidated financial statements. Subsidiaries mean the entities controlled by the Group (including structured entities). When the Group is exposed to the changes of remuneration participated by the entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Group is held controlling the entities. The subsidiaries are included into the consolidated financial statements on the date when the Group acquires the controlling power, and the consolidation shall be suspended as of the date when the Group forfeits the controlling power.

(b) Unrealized gains on transactions between the Group companies are eliminated to the extent of the Group’s interest in the associates. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Elements of the income and other comprehensive income shall be vested in parent company shareholders and non-controlling equity. The total comprehensive income shall be vested in parent company shareholders and non-controlling equity, even if the non-controlling equity suffers loss.

(d) Where the changes in shareholdings of subsidiaries don't result in forfeiture of controlling power (transactions with non-controlling equity), they shall be processed as equity transactions, which are identified as the transactions with parent company shareholders. The price difference between the adjustment value of non-controlling equity and fair value of paid or collected consideration shall be stated into equity directly.

(e) When the Group forfeits control over its subsidiaries, its residual investment in the subsidiaries shall be re-measured based on fair value, and identified as the fair value of financial asset recognized initially or cost of the investment in affiliates or joint ventures recognized initially. The price difference between the fair value and book value is stated into current income. Where the accounting treatment for the values related to the subsidiaries as stated into other comprehensive income previously is identical with the basis for the Group's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into income when the related assets or liabilities are disposed of, the gain or loss shall be reclassified into income from equity, when the Group forfeits control over the subsidiaries.

B. Subsidiaries included into the consolidated financial statements and status of change thereof:

Investor	Name of Subsidiary	Nature of business	Equity (%) 2016.12.31	Equity (%) 2015.12.31	Note
The Company	Chain-Logic International Corp.	Professional agent and trading of semi-conductor	100%	100%	Founded on March 1, 1994
The Company	MPI TRADING CORP.(Samoa)	Trading of probe cards and semi-automatic probers	100%	100%	Founded on December 22, 2000
The Company	MMI HOLDING CORP.(Samoa)	General investment	100%	100%	Founded on August 7, 2002
The Company	MEGTAS CO.,LTD.	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	60%	60%	Founded on September 1, 2010
The Company	Chia Hsin Investment Co., Ltd.	General investment	-	100%	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on July 15, 2016. (note 2)
The Company	Yi Hsin Investment Co., Ltd.	General investment	-	100%	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on July 15, 2016. (note 2)
The Company	Won Tung Technology Co., Ltd.	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	100%	100%	Founded on December 22, 2010
The Company	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	Established in March 31, 2006. The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. Mauritius	International trading	100%	100%	Founded on November 19, 2001
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	General investment	-	100%	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on

					July 15, 2016. (note 2)
CHAIN-LOGIC TRADING CORP.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	International trading	100%	100%	Founded on February 8, 2002
MMI HOLDING CORP.	LEDA-ONE (Shenzhen) Co.	Production, management and development of new electronic components, et al.	100%	100%	Founded on May 7, 2010
MMI HOLDING CORP.	Lumitek (Changchou) Co. Ltd.	Design, development, production and sale of LED dice production process	100%	100% (Note 1)	Founded on January 10, 2014

(Note1) To develop the market of China, the Group through MMI HOLDING CO.,LTD invested Lumitek (Chan gzhou) Co.,Ltd. USD$4,000,000 (NT$120,500 thousand dollars) in 2014. And increased investment USD$11,000,000 (NT$349,990 thousand dollars), and by US1, 000,000 (NT$31,980 thousand dollars) holding 100% of shares in 2015.

(Note2) By resolution of the board of directors on May 11, 2016, the Group would sell 17.87% of LUMITED Corporation's equity shares owned by its three subsidiaries (JIA-SIN INVESTMENT CORP., YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP.) to ultimate parent company, MPI CORPORATION, which was in the event of liquidation. According to the legal interpretation of Ministry of Economic Affairs, original shareholders have the right to transfer their shares to others during company liquidation and it does not violate corporate law. The Group has migrated and integrated in MPI CORPORATION, and the Uni-President Enterprises Corporation deal with the proportional distribution of LUMITED CORPORATION of residual property claims request. It is unnecessary to keep the three subsidiaries in operation after their equity shares of LUMITED CORPORATION were all transferred. Therefore, the three subsidiaries were closed down.

The financial statements 2016 and 2015 of said subsidiary, MEGTAS CO., LTD., were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were (NT$3,663) thousand and (NT$1,018) thousand.

C. Subsidiaries not included into the consolidated financial statements: N/A.

D. Different adjustment and treatment by subsidiaries in the accounting period: N/A.

E. Nature and scope of the important restrictions on enterprise's acquisition or use of the group's assets and solvency: N/A.

F. Subsidiaries over which the Group holds important non-controlling equity: N/A.

(4) Foreign currency

A. Foreign currency transactions

The foreign currency exchange shall be stated at the functional currency translated at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency on the reporting date shall be stated at the functional currency translated at the exchange rate on the same day. The exchange gain or loss refers to the difference between the amounts upon adjustment of the valid interest, payment on the same period based on the amortized cost denominated in the functional currency, the amount translated from the amortized cost denominated in foreign currency at the exchange rate on the reporting date. The non-monetary items at fair value denominated in foreign currency shall be stated at the functional currency re-translated at the exchange rate prevailing on the same date of fair value measurement, while the non-monetary items at historical cost denominated in foreign currency shall be stated at the functional currency translated at the exchange rate on the date of transaction. Other than the foreign currency exchange difference generated from the translation of available-for-sale financial assets, financial liabilities designated as net investment hedge for foreign operations or qualified cash flow hedging, which shall be stated as other comprehensive income, any difference shall be stated as income.

B. Foreign operations

Assets and liabilities of foreign operations, including the goodwill and fair value adjustment generated at the time of acquisition, shall be translated into functional currency at the exchange rate prevailing on the reporting date. Unless in the case of inflation, the income and expense & loss items shall be translated into functional currency at the average exchange rate in the current period, and the exchange different generated therefore shall be stated as other comprehensive income.

When disposition of foreign operations results in loss of control, common control or any material effect, the accumulated exchange difference related to the foreign operations shall be reclassified into income in whole. If the disposition involves any subsidiary of the foreign operations, the relevant accumulated exchange difference shall be reclassified into the non-controlling interests on a pro rata basis. If the disposition involves any affiliate or joint venture of the foreign operations, the relevant accumulated exchange difference shall be reclassified into income on a pro rata basis.

If no repayment program is defined with respect to receivable or payable items of foreign operations denominated in currency and it is impossible to repay the same in the foreseeable future, the foreign currency exchange gain or loss generated therefore shall be held a part of the net investment in the foreign operations and stated as other comprehensive income.

(5) Current and non-current assets and liabilities

Assets which meet one of the following conditions shall be classified into current assets, and any assets other than the current assets shall be classified into noncurrent assets:

A. Assets expected to be realized, or intent to be sold or consumed, in the Company's normal operating cycle.

B. Assets primarily held for the purpose of trading.

C. Assets expected to be realized within 12 months after the date of the balance sheet.

D. Cash or cash equivalent, exclusive of the assets to be used for an exchange or to settle a liability, or otherwise remain restricted at more than 12 months after the date of the balance sheet.

Liabilities which meet one of the following conditions shall be classified into current liabilities, and any liabilities other than the current liabilities shall be classified into noncurrent liabilities:

A. Liabilities expected to be repaid in the Company's normal operating cycle.

B. Assets primarily held for the purpose of trading.

C. Assets expected to be discharged within 12 months after the date of the balance sheet.

D. Liabilities of which the Company does not have an unconditional right to defer settlement for at least 12 months after the date of the balance sheet. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and cash equivalent

Cash or cash equivalent include cash on hand, demand deposits, and short-term, highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalent.

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a part to the financial instrument contract.

A. Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and accounts receivable.

(a) Financial instruments at fair value through profit or loss

Such assets mean the financial assets held for trading or designated to be measured at fair value through profit or loss.

The financial assets held for trading are acquired or incurred principally for the purpose of sale in the near term or repurchase. Financial assets other than those held for trading are measured at fair value through profit and loss if they meet any of the following conditions:

The performance of financial assets is evaluated based on fair value.

Financial instrument with embedded derivatives.

Such financial assets are measured at fair value at the time of initial recognition. The relevant transaction costs shall be stated as income when they are incurred. The following measurement shall be based on fair value, and then the gain or loss generated therefore should be measured (including the relevant stock dividend revenue and interest revenue) and recognized as income and stated as non-operating revenue and expenses. The purchase or disposal of financial instruments in customary transactions shall be subject to accounting on the date of transaction.

If the financial assets are the equity investments without public market price and the fair value of which cannot be reliably measured, they should be measured at the cost less the impairment loss and stated as “financial asset measured at cost”.

(b) Account receivables

Accounts receivables refer to financial assets without a public market price available but with fixed or determinable payments, including accounts receivable and other receivables. The loans and accounts receivable shall be initially evaluated based on fair value, plus the directly attributable transaction cost. The subsequent measurement shall be based on the amortized cost using effective interest method less impairment, unless the recognition of the interest on short-term accounts receivable is insignificant.

(c) Impairment on financial assets

The impairment on any financial assets other than financial assets at fair value through profit or loss shall be evaluated on each reporting date. If there is any objective evidence showing that the future cash flow of the financial assets is impaired due to a single or multiple events occurring after the initial recognition of the financial assets, the financial assets should be deemed impaired.

The objective evidence about impairment on financial assets include obvious financial problems confronting the issuer or debtor, breach (e.g. overdue or non-performance of interest or principal payment), the debtor likely to wind up or proceed with other financial reorganizations, and the active market of financial assets extinguishing due to financial difficulty.

For some accounts receivable was held unimpaired upon individual evaluation, the impairment should be evaluated on a combined basis again. The combined objective evidence for accounts receivable might include the Company’s past experience in collection, the increase in overdue payment, and observable national or regional economic changes related to the defaulted accounts receivable.

The recognized impairment loss on the financial assets measured at cost is the difference in the book value of financial assets and the present value after the projected cash flow is discounted at the rate of return on the similar asset market. The impairment loss cannot be reversed subsequently.

The impairment loss on financial assets should be deducted from the book value of financial assets, provided that the book value of accounts receivable is adjusted through allowance accounts. If the accounts receivable were held uncollectible, they should have been written off against the allowance accounts. The accounts initially written off but collected afterwards were credited into the allowance evaluation accounts. The changes in book value of allowance evaluation accounts were stated as income.

(d) Derecognition of financial assets

The Group will derecognize financial assets only when the contractual rights toward the cash flow of the assets are terminated or the financial assets are transferred and the risk and return over the ownership of the assets are transferred to another enterprise.

B. Financial liabilities and equity instruments

(a) Classification of liabilities or equity

The obligation and equity instruments issued by the Company are classified into financial liabilities or equities according to definitions of the financial liabilities and equity instruments referred to in an agreement.

The equity instruments mean any contracts signifying the residual equity of the Group's assets less its liabilities. The equity instruments issued by the Group should be recognized based on the payment of acquisition less the direct issuing cost.

The compound financial instruments issued by the Group reflect that the holders own the convertible corporate bonds which may be converted into capital stock. The quantity of issued shares will remain unchanged, irrelevant with the change in fair value, if any.

The amount of elements of the compound financial instrument liability recognized initially excludes the measurement on fair value of similar liability of the equity conversion option. The amount of elements of equity recognized initially is measured based on the price difference between fair value of the entire compound financial instrument and fair value of elements of liability. Any directly attributable trading cost shall be amortized to the elements of liability and equity on a pro rata basis subject to the book value of initial liability and equity.

Upon the initial recognition, the elements of compound financial instrument liability is measured based on the cost amortized under effective interest method. It is unnecessary to re-measure the elements of equity of compound financial instruments upon the initial recognition.

The interest and loss or gain related to financial liabilities should be recognized as income and stated into non-operating revenue and expenses.

The financial liabilities shall be re-classified into equity at the time of conversion, and no income is generated from the conversion.

(b) Financial instruments at fair value through profit or loss

Such liabilities mean the financial liabilities held for trading or designated to be measured at fair value through profit or loss.

The financial liabilities held for trading are acquired or incurred principally for the purpose of sale or repurchase in the near term or repurchase. Financial liabilities other than those held for trading are measured at fair value through profit and loss if they meet any of the following conditions:

The performance of financial liabilities is evaluated based on fair value.

Financial instrument with embedded derivatives.

Such financial liabilities are measured at fair value at the time of initial recognition. The relevant transaction costs shall be stated as income when they are incurred. The following measurement shall be based on fair value, and then the gain or loss generated therefore should be measured (including the relevant interest expenses) and recognized as income and stated as non-operating revenue and expenses.

(c) Other financial liabilities

When recognizing the financial liabilities other than those held for trading and not designated to be measured at fair value through profit or loss (including short-term and long-term loans, accounts payable and other payables) initially, such liabilities shall be evaluated based on fair value, plus the directly attributable transaction cost. The following measurement shall be based on the cost after amortization under the effective interest rate method, unless the recognition of interest on short-term loan and accounts payable is of no importance. The interest expenses on asset costs, which are not capitalized, should be stated as "financial cost" under the non-operating revenue and expenses.

