

Stock Code: 6223

MPI CORPORATION and Subsidiaries
Consolidated Financial Statements
Years Ended September 30, 2017 and 2016 and
Independent Accountants' Review Report

MPI CORPORATION and Subsidiaries

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NEXIA SUN RISE CPAs & COMPANY

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Certified Public Accountants



REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

To the Board of Directors and Stockholders of MPI Corporation

We have reviewed the accompanying consolidated balance sheets of MPI Corporation and its subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three-month and nine-month periods ended September 30, 2017 and 2016, and the consolidated statements of changes in equity and of cash flows for the nine-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3) and 6(5), the financial statements of certain non-significant subsidiaries and investments accounted for under the equity method were consolidated and measured based on their unreviewed financial statements as of and for the nine-month periods ended September 30, 2017 and 2016. Total assets of these subsidiaries and investments amounted to NT\$569,918 thousand and NT\$434,010 thousand, representing 7% and 6% of the related consolidated totals, and total liabilities amounted to NT\$109,598 thousand and NT\$106,015 thousand, representing 3% and 3% of the related consolidated totals, as of September 30, 2017 and 2016, respectively. Total comprehensive income of these subsidiaries including share of profit of associates NT\$13,194 thousand and NT (\$8,479) thousand, constituting 8% and (2%) of the consolidated

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totals for the nine-month periods then ended respectively. As described in Note 6(5), it related to the investments accounted for under the equity method balances of NT\$98,914 thousand and NT\$97,232 thousand as of September 30, 2017 and 2016, respectively, the related shares of investment income from the associates amounted to NT\$7,989 thousand and NT\$3,861 thousand. And the related share of other comprehensive income of subsidiaries amounted to NT\$0 thousand. And these investment amounts as well as additional disclosures in Note 13 “Information on Investees” were based on the investees’ unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except for the effect of such adjustments, if any, that might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent auditors as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

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Sun Rise CPAs & Company

Sun Rise CPAs & Company

Taipei, Taiwan, Republic of China

November 8, 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.

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MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (ASSETS)

September 30, 2017, December 31, 2016 AND September 30, 2016

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

(UNAUDITED)

ASSETS	Note	September 30, 2017		December 31, 2016		September 30, 2016	
		Amounts	%	Amounts	%	Amounts	%
CURRENT ASSETS							
Cash and cash equivalents	6(1)	\$ 871,799	11	\$ 749,227	10	\$ 766,525	8
Current financial assets at fair value through profit or loss	6(12)	-	-	60	-	180	-
Notes receivable, net	6(2)	14,259	-	18,001	-	11,775	-
Accounts receivable, net	6(3)	773,231	10	774,020	11	946,168	13
Accounts receivable -related parties, net	6(3).7	3,221	-	36,613	1	51,596	1
Other receivables		17,716	-	14,944	-	8,670	1
Other receivables -related parties, net	7	-	-	-	-	-	-
Income tax receivable		-	-	1,736	-	784	-
Inventories, net	6(4)	2,438,341	32	1,954,686	27	1,900,538	27
Prepayments		76,671	1	101,670	1	133,393	2
Other current assets	8	15,296	-	11,596	-	17,846	-
Total Current Assets		4,210,534	54	3,662,553	50	3,837,475	52
NONCURRENT ASSETS							
Investments accounted for using equity method	6(5)	98,914	1	96,221	1	97,232	2
Property, plant and equipment	6(6).7.8	3,127,512	40	2,971,021	41	2,924,945	40
Intangible assets	6(7)	31,013	1	35,923	1	77,178	1
Deferred income tax assets		73,235	1	65,622	1	61,344	1
Other noncurrent assets	6(8)	247,369	3	433,654	6	324,477	4
Total Noncurrent Assets		3,578,043	46	3,602,441	50	3,485,176	48
TOTAL ASSETS		\$ 7,788,577	100	\$ 7,264,994	100	\$ 7,322,651	100

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

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

September 30, 2017, December 31, 2016 AND September 30, 2016

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

(UNAUDITED)