(d) Derecognition of financial liabilities

The Group will derecognize financial liabilities upon performance, cancellation or expiration of contractual obligations.

(e) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported in the balance sheet in net amount only when the Group is entitled to the right to offset exercisable under laws and intends to settle in net amount, or assets are realized and liabilities are repaid at the same time.

(8) Inventory

The inventories shall be stated at the lower of cost and net realizable present value. The cost should include the costs of acquisition, production or processing or others incurred when the inventory is sellable or producible and at the location where the inventory is sellable or producible, and calculated under weighted average method. The costs of inventories for finished goods and work in process include the manufacturing expenses amortized based on the normal productivity on a pro rata basis.

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(9) Investment in affiliates

An affiliate means an entity in which the Group has major influence over the financial and operating policies but has no control over the same. The Group will be assumed having major influence when it holds 20%~50% of the voting right in the investee.

Under the equity method, the investment is stated at cost at time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

The consolidated financial statements shall include the income from the invested affiliates recognized subject to the shareholdings and other comprehensive income upon adjustment made in line with the Group's accounting policy, from the date when the Group has major influence until the date when the Group loses the major influence.

The unrealized gains from transactions between the Group and affiliates have been derecognized from the Group's equity in the investees. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains; provided that the unrealized loss is limited to that arises under no impairment evidence is available.

When the Group's share of loss from any affiliate to be recognized on a pro rata basis is equivalent to or more than its equity in the affiliate, it shall stop recognizing the loss, but shall recognize the additional loss and relevant liabilities only when legal obligation or constructive obligation is incurred or the Group makes payment on behalf of the investee.

Where the Group forfeits its material influence over an affiliate when the Group disposes of the affiliate, the capital surplus related to the affiliate will be stated as income, provided that where it still has material influence over the affiliate, the capital surplus shall be stated as income based on the proportion of disposition.

(10) <u>Property, plant and equipment</u>

A. Recognition and measurement

Property, plant and equipment shall be recognized and measured using a cost model, and measured at the cost less accumulated depreciation and accumulated impairment. The costs include the expenses directly attributable to the acquisition of assets. The costs of self-built assets include the costs of raw materials and direct labor, any other costs directly attributable to usable status of investment assets, costs of dismantling and removal of the items and recovery of premises, and loan cost that meets the requisite asset capitalization. Meanwhile, the costs also include the purchase of property, plant and equipment denominated in foreign currency.

When property, plant and equipment consist of various components, and the total cost for the item is significant and it is advisable to apply different depreciation ratio or methods, the property, plant and equipment should be treated separately (for major components).

The gain or loss on disposal of property, plant and equipment shall be decided based on the price difference between the book value of property, plant and equipment and proceeds on disposal of the same and recognized as the "other gains and losses" in the income statement on a net basis.

B. After cost

If the future economic effect expected to be generated from the after expenses of property, plant and equipment is very likely to flow into the Group and the amount thereof may be measured, the expenses shall be stated as a part of the book value and the relocated book value should be derecognized. The routine maintenance and repairs of property, plant and equipment shall be stated as income when incurred.

C. Depreciation

The depreciation shall be calculated at the cost of assets less residual value using the straight-line method over the estimated useful years, and evaluated based on the various major components of the assets. If the useful years for any component are different from those of other components, the component shall be depreciated separately. The depreciation shall be stated as income.

No depreciation of land is required.

The estimated useful years in the current period and comparative period are stated as follows:

Item	Useful years
House and building	
Plant and dormitory	20-50
Clean room	20
Electrical and mechanical facilities	20
Others	10-20
Machine & equipment	5-13
Transportation equipment	4-6
Furniture and fixtures	3-10
Research equipment	2-13
Other equipments	3-9
Leased assets	5

D. Depreciation, useful years and residual value shall be reviewed at the end of each fiscal year. If the expected value is different from the previous estimate, adjustment should be made if necessary, and the changes shall be treated as changes in accounting estimates.

(11) Lease

A. None of the Company's lease terms and conditions has transferred the risk and return attached to the title of assets to the lessee. All of the leases are classified as operating leases. The income from lease shall be stated as income based on the straight line method within the related lease period. The lease payment shall be stated as expenses based on the straight line method within the related lease period. The contingent rent under operating lease shall be stated as expenses when it is incurred.

B. Payments made under an operating lease (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the lease term.

(12) Intangible assets

A. Goodwill

Where the acquisition cost of identifiable net assets acquired upon merger, if any, is more than the fair value of the assets, the excess shall be stated as goodwill. Goodwill shall be measured at cost less accumulated impairment.

For the investment under equity method, the face value of goodwill is included into that of the investment. Meanwhile, the impairment loss on such investment is not allocated to goodwill or any assets, but a part of the book value of the investment under equity method.

B. Software

Software is amortized over 2~5years on a straight-line basis.

C. Internally generated intangible assets—research and development expenditures

(a) Research expenditures are recognised as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognised as expenses as incurred, but are recognised as intangible assets when the following criteria are met:

ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;

ⓑ An entity intends to complete the intangible asset and use or sell it;

ⓒ An entity has the ability to use or sell the intangible asset;

ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;

ⓔ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And

ⓕ The expenditure attributable to the intangible asset during its development can be reliably measured.

(13) Impairment on non-financial assets

A. The Group will estimate the recoverable amount of the assets which show signs of impairment on the balance sheet date, and impairment loss would be recognized if the recoverable amount falls below the asset's face value. The recoverable amount means the higher of fair value of one asset less its disposition cost, or its useful value. Impairment loss recognized in previous years on assets other than goodwill may be reversed if the basis of impairment no longer existed or is reduced. Notwithstanding, the increase in book value of the asset resulting from the reversal must not exceed the face value of the asset less depreciation or amortization without impairment.

B. The recoverable amount of goodwill, intangible assets with indefinite useful years and intangible assets not available for use shall be estimated periodically. Impairment loss would be recognized if the recoverable amount falls below the face value. The impairment loss on goodwill shall not be reversed in following years.

C. Goodwill shall be amortized to cash generation unit for the purpose of testing impairment.

The amortization is identified by operations to amortize goodwill into cash generation unit or cash generation unit group expected to benefit from the merger of businesses generating the goodwill.

(14) Reserve for liabilities

The reserve for liabilities shall be recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The Group's reserve for liabilities for warranty shall be recognized when the goods or services are sold. The reserve for liabilities shall be measured under weighted method based on the historical warranty information and potential results subject to the relevant possibility.

(15) Treasury stock

The issued stock recalled by the Group is stated based on the consideration paid for repurchase (including direct vested cost), recognized as "treasury stock" at the net after tax and presented as a deduction from equity. Where the gain on disposal of treasury stock is higher than the book value, the difference shall be credited under the title “additional paid-in capital-transaction of treasury stock”. Where the gain is lower than the book value, the difference is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. The book value thereof is calculated based on the weighted average method according to the type of stock (common stock or special shares) and causes for the withdrawal.

Cancellation of treasury stock shall be credited under the title “treasury stock”, and debited as “additional paid-in capital-stock premium” and “capital stock”. Where the book value of treasury stock is higher than the total of the book value and stock premium, the balance is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. Where the book value of treasury stock is lower than the total of the book value and stock premium, the difference should be credited as the additional paid-in capital generated from the transactions of treasury stock under the same type.

(16) Recognition of revenue

A. Sale of products

The revenue generated from sale of goods in normal activities is stated at the fair value of received or receivable consideration after taking the sale returns, sales discount and quantity discount into consideration. The revenue shall be recognized when there is persuasive evidence (normally an executed sale agreement), major risk and return over the ownership are transferred to the buyer, it is very likely to collect the payment, the related cost and possible sale return may be estimated reliably, participation in management of products is discontinued and revenue may be measured reliably. If a discount is likely to be incurred and the amount thereof may be measured reliably, it shall be stated as deduction from revenue when the sale is recognized.

The timing of transfer of risk and return shall be subject to the individual provisions in the sale agreement.

B. Labor service

The revenue generated from provision of labor services shall be recognized based on the progress in completion of the transaction on the reporting date.

C. Revenue from commission

When the Group acts as agent instead of principal in a transaction, the revenue are stated based on the net commission as collected.

D. Rent revenue

The income from sublease of the real property shall be stated as "rent revenue" under non-operating revenue and expenditure.

E. Dividend revenue

When the Group is entitled to collect dividends, the related dividend revenue shall be recognized.

(17) Cost of borrowing

A. Loans shall be measured based on the fair value less trading cost at the time of initial recognition. The subsequent measurement of any difference between the price (less trading cost) and redemption value shall be stated at the amortized cost under effective interest method within the borrowing period.

B. When it is very likely to withdraw the expenses paid for setting the borrowing limit, in part or in whole, the expenses shall be stated as the trading cost for the loan, deferred and stated as effective interest adjustment when the loan is drawn down. When it is not likely to withdraw the expenses, in part or in whole, the expenses shall be stated as prepayment and amortized within the period related to the limit.

(18) Government subsidies

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Group, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

(19) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at non-discounted amount expected to be paid, and stated as expenses when the relevant services are provided.

B. Pension

(a) Defined contribution plan

Under the defined contribution plan, every contribution made to the pension fund is recognized as pension cost in the period occurred using the accrual basis. The prepaid contribution may be stated as assets, insofar as it may be refunded in cash or the future payment is reduced.

(b) Defined benefit plan

ⓐ The net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past, and the present value of defined benefit obligations on the balance sheet date less the fair value of the planned assets. An actuary using the Projected Unit Credit Method estimates defined benefit obligations each year. The discount rate shall be based on the market yield rate of corporate bonds of high credit standing that have the same currency exposure and maturity date as the obligations on the balance sheet date, but the market yield rate of government bonds (on the balance sheet date) shall apply in the country where no market of corporate bonds of high credit standing is available.

ⓑ The re-measurement generated from the defined benefit plan is stated as other comprehensive income in the period when it is incurred, and presented in the retained earnings.

ⓒ The expenses related to the service cost in the previous period shall be recognized as income immediately.

ⓓ The interim pension cost applied the pension cost ratio decided upon actuation at the end of the previous fiscal year, and was calculated from the beginning of year until the end of the current period. In the case of material changes in market and material reduction, repayment or other important event at the end, it shall be adjusted and related information shall be disclosed pursuant to said policies.

C. Resignation benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group will not state the benefits as expenses until the offer of benefits cannot be withdrawn or the related reorganization cost is stated, whichever earlier. It is not expected that benefits falling due more than 12 months after balance sheet date are discounted to their present value.

D. Remuneration to employee and directors/supervisors

The remuneration to employees and directors/supervisors shall be recognized as expenses and liabilities only when legal or constructive obligation is constituted and the value thereof may be estimated reasonably. Subsequently, if the actual distributed amount resolved is different from the estimate, the difference shall be treated as a change in accounting estimate.

(20) Employees' share-based payment

The transaction is share-based payment for settlement of equity. The share-based payment agreement shall measure the labor services provided by employees based on the fair value of the equity instruments granted on the date of granting, which shall be recognized as the remuneration cost during the vested period, and the equity shall be adjusted relatively.

The fair value of equity instruments shall reflect the effect produced by the vested conditions and non-vested conditions of market value. The recognized remuneration cost is adjusted based on the quantity of remuneration expected to meet service conditions and non-market value vested conditions, until the amount recognized ultimately is measured based on the vested quantity on the vested date.

(21) Income tax

A. The income tax expenses consist of current income tax and deferred income tax. The income tax shall be stated as income other than the income tax related to the titles stated into other comprehensive incomes or into equity directly, which shall be stated into other comprehensive income or into equities directly.

B. The Group calculates the income tax related to the current period based on the statutory tax rate or tax rate substantially enacted in the countries where the Company is operating and generating taxable income on the balance sheet date. The management shall evaluate the status of income tax return within the statutory period defined by the related income tax laws, and shall be responsible for the income tax expected to be paid to the tax collection authority. Undistributed earnings, if any, shall be levied 10% income tax. 10% income tax expenses for undistributed earnings will be stated in the year next to the year when the earnings are generated, upon approval of the motion for allocation of earnings at a shareholders' meeting.

C. Deferred tax is stated based on the temporary differences between taxation basis for assets and liabilities and the face value thereof on the consolidated balance sheet using the balance sheet method. The deferred income tax liabilities resulting from the initial recognition of goodwill shall not be recognized. The deferred income tax resulting from the initial recognition of assets or liabilities in a transaction (exclusive of business merger) shall not be recognized; insofar as the accounting profit or taxable income (taxable loss) is not affected by the transaction. Taxable temporary difference generated from investment in subsidiaries and affiliates, of which the time of reverse is controllable by the Group and which is not likely to be reversed in the foreseeable future, shall not be recognized. The deferred income tax assets and liabilities are measured at the tax rate in the current period of which the assets are expected to be realized or liabilities to be repaid. The tax rate shall be based on the tax rate and tax laws already legislated or substantially legislated at the end of the reporting period.

D. Deferred income tax assets shall be recognized, insofar as temporary difference is very likely to credit against future taxable income, and deferred income tax assets which are recognized and unrecognized shall be re-evaluated on each balance sheet date.

E. Current income tax assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. Unused tax credits derived from purchase of equipment or technology, R&D expenditure and equity investment can be added to deductible temporary differences and recognized as deferred tax assets, to the extent that the Company is likely to earn taxable income to offset against.

G. The average effective tax rate used to estimate the interim income tax expenses shall apply to the interim income before tax, and the relevant information shall be disclosed pursuant to said policies.

(22) <u>Business combination</u>

A. The Group adopts the acquisition method to proceed with business combination. The consideration for combination is calculated at the fair value of the assets to be transferred or liabilities to be derived or borne and the equity instruments to be issued. The consideration for the transfer includes the fair value of any assets and liabilities generated from the contingent consideration agreement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets and liabilities acquired from the business combination shall be measured at the fair value on the day of acquisition. Based on individual acquisition transaction, the elements of non-controlling equity which refer to the current ownership, of which the holder is entitled to the business's net assets on a pro rata basis at the time of liquidation may choose to measure the fair value based on the fair value on the date of acquisition or subject to proportion of non-controlling equity in the acquired identifiable net assets. The other elements of non-controlling equity shall be measured at the fair value on the date of acquisition.

B. Goodwill arises when the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held exceeds the fair value of identifiable assets and liabilities. The price difference shall be stated as income on the date of acquisition if the fair value of identifiable assets and liabilities as acquired exceeds the transfer consideration, non-controlling equity of the acquiree, and the total fair value of the acquiree's equity already held.

(23) <u>EPS</u>

The Group will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Group's EPS is calculated based on the income vested in the Company's common stock holders dividing by the number of shares of the weighted average outstanding common stock. The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock. The Group's potential diluted common stock includes the stock options granted to employees.

(24) Information by department

The Group consists of various members including the operations engaged in operating activities likely to earn revenue and incur expense (including the revenue and expense from the transactions with the other members within the Group). The operating results of all operations are rechecked by the Group's operating decision maker periodically for making of the decision to allocate resources to each operation and evaluation of each operation's performance. Each operation's financial information is independent from that of the others.

5. Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty

The accounting estimations made by the Group were based on the reasonable expectation toward future events subject to current circumstances on the balance sheet date; nevertheless, the actual results might be different from the estimations. The estimations and hypotheses about the risk over material adjustment of book value of assets and liabilities in next fiscal year please see the following notes:

(1) Allowance for bad debt of receivable accounts

The Group evaluates and estimates the collectible receivable accounts and allowance for bad debt according to the loan quality and collection of debt from customers and based on the past experience in collecting bad debt. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for bad debt. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and bad debt expenses in the year in which the estimation is changed. Until December 31, 2016, the book value of receivable accounts has been NT$828,633 thousand (exclusive of the allowance for bad debt, NT$12,858 thousand).

(2) Evaluation of inventory

The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Group has to decide the net realizable present value of the inventory on the balance sheet date based on judgment and estimation. Due to the rapid transformation of technology, the Group evaluates the value of inventories after excluding the torn and worn, out-of-fashion or unmarketable ones on the balance sheet date, and offset the cost of inventories against net realizable value. Until December 31, 2016, the book value of the Group's inventories has been NT$1,954,686 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT$219,377 thousand).

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. Until December 31, 2016, the deferred income tax assets recognized by the Group have been NT$65,622 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. Until December 31, 2016, the reserve for liabilities recognized by the Group have been NT$2,595 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any changes in the actuarial hypotheses might affect the value of the Group's defined benefit obligation materially. As of December 31, 2016, the book value of accrual pension liabilities of the Group amounted to NT$29,071 thousand.

(6) Goodwill impairment evaluation

The impairment on goodwill is evaluated by the Group to its sole discretion, including identifying the cash-generating units and amortizing assets, liabilities and goodwill into the related cash-generating units, and deciding the recoverable amount of related cash-generating units. For the evaluation on goodwill impairment, please refer to Note 6(8). As of December 31, 2016, the book value of the Group's goodwill amounted to NT$0 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash:		
Cash on hand	$ 3,955	$ 3,687
Bank deposit:		
Check deposit	10	10
Demand deposit	708,090	394,282
Time deposit	37,172	75,814
Total	$ 749,227	$ 473,793

The bank deposits provided by the Group as collateral have been re-stated as other current assets. Please see Note 8.

(2) Note receivables, net

	December 31, 2016	December 31, 2015
Receivable notes	$ 18,001	$ 26,568
Less: Allowance for bad debt	—	—
Receivable notes, net	$ 18,001	$ 26,568

The Group's receivable notes were issued for business and never been provided as collateral.

(3) Accounts receivable, net

	December 31, 2016	December 31, 2015
Receivable accounts	$ 783,479	$ 782,647
Less: Allowance for bad debt	(9,459)	(13,081)
Receivable accounts, net	$ 774,020	$ 769,566

	December 31, 2016	December 31, 2015
Receivable accounts-related party	$ 37,060	$ 82,458
Less: Allowance for bad debt	(447)	(520)
Receivable accounts-related party, net	$ 36,613	$ 81,938

	December 31, 2016	December 31, 2015
Receivable on demand (stated as other non-current assets)	$ 2,951	$ 4,441
Less: Allowance for bad debt	(2,951)	(4,441)
Receivable on demand, net	$ —	$ —

A. The Group's receivable accounts were incurred for business and never been provided as collateral.

B. For the information about the changes of bad debt provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note 12(2)):

	Impairment loss evaluated by group	Impairment loss evaluated individually	Total
January 1, 2016	$ 17,982	$ 60	$ 18,042
Impairment loss provided in the current period	1,726	—	1,726
Impairment loss reversed in the current period	—	—	—
Accounts written off and uncollected in the current period	(6,462)	—	(6,462)
Foreign exchange rate effect	(449)	—	(449)
December 31, 2016	$ 12,797	$ 60	$ 12,857
January 1, 2015	$ 14,126	$ 16,710	$ 30,836
Impairment loss provided in the current period	5,700	60	5,760
Impairment loss reversed in the current period	(776)	—	(776)
Accounts written off and uncollected in the current	(951)	(16,710)	(17,661)

period			
Foreign exchange rate effect	(117)	—	(117)
December 31, 2015	$ 17,982	$ 60	$ 18,042

C. Account age analysis on loans is stated as follows:

	December 31, 2016		December 31, 2015	
	Total	**Impairment**	**Total**	**Impairment**
Undue	$ 747,358	$ -	$ 781,223	$ -
Overdue for 1~90 days	70,117	4,908	72,742	5,092
Overdue for 91~180 days	12,465	1,870	17,780	2,667
Overdue for 181~360 days	4,685	1,171	16,490	4,123
Overdue for 1~2 years	3,915	1,957	3,438	1,719
Overdue for more than 2 years	2,951	2,951	4,441	4,441
Total	$ 841,491	$ 12,857	$ 896,114	$ 18,042

(4) Inventories

	December 31, 2016	**December 31, 2015**
Raw material	$ 345,398	$ 346,572
Supplies	76,234	67,885
Work in progress	338,417	289,278
Semi-finished goods	280,973	212,380
Finished goods	1,067,543	858,149
Commodity	55,182	70,782
Materials and supplies in transit	10,316	17,012
Less: Allowance for inventory devaluation and obsolescence losses	(219,377)	(225,881)
Inventory, net	$ 1,954,686	$ 1,636,177

A. Expenses and losses related to inventory recognized in the current period:

	2016	**2015**
Cost of sold inventory	$ 2,615,728	$ 2,164,236
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	(763)	37,979
Inventory retirement loss	13,445	3,815
Other operating cost - employee remuneration	33,376	14,738
Revenue from sale of scraps	—	—
Estimated maintenance and warranty cost	3,283	(670)
Sale cost, net	$ 2,665,069	$ 2,220,098

B. Before December 31, 2016 and December 31, 2015, the Group's inventories have never been provided as collaterals.

(5) Financial assets measured at cost

	December 31, 2016	**December 31, 2015**
Noncurrent items:		
TAISelec Co.,Ltd	$ —	$ —
Less: Impairment loss	—	—
Total	$ —	$ —

A. The non-TWSE/GTSM stock investment held by the Group shall be classified into available-for-sale financial assets according to the intent of investment. Notwithstanding, because the objects are not traded in a public market and it is impossible to access sufficient industrial information about similar companies, it is impossible to reliably measure the fair value of such objects and they are classified into "financial assets measured at cost".

B. The Company transferred 18.75% of the equity of TAISelec Co., Ltd. to the non-related party upon approval of the board of directors in February 2015. The proceeds from sale was NT$25,938 thousand, and the gain from disposition was NT$5,706 thousand.

C. Before December 31, 2016 and December 31, 2015, the Group's financial assets measured at cost had never been provided as collateral.

(6) Investments accounted for using equity method

The Investment under equity method by the Group on the reporting date is stated as follows:

Investee	December 31, 2016 Book value	December 31, 2015 Book value
Affiliates:		
Mjc Microelectronics (Shanghai) Co., Ltd.	$ 30,155	$ 45,190
MMK (Kunshan)	62,706	64,012
Lumitek Co.,LTD	3,360	3,099
Total	$ 96,221	$ 112,301

A.Changes in investment under equity method:

	2016	2015
Balance, beginning	$ 112,301	$ 123,852
Cash dividend	(13,192)	—
Capital surplus - write-off of long-term investment	—	(19,306)
Investment income (loss) recognized under equity method	4,341	6,728
Exchange difference arising from translation of the financial statement of foreign operations	(7,526)	(2,012)
Realized (unrealized) income from downstream transactions with affiliates	176	3,039
Other	121	—
Balance, ending	$ 96,221	$ 112,301

B. The information about affiliates important to the consolidated companies is stated as following:

Name of Affiliate	Nature of relationship with consolidated company	Principal business place/country where the company is registered	Proportion of ownership and voting right December 31, 2016	Proportion of ownership and voting right December 31, 2015	Measurement method
Mjc Microelectronics (Shanghai) Co., Ltd.	Primarily engaged in selling semi-conductor testing probe cards, under the strategic alliance for development of the market in territories of Mainland China by consolidated companies.	Mainland China	40%	40%	Equity method

MMK (Kunshan)	Primarily engaged in selling semi-conductor testing probe cards, under the strategic alliance for development of the market in territories of Mainland China by consolidated companies.	Mainland China	40%	40%	Equity method
Lumitek Co.,LTD	Primarily engaged in OEM service of LED dice production process; the affiliate has been dissolved on February 28, 2015. (The Company has gone into liquidation as of reporting date.)	Taiwan	20.15%	20.15%	Equity method

C. Book value and share of operating result of the affiliates not important to the Group individually

The financial information about the Group's affiliates under equity method not important the Company individually is summarized as following. Said financial information refers to the figures included into the Group's consolidated financial statements:

	December 31, 2016	December 31, 2015
Summarized total book value of the equity of individual unimportant affiliates	$ 96,221	$ 112,301

	2016	2015
Shares attributed to the Group:		
Net profit (net loss) of continuing department	$ 4,341	$ 6,728
Income after tax of discontinued department	—	—
Other consolidated income/loss	—	—
Total comprehensive income	$ 4,341	$ 6,728

D. For the year of 2016, apart from Lumitek Co., LTD. that has already applied for dissolution and is under the liquidation process (the Group has recognized the share of affiliated enterprise with the equity methods according to the invested Group’s non-CPA audited financial statements, and the Group’s management believes that no major adjustment will be made to the said statements even after a CPA audit), the Group has recognized invested companies’ shares of investment gains and losses with the equity methods according to their financial statements audited by CPA.

As of December 31, 2015, the financial statements of investments accounted for using equity method were consolidated and measure based on their financial statements audited by the auditors for the same years.

E. As of December 31, 2016 and December 31, 2015, the Investments accounted for using equity method were not pledged as collateral.

(7) <u>Property, plant and equipment</u>

A. The Company in July 2015 to non-related party purchased land located Taihe segment Zhubei City, the sale of a total of $251,817 thousand dollars for contract dollars. And settled transfer on September 24, 2015, serves the purpose of staff's dormitory.

B. The Company in December 2015 to non-related party purchased land located Taihe segment Zhubed City, the sale of a total of $123 thousand dollars for contract dollars. And settled transfer in December, 2015.

C. The Group in September 2014 to non-related party purchased pre - sale housing, the sale of a total of RMB 4,320,000. And settled transfer in November 2016.