LIABILITIES AND EQUITY	Note	September 30, 2017		December 31, 2016		September 30, 2016	
		Amounts	%	Amounts	%	Amounts	%
CURRENT LIABILITIES							
Short-term loans	6(9)	\$ 1,070,000	14	\$ 384,052	5	\$ 704,301	10
Accounts payable		528,977	7	425,773	6	440,722	6
Accounts payable-related parties	7	3,748	-	92	-	1,043	-
Payables on equipment		56,389	1	134,487	2	40,405	1
Other payables	6(10)	564,341	7	640,354	9	436,936	6
Other payables-related parties	7	2,162	-	342	-	899	-
Income tax payable		16,820	-	46,762	1	31,482	-
Provisions	6(11)	3,183	-	2,595	-	2,846	-
Sales revenue received in advance	7	759,003	10	696,866	10	861,434	12
Corporate bonds payable – current portion	6(12)	572,566	7	590,647	8	587,823	8
Current portion of long-term liabilities	6(13)	9,328	-	9,328	-	9,328	-
Lease obligations payable – current	6(6)	16,169	-	16,697	-	16,969	-
Other current liabilities		39,052	1	26,026	-	32,024	-
Total Current Liabilities		3,641,738	47	2,974,021	41	3,166,212	43
NONCURRENT LIABILITIES							
Long-term loans	6(13)	233,645	3	240,640	3	242,972	3
Deferred income tax liabilities		20,411	-	11,292	-	12,659	-
Lease obligations payable – noncurrent	6(6)	36,380	1	50,091	1	55,149	1
Accrued pension cost	6(14)	30,142	-	29,071	1	27,033	1
Other noncurrent liabilities		97	-	97	-	1,256	-
Total Other Liabilities		320,675	4	331,191	5	339,069	5
TOTAL LIABILITIES		3,962,413	51	3,305,212	46	3,505,281	48
EQUITY							
6(15)							
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT							
Capital common stock		799,014	10	796,054	11	796,054	11
Capital surplus		909,204	12	885,735	12	885,735	12
Retained earnings							
Appropriated as legal capital reserve		548,516	7	492,188	7	492,188	7
Special capital reserve		30,177	-	-	-	-	-
Unappropriated earnings		1,568,460	21	1,803,156	24	1,650,588	22
Total Retained Earnings		2,147,153	28	2,295,344	31	2,142,776	29
Other							
Foreign currency translation adjustments		(45,298)	(1)	(30,177)	-	(19,799)	-
Total others		(45,298)	(1)	(30,177)	-	(19,799)	-
Treasury stock		-	-	-	-	-	-
Equity attributable to shareholders of the parent		3,810,073	49	3,946,956	54	3,804,766	52
NONCONTROLLING INTERESTS		16,091	-	12,826	-	12,604	-
TOTAL EQUITY		3,826,164	49	3,959,782	54	3,817,370	52
TOTAL LIABILITIES AND EQUITY		\$ 7,788,577	100	\$ 7,264,994	100	\$ 7,322,651	100

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

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to September 30, 2017 and 2016

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

(UNAUDITED)