D. The Group to non-related party purchased pre-sale housing in 2015, the sale of a total of RMB 1,641,816.

E. About Leased assets as follows：

(a) Leased assets, net：

	2016	2015
Cost		
Machinery	$ 86,900	$ —
Less：Accumulated depreciation	(17,390)	—
effect of movements in exchange rate	(2,732)	—
Leased assets, Net.	$ 66,778	$ —

(b) The content of capital were summarized as follows：

The company signed the five-year lease agreement with non-related party in January of the 2016; lessee will pay RMB$ 366 thousand dollars to buy the capital lease assets at the expiration of lease term. lease assets detail：

Lessor	Properties	Rental Paid	Payment Terms
Non related party	Agilent Technologies	NT $ 90,094	2016.01.01～2020.12.31

(c) Future payments for Payables on leased were as follows：

	Total	Financing Expenses	Present Value
Current			
Up to 1 years	$ 17,354	$ 657	$ 16,697
Non-current			
1 to 5 years	52,063	1,972	50,091
Total	$ 69,417	$ 2,629	$ 66,788

F. The collateralized land and building for loans amounted please see note 8 for details.

G. Total capitalized interest see note 6 (17) B for details.

H. The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Transportation	Office equipment	Research equipment	Other equipment	Leased assets	construction in progress	Total
Cost:										
At January 1, 2016	$ 763,767	$ 1,294,595	$ 1,024,363	$ 4,189	$ 94,639	$ 559,075	$ 51,336	$ -	$ 52,107	$ 3,844,071
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-
Additions	-	20,908	76,903	-	9,933	12,484	7,972	86,900	81,671	296,771
Disposals	-	-	(40,290)	(1,374)	(22,366)	(19,461)	(5.003)	-	-	(88,494)
Reclassifications	-	91,387	78,025	-	536	31,402	120	-	(91,387)	110,083
effect of movements in exchange rate	-	(3,214)	(41,393)	(215)	(117)	21	(2,443)	(3,415)	445	(50,331)
At December 31, 2016	$ 763,767	$ 1,403,676	$ 1,097,608	$ 2,600	$ 82,625	$ 583,521	$ 51,982	$ 83,485	$ 42,836	$ 4,112,100
Cost:										
At January 1, 2015	$ 512,073	$ 1,204,309	$ 544,548	$ 4,244	$ 79,371	$ 424,972	$ 27,216	$ -	$ 4,603	$ 2,801,336
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-
Additions	251,817	90,878	498,655	-	19,826	139,657	`24,760	-	47,504	1,073,097
Disposals	(123)	-	(9,112)	-	(4,445)	(5,632)	(67)	-	-	(19,379)
Reclassifications	-	-	(1,767)	-	-	90	-	-	-	(1,677)
effect of movements in exchange rate	-	(592)	(7,961)	(55)	(113)	(12)	(573)	-	-	(9,306)
At December 31, 2015	$ 763,767	$ 1,294,595	$ 1,024,363	$ 4,189	$ 94,639	$ 559,075	$ 51,336	$ -	$ 52,107	$ 3,844,071
Accumulated depreciation and impairment：										
At January 1, 2016	$ -	$ 202,323	$ 331,938	$ 1,617	$ 53,737	$ 273,007	$ 18,480	$ -	$ -	$ 881,102
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-
Additions	-	46,122	189,913	732	18,764	78,526	10,499	17,380	-	361,936
Disposals	-	-	(40,290)	(732)	(22,338)	(19,458)	(5,003)	-	-	(87,821)
Reclassifications	-	-	(105)	-	-	-	-	-	-	(105)
effect of movements in exchange rate	-	(1,095)	(11,378)	(100)	(91)	(14)	(672)	(683)	-	(14,033)
At December 31, 2016	$ -	$ 247,350	$ 470,078	$ 1,517	$ 50,072	$ 332,061	$ 23,304	$ 16,697	$ -	$ 1,141,079
Accumulated depreciation and impairment：										
At January 1, 2015	$ -	$ 166,741	$ 201,159	$ 680	$ 41,384	$ 210,301	$ 13,294	$ -	$ -	$ 633,559
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-
Additions	-	35,827	141,132	949	16,659	68,322	5,470	-	-	268,359
Disposals	-	-	(9,016)	-	(4,236)	(5,604)	(68)	-	-	(18,924)
Reclassifications	-	-	-	-	-	-	-	-	-	-
effect of movements in exchange rate	-	(245)	(1,337)	(12)	(70)	(12)	(216)	-	-	(1,892)
At December 31, 2015	$ -	$ 202,323	$ 331,938	$ 1,617	$ 53,737	$ 273,007	$ 18,480	$ -	$ -	$ 881,102
Book value										
At December 31, 2016	$ 763,767	$ 1,156,326	$ 627,530	$ 1,083	$ 32,553	$ 251,460	$ 28,678	$ 66,788	$ 42,836	$ 2,971,021
At December 31, 2015	$ 763,767	$ 1,092,272	$ 692,425	$ 2,572	$ 40,902	$ 286,068	$ 32,856	$ -	$ 52,107	$ 2,962,969

(8) Intangible assets

The details about changes in the cost, amortization and impairment loss of intangible assets in 2016 and 2015 were stated as follows:

January~December 2016	Goodwill	Computer software	Total
January 1, 2016	$ 45,533	$ 35,934	$ 81,467
Addition	—	22,966	22,966
Reclassification	—	—	—
Amortization expenses	—	(22,944)	(22,944)
Impairment	(45,533)	—	(45,533)
Exchange difference, net	—	(33)	(33)
December 31, 2016	$ —	$ 35,923	$ 35,923

January~December 2015	Goodwill	Computer software	Total
January 1, 2015	$ 45,533	$ 23,741	$ 69,274
Addition	—	26,809	26,809
Reclassification	—	1,248	1,248
Amortization expenses	—	(15,860)	(15,860)
Impairment	—	—	—
Exchange difference, net	—	(4)	(4)
December 31, 2015	$ 45,533	$ 35,934	$ 81,467

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2016 and 2015 were stated as the following items in the comprehensive income statement:

	2016	2015
Operating cost	$ 23,647	$ 16,912
Operating expense	33,514	30,772
Total amortization expenses	$ 57,161	$ 47,684

B. R&D expenditure

In FY2016 and FY2015, the R&D spending deriving from intangible assets internally developed amounted to NT$848,616 thousand and NT$819,423 thousand, respectively, recognized under the title of "Operating expenses –R&D expenses" in the comprehensive income statement.

C. Acquisition of subsidiaries

Allstron Corp is the specialty manufacturer of high frequency wafer foundry measuring probing. We are able to improve the product production because using Allstron Corp patented technology by taking over Allstron Corp. In addition, we expect to increase the market share for the semi-conductor products and testing equipment that we have gained the customers through the acquired company. Therefore, we highly expect cost down by economic scale.

The Company started on January 1, 2014 as the acquisition date.

The consideration for the business combination and the fair values of identifiable assets and liabilities accounted for on acquisition date were as follows:

(a) Transfer pricing：$50,000 thousand dollars.

(b) Fair values of identifiable net assets acquired on acquisition date: NT$ 4,467 thousand dollars.

(c) Goodwill

Transfer pricing	$	50,000
Less：Fair value of net assets		(4,467)
Goodwill	$	45,533

The goodwill of acquisition Allstron Corp mainly comes from Allstron Corp's measurement application of product line in electronics industry. For example, the measurement of RFM skills uses the wide spacing probe in order to accord the changeful demands of the market and also the value of employer. Furthermore, transfer the consideration relationship includes the expect of business to business semiconductor manufacturing and integrate the testing equipment to produce combined synergy, the growth of income and the future development.

The goodwill resulted from the merger of Allstron Corp. The Transfer pricing is determined through the income approach by an independent appraisal company.

Income approach is the five-year cash flow of Allstron Corp. and based on the discount rate used to calculate the asset recoverable.

(d) Goodwill Impairment Charges

Upon the discussion of the management and report to the Board of Directors on March 24 of 2017, the Group has, according to the forecasted cash flow of Allstron Probing Solution, recognized the difference between the investment cost of the original investment day and the net equity value in the goodwill impairment loss with a value of NT$45,533 thousand for the year of 2016.

(5) Goodwill Impairment Test

For the purpose of impairment test, goodwill acquired from amalgamation already amortized to cash generating units. The goodwill in account books is as follows:

Cash Generating Unit - Allstron	
December 31, 2016	**December 31, 2015**

Goodwill	$ —	$ 45,533

Cash Generating Unit - Allstron

As Allstron has been evaluated as an independent cash generating unit at the end of December, 2016, its recoverable amount shall be decided according to its use value. Allstron's recoverable amount was measured according to its forecasted cash flow (in a five-year financial forecast approved by the management) applied with a discount rate; the forecasted growth of the sixth-year cash flow is zero and the demand for an increase of net working capital is zero. The cash flow forecast is already updated to reflect changes to the needs for relevant products; discount rate adopted for the cash flow forecast is based on the pre-tax value. The management already, according to the analysis results, recognized goodwill impairment loss with a value of NT$45,533 thousand at the end of 2016.

Key Assumptions Used to Calculate Cash Generating Unit's Recoverable Amount

Ⓐ The forecast of cash flow is based on the past experience, past performance and the five-year business plan with regard to the market development. The management believes that the forecast period, which is from 2017 to 2021, is reasonable.

Ⓑ The first-year revenue in the business plan is forecasted according to the past experience. Besides, the growth rate of forecasted annual revenue from 2018 to 2021 is based on the prediction of market performance. The management believes that such forecast is reasonable.

Ⓒ The gross margin in the business plan is forecasted based on the past experience and the management believes that such forecast is reasonable.

Ⓓ The purpose of applying a discount rate is to interpret risks to be taken over and required necessary returns for the future operation or use.

Values of these key assumptions represent the management's evaluation on Allstron's future trend and are based on both of external and internal information (historical information).

(9) Short-term loan

	December 31, 2016		**December 31, 2015**	
Nature of loan	Amount	Interest rate	Amount	Interest rate
Credit loan	$ 184,052	0.92% ~4.44%	$ 4,217	5.31% ~5.60%
Mortgage loan	200,000	1.00%	550,000	1.18%
Total	$ 384,052		$ 554,217	

A. For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note 12(2).

B. Collateral for bank loan.

For bank loans secured by the Group's assets, please see Note 8.

(10) Other payable accounts

	December 31, 2016	December 31, 2015
Payable expenses	$ 503,750	$ 405,819
Payable employees' remuneration	61,960	29,189
Short-term employee benefits	53,632	33,884
Payable stock dividends	—	—
Others (all less than 5%)	21,012	10,218
Total	$ 640,354	$ 479,110

(11) Reserve for liabilities

	Warranty		Warranty
Balance, January 1, 2016	$ 1,240	**Balance, January 1, 2015**	$ 4,856
Increase (decrease)	1,355	Increase (decrease)	(3,616)
Balance, December 31, 2016	$ 2,595	**Balance, December 31, 2015**	$ 1,240
Current	$ 2,595	Current	$ 1,240
Non-current	—	Non-current	—
Balance, December 31, 2016	$ 2,595	**Balance, December 31, 2015**	$ 1,240

The Group's reserve for warranty and liabilities in 2016 and 2015 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranty and liabilities was estimated based on the historical warranty information. The Group expects that the liabilities would be mostly incurred in the following year of the sale.

(12) Corporate bonds-payable

	December 31, 2016	December 31, 2015
Total amount of 3rd domestic unsecured convertible corporate bond	$ 700,000	$ 700,000
Less: Conversion amount	(99,300)	(99,300)
Less: Corporate bond discount	(10,053)	(21,267)
Corporate bond payable, net	$ 590,647	$ 579,433
Current	$ 590,647	$ 579,433
Non-current	-	-
Total	$ 590,647	$ 579,433
Embedded financial derivatives - financial liabilities (assets)	$ (60)	$ 1,682
Elements of equity	$ 28,261	$ 28,261

A. In order to purchase factory premises and machine & equipment and repayment of bank loan, the Company issued 3rd domestic unsecured convertible corporate bonds upon resolution of the board of directors on October 16, 2014, and upon approval of

FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1030042656 dated November 4, 2014. The issuance conditions are stated as following:

(a) Total issued amount: NT$700 million

(b) Duration: 3 years (November 18, 2014~November 18, 2017)

(c) Coupon rate: 0%

(d) Duration: The day following expiration of one month after the date of issuance (December 19, 2014) until the expiry date (November 18, 2017).

(e) Conversion price and adjustment thereof:

Ⓐ The conversion price at the time of issuance shall be NT$100 per share.

Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.

Ⓒ The Company's board of directors resolved on August 7, 2015 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 13, 2015, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$93.4 per share.

Ⓓ The Company's board of directors resolved on July 11, 2016 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of August 26, 2016, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$90.2 per share.

(f) Bondholders' put option: The bondholders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, November 18, 2016, upon expiration of two years after issuance of the bonds. The bondholders may ask the Company to redeem the bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

(g) The Company's right of redemption:

Ⓐ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for

30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

Ⓑ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal: Except those converted to the Company's common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

B. Until December 31, 2016, the book value of 3rd domestic unsecured convertible corporate bonds which have been converted upon request cumulatively was NT$99,300 thousand. The issued stock totaled 993 thousand shares, and the capital surplus-convertible corporate bond conversion premium generated therefore was NT$88,540 thousand.

C. The Company analyzed the 3rd domestic unsecured convertible corporate bonds according to IFRS No.7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	November 18, 2014 (Issuing date)
Total issuing amount of convertible corporate bond	$ 700,000
Cost of convertible corporate bond	(5,203)
Elements of equity at the time of issuance - conversion option	(32,933)
Embedded financial derivatives at the time of issuance	(980)
Corporate bond payable, net on the issuing date	$ 660,884

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of 2016, which was stated into the "financial asset (liability) held for trading". The "gain (loss) from financial assets and liabilities at fair value through profit or loss" was NT$1,742 thousand and NT$(2,285) thousand in 2016 and 2015.

The effective interest rate for the 3rd domestic unsecured convertible corporate bonds was 1.9183%. The interest expenses of convertible corporate bond recognized in 2016 and 2015 were NT$11,214 thousand and NT$11,032 thousand.

(13) <u>Long-term Loans</u>

Lender	Nature	Amount	Period	December 31, 2016
Land Bank –East Shichu Branch	Secured bank borrowings	$ 201,100	2015.09.30~2020.09.30	$ 201,000
Land Bank –East Shichu Branch	Secured bank borrowings	$ 163,000	2009.03.02~2022.03.02	48,968
Less: Long-term Loans payable-current portion				(9,328)
Long-term Loans, net				$ 240,640
Interest rates for long-term loans				1.28 %~1.32%

Lender	Nature	Amount	Period	December 31, 2015
Land Bank –East Shichu Branch	Secured bank borrowings	$ 201,100	2015.09.30~2020.09.30	$ 201,100
Land Bank –East Shichu Branch	Secured bank borrowings	$ 163,000	2009.03.02~2022.03.02	58,296
Less: Long-term Loans payable-current portion				(9,328)
Long-term Loans, net				$ 250,068
Interest rates for long-term loans				1.49 %~1.53 %

1. For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note 12(2).
2. Collateral for bank loan.

   For bank loans secured by the Group’s assets, please see Note 8.

(14) <u>Pension Benefits</u>

A. Defined benefit plan

(a) The Company and its domestic subsidiaries have instituted regulations for the defined pension plan under the “Labor Standards Law” applicable to the years of services of employees before July 1, 2005, which is the day that the new “Labor Pension Act” came into full force, and the following years of services of employees who choose to continue applying the Labor Standard Law upon enforcement of the Labor Pension Act. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six (6) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The Company and its domestic subsidiaries contribute 2% of the total salaries of the employees to the special pension fund account with Bank of Taiwan supervised by the Employee Pension Fund Reserve Supervisory Committee. Until the end of December 2016, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was $56,080 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	December 31, 2016	December 31, 2015
Present value of defined benefit obligation	$ 85,151	$ 77,509
Fair value of planned assets	(56,080)	(51,495)
Net defined benefit liability	$ 29,071	$ 26,014

(c) Changes in the present value of defined benefit obligation:

	2016	2015
Present value of defined benefit obligation, January 1	$ 77,509	$ 67,321
Service cost in current period	5,165	161
Interest cost	1,395	1,359
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	1,413	2,624
Empirical adjustment	(331)	6,044
Present value of defined benefit obligation, December 31	$ 85,151	$ 77,509

(d) Changes in fair value of planned assets:

	2016	2015
Fair value of planned assets, January 1	$ 51,495	$ 46,387
Interest revenue	962	967
Return (loss) on remuneration of planned assets	(582)	260
Contribution by employer	4,205	3,881
Benefit payment-from planned assets	-	-
Fair value of planned assets, December 31	$ 56,080	$ 51,495

(e) Total expenses recognized in comprehensive income statement:

	2016	2015
Service cost in current period	$ 5,165	$ 161
Interest cost of defined benefit obligation	1,395	1,359
Interest revenue from planned assets	(962)	(967)

Defined benefit cost stated into income	$ 5,598	$ 553

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2016 and 2015, please see the labor pension fund utilization report published by the government each year.

(g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	2016	**2015**
Discount rate	1.70%	1.80%
Future salary and benefit level	2.25%~2.75%	2.25%~2.75%

Until December 31, 2016, the weighted average duration of the pension plan has been 17~20 years.

(h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any changes in the actuarial hypotheses might materially affect the value of the Group's defined benefit obligation materially.

(i) The variance in the estimation of the Group's discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	Discount rate		**Future raise rate**	
	Increase by 0.25%	**Decrease by 0.25%**	**Increase by 1.00%**	**Decrease by 1.00%**
December 31, 2016				
Effect on defined benefit obligation %	(3.85%)	4.02%	17.00%	(14.45%)

	~ (4.12%)	~4.33%	~18.62%	~ (15.48%)
Amount of effect on defined benefit obligation	$ (3,481)	$ 3,655	$ 15,690	$ (13,076)
December 31, 2015				
Effect on defined benefit obligation %	(4.05%) ~ (4.24%)	4.25% ~4.46%	17.90% ~19.04%	(15.11%) ~ (15.79%)
Amount of effect on defined benefit obligation	$ (3,265)	$ 3,434	$ 14,632	$ (12,163)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period

(j) The Group is expected to contribute NT$3,890 thousand to the Plan in the reporting period of next year.

B. Defined contribution plans

(a) As of July 1, 2005, the Group instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Group shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the "Labor Pension Act" chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.

(b) Foreign subsidiaries shall contribute specific ratio of the local employees' total salary, on a monthly basis, as the pension or fund of endowment insurance according to the local government regulations. The pension of each employee shall be arranged and managed by government. Except that the subsidiaries shall be obligated to contribute the fund on a monthly basis, the subsidiaries shall bear no other obligations.

(c) The pension expenses recognized under the Group's defined contributed pension regulations were $57,355 thousand dollars and $46,944 thousand dollars in 2016 and 2015.

(15) EQUITY

A. The Company's outstanding common stock at beginning and ending is reconciled as follows:

	2016	**2015**

Balance, January 1	79,005,392	79,536,392
Transfer of treasury stock to employees	600,000	-
Corporate bond conversion	-	69,000
Repurchase of treasury stock	-	(600,000)
Balance, December 31	79,605,392	79,005,392

B. Capital surplus

(a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	December 31, 2016	**December 31, 2015**
Common stock premium	$ 210,163	$ 210,163
Convertible corporate bond conversion premium	569,216	569,216
Treasury stock trading	58,236	44,073
Donation from shareholders	1	1
Changes in net worth of equity of affiliates recognized under equity method	-	-
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	28,261	28,261
Total	$ 885,735	$ 871,572

Ⓐ The company issued the first and second Domestic unsecured convertible corporate bonds; The company recognized $480,676 thousand dollars as paid-in capital in excess of par-common stock and treasury stock transaction $8,477 thousand dollars.

Ⓑ The group issued the first and second Domestic unsecured convertible corporate bonds; The company recognized $35,596 thousand dollars as paid-in capital in excess of par-common stock.

Ⓒ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT$1,000.

Ⓓ The Company invest in LUMITED CORPORATION through JIA-SIN INVESTMENT CORP. and YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP. handle to increase the Company’s working capital and employee stock options ,didn’t subscribe, so the additional paid-in capital from investee under equity method were $19,306 thousand dollars. Because LUMITED CORPORATION dismissed on February 28, 2015, it is $0 dollars to close the components of capital surplus.

E. The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. on June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net worth of the acquired equity was NT$19,858 thousand on the date of investment, stated as capital surplus-others

C. Retained earnings

(a) According to the Company's Articles of Incorporation, if the Company has profits after final account for the concerning fiscal year, the profits shall be allocated in the following order: (1) Payment of tax. (2) Covering of loss; (3) 10% set aside as legal reserve; (4) Provision of special reserve pursuant to laws; (5) The remainder, if any, plus allocable earnings at the end of the year may be subject to the motion for distribution of allocable earnings prepared by the board of directors and submitted to a shareholders' meeting for resolution. Where the earnings are resolved to be allocated, they shall be allocated in the following manners:

- Employee remuneration: at least 20% of the allocable earnings.
- Remuneration to directors/supervisors: no more than 3% of the allocable earnings.
- Shareholders remuneration: the remainder less the allocated amount referred to in the preceding two sub-paragraphs.

The counterparts whom the stock dividends may be allocated to shall include the employees of affiliated companies.

(b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

(c) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

(d) Legal reserve

According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(e) Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company doesn't need to provide special reserve, pursuant to the related laws in, in 2016 and 2015.

(f) The Company resolved to allocate the cash dividend, NT$238,816 thousand (NT$3 per share), to shareholders from earnings 2015 on June 16, 2016.

The Company resolved to allocate the cash dividend, NT$318,422 thousand (NT$4 per share), to shareholders from earnings 2014 on June 12, 2015.

(g) The information about allocation of retained earning approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(h) For the information about remuneration to employees and remuneration to directors/supervisors, please see Note 6(20)

D. Treasury stock

(a) Cause of repurchase and increase/decrease in quantity:

	2016			
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	600,000	–	600,000	–

	2015			
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	–	600,000	–	600,000

(b) According to the Securities and Exchange Act, the number of outstanding shares repurchased may not exceed ten percent of the Company's total number of issued shares. The total amount of the repurchased shares may not exceed the amount of retained earnings plus premium on capital stock and realized capital surplus. The Company repurchased the treasury stock totaling 600,000 shares, i.e. NT$34,454 thousand, from August to October 2015.

(c) According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged. Before the transfer, the treasury stock shall not be entitled to any shareholder right.

(d) According to the Securities and Exchange Act, the shares repurchased by a company for transfer of the same to employees shall be transferred within three years from the date of repurchase. The shares not transferred within the said time limit shall be deemed as not issued by the company, and amendment registration shall be processed.

(e) In order to recruit and retain the technical and professional talents for the Company, and encourage their long-term service, loyalty, productivity and sense of belonging to create interest for the Company and shareholders jointly, the Company established the "Third time Regulations Governing Share Repurchase and Transfer of Shares to Employees", in accordance with Article 28-2 of Securities and Exchange Act, and the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies promulgated by FSC. The Regulations were approved upon resolution of the board of directors on March 9, 2016. The treasury stock, totaling 2,000,000 shares, was transferred to employees of the Company and Chain-Logic International Corp. wholly owned by the Company on the record date of stock option, namely March 9, 2016, at NT$54.72 per share. According to the estimation under Black-Scholes evaluation model, the fair value was NT$23.78 per share on the grant date. The Company recognized the remuneration cost, NT$14,268 thousand (stated as salary expenses). The parameters adopted by the evaluation model are stated as following:

		2016 Treasury stock transferred to employees
Evaluation Model	Black-Scholes option-pricing model	
	Vesting period	March 9~14,2016
	Dividend yield rate	4.42 %
	Exercise price	$ 57.42
	Stock price	$ 81.20
	Expected price volatility	49.60 %
	Risk-free interest rate	0.210 %

The price difference between the transfer consideration less necessary trading cost, NT$34,349 thousand, and capital surplus-employee stock option, NT$14,268 thousand, and the repurchase cost, NT$34,454 thousand, was stated into the capital surplus-treasury stock exchange, NT$14,163 thousand.

(16) Share-based payment－employee compensation plan

As of December 31, 2016, information on outstanding ESO is shown below: N/A

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	2016	2015
Gain (loss) from disposition of property, plant and equipment	$ (191)	$ (78)
Gain on disposition of investment	－	5,706
Gain (debt) from financial assets at fair value through profit or loss	1,742	－
Debt (loss) from financial assets at fair value through profit or loss	－	(2,285)
Foreign currency exchange gain (loss), net	(14,344)	17,149
Loss on valuation of nonfinancial asset	(45,533)	－
Others	(3,068)	(914)
Total	$ (61,394)	$ 19,578

(a) For the notes to gain on disposition of investment, please refer to Note 4(6).

(b) For the notes to loss on valuation of Investments accounted for using equity method, please refer to Note 6(8).

B. Financial cost

	2016	2015
Interest expenses		
Bank loan	$ 10,135	$ 4,054
Convertible corporate bond	11,214	11,032
Financial leasing interest	684	—
Subtotal	22,033	15,086
Less: capitalized interest	(2,543)	(1,689)
Total	$ 19,490	$ 13,397
Capitalized interest rate	1.04%~1.57%	0.5%~1.56%

(18) Income Tax

A. The Group's income tax expenses (gains) are specified as following:

	2016	2015
Income tax in the current period		
Generated in the current period	$ 97,175	$ 86,634
Overestimated (underestimated) income tax in previous year	292	(193)
Total income tax in the current period	97,467	86,441
Deferred income tax		
Occurrence and reversal of temporary difference	(6,816)	(21,068)
Effect of changes in tax rate	—	—
Total deferred income tax	(6,816)	(21,068)
Total	$ 90,651	$ 65,373

B. The Group recognized Income tax expenses in other comprehensive income are NT$ 0 start from January to December, at 2016 and 2015.

C. The income tax expenses recognized under the title of equity are NT$0 start from January to December, at 2016 and 2015.

D. Relations between income tax expenses (gains) and accounting profit

	2016	2015
Net profit (loss) before tax	$ 651,488	$ 359,514
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated (17%)	$ 110,753	$ 61,117

Tax rate difference effect in foreign jurisdiction	20,982	16,647
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(6,618)	21,417
Income tax effect on deferred income tax assets/liabilities	(6,816)	(21,068)
Changes of foreign exchange rate of deferred income tax assets/liabilities	—	—
Unrecognized deferred income tax assets	58	15
Tax-free income	(47,598)	(24,178)
Maximum foreign-tax deduction	—	(706)
Income tax effect on investment credit	(16,897)	(21,027)
Imposition of 10% income tax on undistributed earnings	2,636	16,014
Income tax effect under minimum tax system	33,859	17,335
Overestimated (underestimated) income tax in previous year	292	(193)
Total	$ 90,651	$ 65,373

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2016				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 38,216	$ (1,847)			$ 36,369
Unrealized exchange loss	276	1,934			2,210
Unrealized warranty cost	211	230			441
Bad debt loss		7,741			7,741
Impairment loss	252	(251)			1
Unrealized gain on inter-affiliate accounts	20,044	(4,064)			15,980
Tax difference on depreciation expenses	13	-			13
Recognition of pension expenses (excess)	181	(26)			155

Loss carryforwards	-	2,712			2,712
Total	$ 59,193	$ 6,429			$ 65,622
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (1,219)	$ 462			$ (757)
Unrealized net investment income (foreign)	(6,144)	(338)			(6,482)
Recognition of pension expenses (deficit)	(4,316)	263			(4,053)
Total	$ (11,679)	$ 387			$ (11,292)

	2015				
	January1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 31,922	$ 6,294			$ 38,216
Unrealized exchange loss	446	(170)			276
Unrealized warranty cost	826	(615)			211
Bad debt loss	2,666	(2,414)			252
Unrealized gain on inter-affiliate accounts	5,672	14,372			20,044
Tax difference on depreciation expenses	13	-			13
Recognition of pension expenses (excess)	208	(27)			181
Investment credit	-	-			-
Loss carryforwards	-	-			-
Total	$ 41,753	$ 17,440			$ 59,193
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange (gain)	$ (3,059)	$ 1,840			$ (1,219)
Unrealized net investment income (foreign)	(8,471)	2,327			(6,144)

Recognition of pension expenses (deficit)	(3,777)	(539)		(4,316)
Total	$ (15,307)	$ 3,628		$(11,679)

(b) Unrecognized deferred income tax assets

	December 31, 2016	December 31, 2015
Loss carryforwards	$ 53	$ 6,445
Investment credit	-	-
Amount of unrecognized deferred income tax assets	$ 53	$ 6,445

According to the Income Tax Act, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the local collection authority-in-charge from the current income. Said items were not recognized as deferred income tax assets, because it is still uncertain whether said companies are not likely to have sufficient taxable income to cover the temporary difference.

The taxation loss which has not been recognized by the Group before December 31, 2016 shall be deducted by the following deadline:

Item	Balance to be credited	Last year of credit
Loss in 2011	$ 85	2021
Loss in 2012	38	2022
Loss in 2013	24	2023
Loss in 2014	24	2024
Loss in 2015	24	2025
Loss in 2016	16,070	2026
Total	$ 16,265	

(c) Unrecognized deferred income tax liabilities

	December 31, 2016	December 31, 2015
Taxable temporary difference	$ -	$ -
Amount of unrecognized deferred income tax liabilities	$ -	$ -

F.The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2016 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D expenditure (projected) in 2016	$ 58,780	$ —	$ 12,458	$ —	(non-deferred)

$ 58,780	$ —	$ 12,458	$ —

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

G. Authorization of income tax:

The status of authorization of the Group's tax return in the territories of Taiwan:

	Year
MPI Corporation	2014
Chain-Logic International Corp.	2014
WANG-TONG CORP.	2014
Allstron Corp	2014

H. Information about the Company's two-in-one tax policy:

	December 31, 2016	**December 31, 2015**
Deductible tax account-Balance	$ 229,656	$ 203,331

	2016 (Projected)	**2015 (Actual)**
Deductible rate of earnings allocation	15.10 %	16.25 %

Said information about the two-in-one tax policy refers to the amount treated according to the letter of Ministry of Finance under Tai-Tsai-Shui No. 10204562810 dated October 17, 2013.

According to Article 66-6 of the amended Income Tax Law, the tax deduction applicable to individual shareholders residing within the territories of the R.O.C. may be discounted at 50% as of January 1, 2015 when the earnings are allocated.

I. Information about the Company's undistributed earnings

Except the balance, NT$322 thousand, before 1997, the remainder of the Company's undistributed earnings refers to those after 1998.

(19) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

2016	**2015**

	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT$)	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NT$)
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 563,279	79,480	$ 7.09	$ 294,820	79,429	$ 3.71
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 563,279	79,480		$ 294,820	79,429	
Effect of all potential diluted common stocks						
3rd domestic unsecured convertible corporate bond		6,660			6,431	
Employee stock option exercise adjustment	—	—		—	—	
Employee stock bonus	—	717		—	470	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 563,279	86,857	$ 6.49	$ 294,820	86,330	$ 3.42

For the details about capital increase, please see Note 6(15).

(20) Employee benefits, depreciation, depletion and amortization expenses are summarized as follows

Nature \ Function	2016			2015		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating expense**	**Total**
Employee benefit expense						
Salary expense (including employee remuneration)	805,443	753,429	1,558,872	621,349	635,716	1,257,065
Labor/health insurance expenses	56,972	51,539	108,511	40,739	44,524	85,263
Pension expenses	34,906	26,064	60,970	21,363	26,134	47,497
Other employee benefit expenses (Note)	76,149	25,650	101,799	41,818	26,188	68,006
Depreciation expenses	289,983	71,953	361,936	203,605	64,754	268,359
Depletion expenses	—	—	—	—	—	—
Amortization expenses	23,647	33,514	57,161	16,912	30,772	47,684

(Note) The other employee benefit expenses including meal expenses, overtime pay and workers' benefits.

A. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings. For the details about capital increase, please see Note 6(15).

Notwithstanding, according to the Company Law amended on May 20, 2015, the Company shall allocate remuneration to employees in specific amount or at specific percentage, subject to the status of earnings in the year.

B. The Company has approved the motion for amendments to the Articles of Incorporation on June 16, 2016:

Where the Company retains income before tax after the account settlement, it shall allocate 5%~15% thereof as the remuneration to employees, and 1%~3% thereof as the remuneration to directors/supervisors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors/supervisors on a pro rata basis as referred to in the preceding paragraph.

The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.

Employees’ remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

C. The Company estimated the remuneration to employees was NT$61,660 thousand and NT$28,640 thousand, respectively, in 2016 and 2015, and the remuneration to directors/supervisors NT$14,760 thousand and NT$7,160 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).

D. The remuneration to employees and directors/supervisors 2015 resolved to be allocated at the directors' meeting on June 16, 2016 were NT $28,640 thousand dollars and NT $7,160 thousand dollars, respectively, identical with that recognized in the financial statement 2015, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2016.

E. Upon resolution by the shareholders' meeting, the Company's actual cash dividend to shareholders and remuneration to directors/supervisors in 2014 were NT$49,168 thousand and NT$11,240 thousand. The difference between the employee remuneration, NT$48,242 thousand, and remuneration to directors/supervisors, NT$12,061 thousand, as recognized in the financial statements 2014 was NT$105 thousand, resulting from the amendment to the estimated employee remuneration and remuneration to directors/supervisors after the Company took the shareholders' equity and employee benefits, and also the standards in the same trade and future operation into consideration. The difference was held as a change in the accounting estimation and adjusted as income 2015.

F. The information about remuneration to employees and remuneration to directors/supervisors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the “MOPS”.

(21) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	2016	2015
Purchase of property, plant and equipment	$ 406,876	$ 1,073,097
Add: Payables for equipment, beginning	127,068	141,920
Less: Payables for equipment, ending	(134,487)	(127,068)
Less: Acquisition through business combination	(66,788)	—
Cash paid in current period	$ 332,669	$ 1,087,949

B. Financing activities not affecting cash flow:

	2016	2015
Conversion of corporate bond conversion into capital stock	—	$ 690

7. Transactions with related parties

(1) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(2) Important transactions with related parties

The balance and transaction between the Company and its subsidiaries have been derecognized from the consolidated financial statements and were not disclosed accordingly. The details about transactions between the Group and other related parties are disclosed as following:

A. Operating revenue

The Group's sales values to related parties are stated as follows:

Type	2016	2015
Sale of products:		
-Affiliates	$ 58,019	$ 45,436
-The Company's director	356,503	559,295
Sale of labor services:		
-The Company's director	97,524	64,778
Total	$ 512,046	$ 669,509

The price of the Group's sale to related parties was not significantly different from the Group's general selling price.

B. Purchase

The Group's purchase values to related parties are stated as follows:

Type	2016	2015
Affiliates	$ 666	$ 31,034
The Company's director	75,460	62,211
Total	$ 76,126	$ 93,245

The price of the Group's purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Receivable accounts-related parties

The Group's receivable accounts-related parties are stated as following:

Title	Type	December 31, 2016	December 31, 2015
Receivable accounts	Affiliates	$ 14,670	$ 18,633
Receivable accounts	The Company's director	22,390	63,825
subtotal		37,060	82,458
Less: Allowance for bad debt		(447)	(520)
Total		$ 36,613	$ 81,938

D. Payable accounts-related parties

The Group's payable accounts-related parties are stated as following:

Title	Type	December 31, 2016	December 31, 2015
Accounts payable	Affiliates	$ 11	$ 82
Accounts payable	The Company's director	81	2,910
Other payable accounts	The Company's director	342	6,667
Total		$ 434	$ 9,659

E. Exchange of property

(a) Acquisition of property, plant, and equipment

Type	Nature	2016	2015
The Company's director	Machine & equipment	$ 224	$ 203
Affiliates	Other equipments	-	130

Total	$ 224	$ 333

(b) Disposition of property, plant, and equipment: N/A.

F. Financing from related party (stated as other payable accounts-related party)

The Group's loans from related parties are stated as follows:

2016: N/A

2015: N/A

G. Purchase of labor services from related parties

The Group's expenditure in labor services to related parties are stated as follows:

Type	2016	2015
Promotion-expenditure in commission:		
-Affiliates	$ 2,770	$ 3,482
-The Company's director	3,978	1,981
Promotion-expenditure in royalty:		
-The Company's director	-	42,776
Total	$ 6,748	$ 48,239

For the calculation of the royalty to related parties, please see Note 9(2).

H. Others

(a) Payment on behalf of others (stated as other current assets)

Related parties	December 31,2016	December 31,2015
The Company's director	$ 22	$ 583

Payment of goods on behalf of others for triangle trade

(b) Sales revenue received in advance

Type	December 31, 2016	December 31, 2015
Affiliates	$ 2,413	$ 23
The Company's director	611	688
Total	$ 3,024	$ 711

(c) Receipts under custody (stated as other current liabilities)

Related parties	December 31, 2016	December 31, 2015
The Company's director	$ 7,726	$ 5,800

Payment of goods and general receipt under custody for triangle trade.

(d) Manufacturing expenses (stated as operating cost)

Type	Nature	2016	2015
Affiliates	Processing expenses	$ 2,795	$ 5,380
Affiliates	Other expenses	$ -	$ 665
The Company's director	Other expenses	$ 4	$ 4

(e) Selling expenses

Type	Nature	2016	2015
The Company's director	Repair and maintenance expense	$ -	$ 4
The Company's director	Other expenses	$ 964	$ 1,440
Affiliates	Other expenses	$ 1,794	$ -
Affiliates	Stationary	$ -	$ 1

(f) Management expenses

Type	Nature	2016	2015
Affiliates	Other expenses	$ -	$ 232
Affiliates	Management consulting fees	$ -	$ 685

(g) Research and development expense

Type	Nature	2016	2015
Affiliates	Stationary	$ -	$ 4
Affiliates	Other expenses	$ -	$ 1,089
Affiliates	Miscellaneous purchases	$ -	$ 535
Affiliates	Consumable raw materials and supplies	$ -	$ 220

(h) Lease

Type	2016	2015
Affiliates	$ 450	$ 1,314

The main contents of lease contract:

Objective	Lease period	Collection Term
Wenshan Rd., Xinpu Township, Hsinchu County	2014.11.01-2017.10.31	$ 1,359 thousand dollars per month（excluded VAT）from 2014. Since January 1, 2015, NT $ 296 thousand per month（excluded VAT）； Since February 1, 2015, NT $ 185 thousand per month (excluded VAT)；

Since March 1, 2015, NT $ 162 thousand per(excluded VAT)；

Since April 1, 2015, NT $ 105 thousand per(excluded VAT)；

Since June 1, 2015, NT $ 67 thousand per(excluded VAT)；

Since July 1, 2015, NT $ 61 thousand per(excluded VAT)；

Since January 1, 2016, NT $ 58 thousand per(excluded VAT)；

Since April 1, 2016, NT $ 51 thousand per(excluded VAT)；

To count for actual parking space per month.

(i) Other revenue

Type	2016	2015
The Company's director	$ 272	$ 6,504
Affiliates	$ 812	$ 1,476

(3) <u>Information about remuneration to the management</u>

Information about remuneration to the Group's management is stated as follows:

	2016	2015
Salary and other short-term employee benefits	$ 10,540	$ 13,857
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Total	$ 10,540	$ 13,857

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

8. Pledged assets

The following assets have been provided to the Group as the collaterals for bank loans, import business tax and sale commitment. The book value thereof is stated as follows:

	December 31, 2016	December 31, 2015
Land	$ 699,538	$ 699,538
Building	910,837	937,299
Pledged time deposit (stated as other current assets)	9,312	8,968
Total	$ 1,619,687	$ 1,645,805

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: N/A.

(2) Commitment:

A. In order to upgrade the product quality and local content rate, the Group entered into the cooperative contract with the following companies. The main contents of the contract are stated as follows:

Cooperative company	Payment method	Product by technical cooperation
the Company's director-MICRONICS JAPAN CO., LTD.	The technical remuneration equivalent to 3% of the total sales value of all probe cards manufactured and sold by the Company shall be payable once per quarter. (Terminated on November 30, 2015)	Provide the technology and intelligence for improvement on precision of the position of pins applied to IC wafer inspection.

B. Balance of unused letter of credit issued by the Group, guarantee money paid and service charges: N/A.

C. The Group's significant long-term rent:

(a) The Group rented the land lots in Tainan Science Park from Southern Taiwan Science Park Administration for construction of Luchu 1st Plant and 2nd Plant. The lease commenced from February 15, 2005 and October 1, 2006 respectively. According to the lease contract, the lease of the land shall persist for no more than 20 years, and the lease shall expire on December 31, 2024. Upon expiration of the lease, both parties may enter into a new contract; otherwise, the contract shall terminate naturally and the Group is prohibited from claiming the continuance of lease or irregular lease with any excuse. In the case of land price re-set by the government pursuant to laws, the rent shall be adjusted and collected based on the re-set land price.

(b) The Company rented the land at Taiho Section, Zhubei City, Hsinchu Country from a non-related party for parking lots. The lease shall be effective from May 15, 2012 to May 14, 2017, for a total of 5 years. The Company shall surrender the land to the lessor upon expiration of termination of the lease contract.

(c) The Group rented the land and the construction at Zhonghe Street, Zhubei City, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on August 31, 2018. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

(d) The Group rented the land and the construction at Guangfu Rd, Hukou Township, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on September 30, 2021. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

(e) The Group rented the land and the construction at Wujin Hi-Tech Industrial Zone from a non-related party for parking lots. The lease shall expire on December 15, 2019. Upon expiration of the lease, both parties may enter into a new contract; otherwise, the contract shall terminate naturally and the Group is prohibited from claiming the continuance of lease or irregular lease with any excuse.

The income expenses for said two lots of long-term operating leased land were stated as NT$10,842 and NT$9,555 thousand in 2016 and 2015 The future payable rent for important long-term operating lease is stated as follows:

	December 31, 2016
Less than one year	$ 15,752
One year to five years	43,685
More than five years	11,653
Total	$ 71,090

D. The outstanding amount under the purchase orders signed for the Group's purchase of equipment is stated as following:

	December 31, 2016	December 31, 2015
Purchase of property, plant and equipment	$ 196,205	$ 73,940

10. **Significant disaster loss: N/A.**

11. **Significant subsequent events: N/A.**

12. **Others**

(1) Fair value of financial instruments

A. Financial instruments not at fair value

The carrying amounts of the Group' (including cash and cash equivalents, accounts receivable, other receivables, Pledged time deposit ,short-term loans, notes payable, accounts payable and other payables are approximate to their fair values.

Noncurrent financial instrument (including refundable deposit, deposits received, long-term loans, term accounts payable)，The effect of discounting is minor, thus, the book value are approximate their the fair values. Fair value recognized in the consolidated balance sheet:

B. Fair value measurements recognized in the consolidated balance sheets

The Group applied the input which was observable in the market as possible as it could when measuring its assets and liabilities. The level of fair value is concluded as following based on the input used by the valuation technology:

1st level: Open quotation of the same assets or liabilities in an active market on the date when the assets or liabilities may be acquired (before adjustment). The active market means the market in which there are frequent and large volumes of transactions to provide the information about pricing on an ongoing basis.

2nd level: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

3rd level: Inputs for the asset or liability that are not based on.

	1st level	2nd level	3rd level	Total
December 31, 2016				
Financial assets				
Financial Assets held for trading - current	–	$ 60	–	$ 60
Convertible corporate bond				
Financial liabilities	–	–	–	–
December 31, 2015				
Financial assets	–	–	–	–
Financial liabilities				
Financial liabilities held for trading - current	–	$ 1,682	–	$ 1,682
Convertible corporate bond				

(a) The methods and hypotheses used by the Group to measure fair value are stated as following:

With respect to more complicate financial instruments; the Group applied the evaluation models consisting of the evaluation methods and technologies extensively employed in the same trade to measure the fair value. Such evaluation model is used to applying to the debt instruments or securitization products, including financial derivatives and embedded derivatives.

(b) There was no transfer between Level 1 and Level 2 for the measurement of fair value from January 1 to December 31, 2016 and 2015.

(c) Among the total gains (losses) stated into the income, the gains (losses) related to the financial derivatives were NT$1,742 thousand and NT$2,285 thousand until December 31, 2016 and 2015.

(2) Financial risk management

A. Purpose

(a) The Group's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.

(b) The Group has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Group shall strictly comply with the requirements related to financial risk management defined by the Company.

B. Nature and degree of important financial risk

(a) Market risk

The Group's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Group's foreign exchange risk arises primarily from the operating activities (revenue or expense denominated in the currency different from the Group's functional currency) and net investment in foreign operations.

The Group's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Group did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Group's income and equity. The Group's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen and Euro.

The Group's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or Won). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

December 31, 2016

Currency unit	Amount in foreign	Applicable foreign	Book value (NTD)

		currency (thousand dollars)	exchange rate, ending (Dollar)	(thousand dollars)
Financial assets	NTD/USD	$ 9,688	31.423	$ 304,442
	NTD/JPY	$ 5,834	0.2727	$ 1,591
	NTD/EUR	$ 157	33.775	$ 5,293
	NTD/RMB	$ 31,310	4.618	$ 144,576
	NTD/KRW	$ 327	0.02701	$ 9
	NTD/HKD	$ 4	4.1055	$ 16
	NTD/MYR	$ 11	6.905	$ 70
	NTD/THB	$ 5	0.868	$ 4
Financial liabilities	NTD/USD	$ 3,581	31.815	$ 113,941
	NTD/JPY	$ 16,934	0.273	$ 4,618
	NTD/EUR	$ 344	33.775	$ 11,619
	NTD/SGD	$ 10	22.17	$ 211
	NTD/GBP	$ 1	39.495	$ 52
	NTD/RMB	$ 96	4.618	$ 443

	December 31, 2015			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 9,688	32.819	$ 317,988
	NTD/JPY	$ 5,675	0.2727	$ 1,548
	NTD/EUR	$ 671	35.882	$ 24,094
	NTD/RMB	$ 43,589	4.995	$ 217,736
	NTD/KRW	$ 671	0.028105	$ 17
	NTD/HKD	$ 4	4.181	$ 16
	NTD/SGD	$ 6	23.248	$ 132
	NTD/MYR	$ 7	7.3425	$ 52
Financial liabilities	NTD/USD	$ 3,018	32.665	$ 98,597
	NTD/JPY	$ 65,757	0.274	$ 18,034
	NTD/EUR	$ 175	34.037	$ 6,305
	NTD/SGD	$ 17	23.248	$ 389
	NTD/KRW	$ 270	0.028105	$ 8
	NTD/RMB	$ 27	4.99525	$ 136

In consideration of the Group's multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) was (NT$13,344) thousand and NT$17,149 thousand in 2016 and 2015.

Ⓑ Interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Group's interest rate risk arises primarily from the loan with floating interest rate.

The Group maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

Ⓒ Pricing risk

Due to the fact that in the investment held by the Group indicated in the individual balance sheet, the Group did not hold the financial assets including equity instruments. Therefore, the Group did not suffer significant pricing risk.

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Group did not sign any product contract which did not apply net settlement.

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2016 and 2015 is stated as following:

December 31, 2016

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-10,770 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 1,585 thousand

December 31, 2015

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-13,226 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 2,023 thousand

(b) Credit risk

Ⓐ Credit risk represents the financial loss that would be incurred by the Group if its customers or financial instrument trading counterparts fail to perform the contracts.

Ⓑ According to the loan policy expressly defined internally in the Group, each business dept. within the Group shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Group also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.

Ⓒ For the year ended December 31, 2016 and 2015, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.

Ⓓ The Group grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of bad debt provided for the Group's impairment on receivable accounts and account age analysis on loans, please see Note 6(3).

Ⓔ The Group's Finance Dept. manages the credit risk over the deposits in banks and other financial instruments according to the Group's policy. The Group's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.

Ⓕ Guarantee

According to the Group's policy, the Group may only make financial guarantee for the subsidiaries wholly owned by the Group. Before December 31, 2016 and 2015, the Group has never made any endorsements/guarantees.

(3) Liquidity risk

Ⓐ The liquidity risk arises when the Group fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Group managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Group's goodwill.

Ⓑ The Group's will call the management meeting periodically to assist Financial Accounting Dept. control the need for cash flow and the optimal investment return in cash. Generally, the Group will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Group's loan totaled NT$1,450,000 thousand on December 31, 2016.

Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Group did not hold derivative financial liabilities.

	December 31, 2016			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 384,052	$ -	$ -	$ 384,052
Payable accounts (including related party)	425,865	-	-	425,865
Other payable accounts (including related party)	775,183	-	-	775,183
Long-term loan (including the current portion)	9,328	9,328	231,312	249,968
Corporate bond payable	590,647	-	-	590,647
Rent payable	16,697	16,697	33,394	66,788
Total	$2,201,772	$ 26,025	$ 264,706	$2,492,503

	December 31, 2015			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 554,217	$ -	$ -	$ 554,217
Payable accounts (including related party)	397,230	-	-	397,230
Other payable accounts (including related party)	612,845	-	-	612,845
Long-term loan (including the current portion)	9,328	9,328	240,740	259,396
Corporate bond payable	579,433	-	-	579,433

Total	$ 2,153,053	$ 9,328	$ 240,740	$2,403,121

(3) Capital risk management

The Group's capital management objective is intended to protect the Group's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Group manages and adjusts the capital structure subject to the economic condition. The Group might adjust the stock dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Group controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Group maintained the same strategy in 2016 as that in 2015, dedicated to maintaining the debt/equity ratio less than 70%~120%. The Company's debt ratios on December 31, 2016 and 2015 are stated as follows:

	December 31, 2016	December 31, 2015
Total liabilities	$ 3,305,212	$ 3,003,043
Total net worth	3,959,782	3,648,428
Debt/equity ratio	83%	82%

13. Disclosures of Notes

(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall also disclose the information about important transactions:

No.	Contents	January~ December 2016
1	Loans to others	Attached table 1
2	Endorsement/guarantees made for others	N/A
3	Marketable securities-ending	N/A
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 2
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	N/A
9	Transactions of derivative instruments.	N/A

10	Business relationship and important transactions between parent company and subsidiaries.	Attached table 3

Attached table 1: Loans to others

No. (Note 1)	Lender	Borrower	Account titles	Related party	Maximum balance in current period (Note 2)	Balance, ending	Drawdown (Note 3)	Interest rate range	Nature of loans to others	Amount of transaction	Reasons necessary for offering short-term loans	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 5)	Limit of total loans (Note 5)
													Name	Value		
0	The Company	MEGTAS CO.,LTD.	Other receivable accounts-related party	Yes	$7,980	$7,980	—	5.35%	Short-term loans	—	Working capital	—	—	—	$372,570	$1,490,282

Note 1:“0" for the Company and each investee are numbered in sequential order starting from 1.

Note 2:The maximum balance of the loan to others accumulated in the current year until the reporting month.

Note 3: The facility of the loan to others still effective until the reporting month

Note 4: The Company's board of directors resolved on March 24, 2015 to loan the fund to its subsidiary, MEGTAS CO., LTD., in the amount of NT$7,980 thousand. The Contract term is from July 23, 2015 to July 22, 2016.

The subsidiary, MEGTAS CO., LTD., has repaid NT$3,096 thousand of the loan on March 23, 2016.

Note 5: According to the Company's Operating Procedure for Loaning to Others, the limit of loan shall be set in the following manners:

(a) The limit of total loans tp ptjers shall be no more than 40% of the net worth in the Company's latest financial statement: NT$ 3,725,704 thousand (the Company's net worth on December 31, 2014) X 40% ＝ NT$ 1,490,282 thousand.

(b) The limit of loan to any single subsidiary shall be no more than 10% of the net worth in the Company's latest financial statement: NT$ 3,725,704 thousand (the Company's net worth on December 31, 2014) X 10% ＝ NT$ 372,570 thousand.

Attached table 2: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital

Purchaser/seller	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Duration of loan	Unit price	Duration of loan	Balance	Percentage in total accounts/ notes receivable (payable)	

The Company	MJC Electronics Corporation	Subsidiary of the Company's director, MJC	Sale	$ 346,186	7 %	same as that applicable to the general customer	—	—	Receivable accounts $ 22,390	3 %	

Attached table 3： Business relationship and important transactions between parent company and subsidiaries

a. 2016

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sale revenue	$ 24,975	Note 4	1%
				Receivable accounts	$ 9,116	Note 6	—
				Other receivable accounts	$ 4,863	Note 8	—
				Rent revenue	$ 3,859	Note 7	—
				Administrative and general expenses – other expenses, less	$ 38	Note 7	—
				Other gains (losses)	$ 305	Note 4	—
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$ 32,705	Note 4	1%
				Receivable accounts	$ 13,427	Note 6	—
				Advance sale receipts	$ 3,360	Note 4	—
				Other gains (losses)	$ 763	Note 4	
0	MPI Corporation	MEGTAS CO.,LTD.	1	Interest revenue	$ 40	Note 9	—
0	MPI Corporation	Lumitek (Changchou)	1	Sale revenue	$ 22,307	Note 4	—

		Co. Ltd.		Receivable accounts Other gains (losses) Other receivable accounts	$ 125,963 $ 29,635 $ 23,389	Note 6 Note 4 Note8	2% 1% —
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue Receivable accounts Other receivable accounts Revenue from commission Receivable commission	$ 11,152 $ 6,718 $ 475 $ 58,894 $ 61,910	Note 4 Note 6 Note 8 Note 5 Note 6	— — — 1% 1%
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts	$ 15,989 $ 8,468	Note 4 Note 6	— —
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	$ 1,287	Note 5	—
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue Receivable accounts	$ 355 $ 225	Note 4 Note 6	—
2	MPI TRADING CORP.	MPI Corporation	2	Sale revenue	$ 468	Note 4	—
3	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Sale revenue Revenue from commission Receivable accounts	$ 335 $ 21,627 $ 16,357	Note 4 Note 5 Note 6	— 1% —
3	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue Receivable accounts	$ 1,772 $ 118	Note 4 Note 6	— —
4	MEGTAS CO.,LTD.	MPI Corporation	2	Sale revenue	$ 49	Note 4	—

4	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue Receivable accounts	$ 10,431 $ 1,193	Note 4 Note 6	— —
4	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue Receivable accounts	$ 2,141 $ 392	Note 4 Note 6	— —
5	Lumitek (Changchou) Co. Ltd.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue - maintenance Receivable accounts	$ 445 $ 314	Note 4 Note 6	— —

b. 2015

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sale revenue Receivable accounts Other receivable accounts Rent revenue Administrative and general expenses – other expenses, less Other gains (losses)	$ 18,610 $ 3,785 $ 1,000 $ 3,870 $ 37 $ 349	Note 4 Note 6 Note 8 Note 7 Note 7 Note 4	— — — — — —
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts	$ 38,132 $ 28,075	Note 4 Note 6	1% —
0	MPI Corporation	LEDA-ONE (Shenzhen) Co.	1	Sale revenue	$ 4,686	Note 4	—

0	MPI Corporation	MEGTAS CO.,LTD.	1	Other receivable accounts	$ 3,172	Note 9	—
				Interest revenue	$ 174	Note 9	—
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sale revenue	$ 291,173	Note 4	7%
				Receivable accounts	$ 215,435	Note 6	3%
				Other gains (losses)	$ 18,239	Note 4	—
				Other receivable accounts	$ 17,327	Note 8	—
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue	$ 3,521	Note 4	—
				Receivable accounts	$ 1,689	Note 6	—
				Other receivable accounts	$ 675	Note 8	—
				Revenue from commission	$ 56,878	Note 5	1%
				Receivable commission	$ 36,876	Note 6	1%
				Advance sale receipts	$ 165	Note 4	—
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$ 12,505	Note 4	—
				Receivable accounts	$ 6,568	Note 6	—
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	$ 1,243	Note 5	—
1	Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	1	Other receivable accounts	$ 25	Note 8	—
2	MPI TRADING CORP.	MPI Corporation	2	Sale revenue	$ 547	Note 4	—
3	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Sale revenue	$ 303	Note 4	—
				Revenue from commission	$ 30,687	Note 5	1%
				Receivable accounts	$ 18,238	Note 6	—

3	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	LEDA-ONE (Shenzhen) Co.	3	Sale revenue	$ 363	Note 4	—
3	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue Receivable accounts	$ 8,593 $ 8,826	Note 4 Note 6	— —
4	MEGTAS CO.,LTD.	MPI Corporation	2	Sale revenue	$ 938	Note 4	—
4	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue Receivable accounts	$ 2,475 $ 112	Note 4 Note 6	— —
4	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue Receivable accounts	$ 3,758 $ 973	Note 4 Note 6	— —
5	Lumitek (Changchou) Co. Ltd.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue - maintenance Receivable accounts	$ 889 $ 192	Note 4 Note 6	— —
6	LEDA-ONE (Shenzhen) Co.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	$ 1,583	Note 4	—

Note 1: Transactions between parent company and its subsidiaries are numbered as follows:

(1) "0" for parent company.

(2) Each subsidiary is numbered in sequential order starting from 1.

Note 2: Related-party transactions are divided into the three categories as follows (If it refers to the same transaction between parent company and subsidiary or subsidiary and subsidiary, the transaction is not required to be disclosed repeatedly. For example, if the parent company has disclosed any transaction between it and its subsidiary, the subsidiary is not required to disclose the same transaction again. If either of the subsidiaries which trade with each other has disclosed the transaction, the other subsidiary is not required to disclose the same transaction again.)

(1) Parent company to subsidiary.

(2) Subsidiary to parent company.

(3) Subsidiary to subsidiary.

Note 3: For assets and liabilities, the proportion to the consolidated total income or total assets is shown as the Ratio of Shareholding to the consolidated total assets for the years ended on Dec. 31. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the years ended on Dec 31.

Note 4: Processed under the general trading conditions and price.
Note 5: Based on the price agreed by both parties.
Note 6: O/A 30~180 days, same as that applicable to the general customers or suppliers.
Note 7: Based on the rent agreed by both parties.
Note 8: Out-of-pocket expenses of the general expenditure.
Note 9: Financing.

(2) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Group may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) in 2016 is stated as following:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 58,433	$ 5,827	$ 5,827	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 635,844	$ 603,864	19,390,045	100%	$ 589,749	$ 6,447	$ 6,810	Subsidiary of MPI Corporation (Note 4)
MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	$ 39,906	$ 39,906	300,000	60%	$ 19,074	$ (6,104)	$ (3,420)	Subsidiary of MPI Corporation

MPI Corporation	Chain-Logic International Corp.	3F, No. 153, Zhonghe Street, Zhubei City, Hsinchu County	Professional agent of semi-conductor	$ 50,000	$ 50,000	5,000,000	100%	$ 234,742	$ 13,528	$ 14,269	Subsidiary of MPI Corporation
MPI Corporation	Chia Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	－(Note5)	$ 33,500	－	－	－	$ 4,332	$ 4,332	Subsidiary of MPI Corporation
MPI Corporation	Yi Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	－(Note5)	$ 33,500	－	－	－	$ 4,332	$ 4,332	Subsidiary of MPI Corporation
MPI Corporation	Won Tung Technology Co., Ltd.	1F, No. 100, Jiaren Street, Zhubei City, Hsinchu County	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	$ 500	$ 500	50,000	100%	$ 188	$ (116)	$ (116)	Subsidiary of MPI Corporation
MPI Corporation	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 18,551	$ 1,976	7,473,968	20.15 %	$ 3,360	$ (1,687)	$ (13,214)	MPI adopted the evaluation under equity method.
MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	$ 50,000	$ 50,000	1,550,000	100%	$ 2,496	$ (224)	$ (224)	Subsidiary of MPI Corporation (Note 5)

Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	$ 46,921	$ 46,921	1,400,100	100%	$ 73,317	$ (7,231)	—	Subsidiary of Chain-Logic International Corp.
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	—(Note5)	$ 33,300	—	—	—	$ 4,551	—	Subsidiary of Chain-Logic International Corp.
Chia Ying Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	—(Note5)	$ 18,000	—	—	—	—	—	Chia Ying Investment Co., Ltd. adopted the evaluation under equity method.
Chia Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	—(Note5)	$ 33,000	—	—	—	—	—	Chia Hsin Investment Co., Ltd. adopted the evaluation under equity method.
Yi Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	—(Note5)	$ 33,000	—	—	—	—	—	Yi Hsin Investment Co., Ltd. adopted the evaluation under equity method.

Note 1: Except MEGTAS CO., LTD., which recognized the investment income based on the financial statements audited and certified by other external auditors and Lumitek Co., LTD. that has already applied for dissolution and is under the

liquidation process (the Company has recognized the share of affiliated enterprise with the equity methods according to the invested company's non-CPA audited financial statements, and the Company's management believes that no major adjustment will be made to the said statements even after a CPA audit), the Company has recognized invested companies' shares of investment gains and losses with the equity methods according to their financial statements audited by CPA.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: In order to meet the need for business expansion, the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$7,500,000 (equivalent to NT$235,875 thousand) in February 2015, by US$600,000 (equivalent to NT$19,140 thousand) in August 2015, and by US$2,900,000 (equivalent to NT$94,975 thousand) in November 2015 and by US$1,000,000 (equivalent to NT$31,980 thousand) in December 2016. So far, the Group has invested a total of US$20,390,045 in the subsidiary, MMI HOLDING CO., LTD., totaling 20,390,045 shares, at the par value of US$1 per share. The Company's shareholding was 100%.

In order to expand the market in Mainland China, the Group invested Lumitek (Changchou) Co. Ltd. via the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$7,500,000 thousand (equivalent to NT$235,875 thousand) again in February 2015, and by US$600,000 (equivalent to NT$19,140 thousand) again in August 2015, and by US$2,900,000 (equivalent to NT$94,975 thousand) in November 2015 and by US$1,000,000 (equivalent to NT$31,980 thousand) in December 2016. Until now, a total of US$16,000,000 has been invested in Lumitek (Changchou) Co. Ltd., and the subsidiary, MMI HOLDING CO., LTD., held it wholly. The investment project was approved by Investment Commission, Ministry of Economic Affairs.

Note 5: By resolution of the board of directors on May 11, 2016, the Group would sell 17.87% of LUMITED Corporation's equity shares owned by its three subsidiaries (JIA-SIN INVESTMENT CORP., YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP.) to ultimate parent company, MPI CORPORATION, which was in the event of liquidation. According to the legal interpretation of Ministry of Economic Affairs, original shareholders have the right to transfer their shares to others during company liquidation and it does not violate corporate law. The Group has migrated and integrated in MPI CORPORATION, and the Uni-President Enterprises Corporation deal with the proportional distribution of LUMITED CORPORATION of residual property claims request. It is unnecessary to keep the three subsidiaries in operation after their equity shares of LUMITED CORPORATION were all transferred. Therefore, the three subsidiaries were closed down.

(3) Information related to investments in China:

A. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 4)	Book value, ending	Accumulated investment income received until the end of period
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Primarily engaged in international trading	USD 1,400,000 ($46,917)	(Note 1)	USD 1,400,000 ($ 46,917)	–	–	USD 1,400,000 ($ 46,917)	$ (7,235)	100 %	$(7,235)	$67,812	$15,852
Mjc Microelectronics (Shanghai) Co., Ltd.	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	–	–	USD 600,000 ($ 20,813)	$ 1,689	40 %	$ 676	$30,155	$40,273
M	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	–	–	–	–	$ 2,050	40 %	$ 820	$2,359	–
L	Production of new electronic components, LED prober, LED sorting machine, and LED spectrometer, and development of new electronic	USD 1,800,000 ($54,111)	(Note 2)	USD 1,800,000 ($ 54,111)	–	–	USD 1,800,000 ($ 54,111)	$ (12,847)	100 %	$(12,847)	$ 5,145	–

	components											
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,960,000 ($ 57,423)	－	－	USD 1,960,000 ($ 57,423)	$ 9,162	40 %	$ 3,665	$62,982	－
L	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; procurement, wholesale, commissioned agency and import/export of electronic materials, electronic	USD 15,000,000 ($502,470)	(Note 2)	USD 15,000,000 ($ 470,490)	USD 1,000,000 ($ 31,980)		USD 16,000,000 ($ 502,470)	$ 13,094	100 %	$ 13,094	$ 475,824	－

	components, electronic products, LED process equipment, mechanical equipment and spare parts.											

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP.

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 3: Reinvest the company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd.

Note 4: The investment income was recognized based on the financial statements audited by the parent company's external auditors.

Note 5: The motion for liquidation of LEDA-ONE (Shenzhen) Co. submitted by the Company and approved by the directors' meeting on September 5, 2014 was still pending liquidation on the reporting date.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 21,760,000 (NTD 681,734)	USD 21,760,000 (NTD 681,734)	NTD 2,375,869

Note: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

C. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, in 2016 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries”.

14. Information by department

(1) General information

The Group primarily engages in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.

(2) To report the information about department income, assets and liabilities, and basis of measurement and reconciliation

The department income, department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(3) By product and labor service:

The Group engages in a single industry. Its revenue from customers is primarily generated from the sale of semi-conductor production process and testing equipment.

(4) By territory

The Group's information by territory is stated as following. The revenue is classified based on the customers' geographical locations, while the non-current assets are classified based on the geographical locations of the assets.

	2016		**2015**	
By territory	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Taiwan	$ 2,309,807	$3,038,366	$ 1,975,233	$ 2,886,762
China	974,673	393,717	846,519	434,233
U.S.A.	775,843	—	591,759	—
Malaysia	393,928	—	188,802	
Korea	29,366	8,515	57,464	13,171
Other countries	478,138	—	353,393	—
Total	$ 4,961,755	$ 3,440,598	$ 4,013,170	$ 3,334,166

(Note) The non-current assets include property, plant and equipment, investment property, intangible assets and other assets, exclusive of financial instruments, deferred income tax assets, assets of retirement/termination benefits and non-current assets generated from insurance contract.

(5) Information about major customers

Information about the Group's revenue from the transaction with single customer accounting for 10% of the operating revenue, net:

Customer	**2016**
Customer S	$ 574,946

Customer	**2015**
Customer A	$ 590,439
Customer M	$ 502,401

MPI Corporation

Chairman: Ko, Chang-Lin