Items	July 1-September 30, 2017		July 1-September 30, 2016		January 1-September 30, 2017		January 1-September 30, 2016	
	Amounts	%	Amounts	%	Amounts	%	Amounts	%
OPERATING REVENUE, NET		7						
Sales revenue	\$ 958,221	91	\$ 1,325,358	92	\$ 3,002,237	91	\$ 3,302,029	91
Less: sales returns	(121)	-	(505)	-	(7,668)	-	(614)	-
sales discounts and allowances	(599)	-	(34)	-	(1,112)	-	(34)	-
Commission revenue	2,366	1	25,994	2	26,973	1	74,491	2
Processing Fees revenue	97,899	8	85,816	6	272,905	8	261,309	7
Operating Revenue, net	1,057,757	100	1,436,629	100	3,293,335	100	3,637,181	100
OPERATING COSTS	(668,524)	(63)	(804,536)	(56)	(1,976,647)	(60)	(1,998,477)	(55)
GROSS PROFIT	389,233	37	632,093	44	1,316,688	40	1,638,704	45
Realized (Unrealized) Gross profit on sales to subsidiaries and associates	9	-	10	-	30	-	167	-
GROSS PROFIT, NET	389,242	37	632,103	44	1,316,718	40	1,638,871	45
OPERATING EXPENSES		7						
Selling expenses	(121,617)	(12)	(121,566)	(9)	(349,330)	(11)	(308,706)	(8)
General & administrative expenses	(76,693)	(7)	(73,819)	(5)	(212,081)	(6)	(226,412)	(6)
Research and development expenses	(188,865)	(18)	(197,480)	(14)	(535,089)	(16)	(624,891)	(18)
Operating expense, net	(387,175)	(37)	(392,865)	(28)	(1,096,500)	(33)	(1,160,009)	(32)
OPERATING INCOME	2,067	-	239,238	16	220,218	7	478,862	13
NON-OPERATING INCOME AND EXPENSES								
Other gains and losses	18,184	2	(17,805)	(1)	(2,558)	-	(19,170)	(1)
Finance costs	(4,845)	-	(5,536)	-	(14,244)	-	(16,846)	-
Share of profits of subsidiaries and associates	3,074	-	1,285	-	7,989	-	3,861	-
Interest income	553	-	331	-	1,282	-	1,293	-
Rent income	730	-	1,993	-	2,176	-	6,076	-
Gain on doubtful debt recoveries	855	-	-	-	1,311	-	-	-
Other non-operating revenue-other items	18,684	2	14,703	1	28,981	1	21,262	1
Total Non-operating Income	37,235	4	(5,029)	-	24,937	1	(3,524)	-
INCOME BEFORE INCOME TAX	39,302	4	234,209	16	245,155	8	475,338	13
INCOME TAX BENEFIT/(EXPENSE)	(10,313)	(1)	(29,534)	(2)	(55,538)	(2)	(69,807)	(2)
NET INCOME	28,989	3	204,675	14	189,617	6	405,531	11
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that may be reclassified subsequently to profit or loss								
Exchange differences arising on translation of foreign operations	8,526	1	(21,634)	(1)	(15,321)	(1)	(46,390)	(1)
Other comprehensive income for the year, net of income tax	8,526	1	(21,634)	(1)	(15,321)	(1)	(46,390)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	37,515	4	183,041	13	174,296	5	359,141	10
NET INCOME(LOSS) ATTRIBUTABLE TO :								
Shareholders of the parent	\$ 26,876	3	\$ 206,014	14	\$ 186,152	6	\$ 409,046	11
Noncontrolling interests	2,113	-	(1,339)	-	3,465	-	(3,515)	-
	\$ 28,989	3	\$ 204,675	14	\$ 189,617	6	\$ 405,531	11
TOTAL COMPREHENSIVE INCOME(LOSS)								
Shareholders of the parent	\$ 35,477	4	\$ 184,136	13	\$ 171,031	5	\$ 362,375	10
Noncontrolling interests	2,038	-	(1,095)	-	3,265	-	(3,234)	-
	\$ 37,515	4	\$ 183,041	13	\$ 174,296	5	\$ 359,141	10
EARNINGS PER COMMON SHARE(NTD)								
Basic earnings per share	\$ 0.34		\$ 2.59		\$ 2.33		\$ 5.15	
Diluted earnings per share	\$ 0.31		\$ 2.38		\$ 2.15		\$ 4.73	

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

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
From January 1 to September 30, 2017 and 2016

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

Item	Capital-		Retained Earnings			Others		Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Transition Reserve	Treasury Stock			
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)	(3,515)	(238,816)
Net Income for the six-month period ended September 30, 2016	-	-	-	-	409,046	-	-	409,046	(3,515)	405,531
Other comprehensive income for the six-month period ended September 30, 2016	-	-	-	-	-	(46,671)	-	(46,671)	281	(46,390)
Total comprehensive income	-	-	-	-	409,046	(46,671)	-	362,375	(3,234)	359,141
Issuance of stock from exercise of employee stock options	-	14,163	-	-	-	(46,671)	34,454	48,617	-	48,617
BALANCE SEPTEMBER 30, 2016	\$ 796,054	\$ 885,735	\$ 492,188	\$ -	\$ 1,650,588	\$ (19,799)	\$ -	\$ 3,804,766	\$ 12,604	\$ 3,817,370
BALANCE JANUARY 1, 2017	\$ 796,054	\$ 885,735	\$ 492,188	\$ -	\$ 1,803,156	\$ (30,177)	\$ -	\$ 3,946,956	\$ 12,826	\$ 3,959,782
Legal capital reserve	-	-	56,328	-	(56,328)	-	-	-	-	-
Special capital reserve	-	-	-	30,177	(30,177)	-	-	-	-	-
Cash Dividends of Common Stock	-	-	-	-	(334,343)	-	-	(334,343)	(1,256)	(334,343)
Capital Reserve From Stock Warrants	-	(1,256)	-	-	186,152	-	-	186,152	3,465	189,617
Net Income for the six-month period ended September 30, 2017	-	-	-	-	-	(15,121)	-	(15,121)	(200)	(15,321)
Other comprehensive income for the six-month period ended September 30, 2017	-	-	-	-	186,152	(15,121)	-	171,031	3,265	174,296
Total comprehensive income	-	-	-	-	186,152	(15,121)	-	171,031	3,265	174,296
Convertible Bonds Transferred To Common Stock	2,960	24,725	-	-	-	-	-	27,685	-	27,685
BALANCE SEPTEMBER 30, 2017	\$ 799,014	\$ 909,204	\$ 548,516	\$ 30,177	\$ 1,568,460	\$ (45,298)	\$ -	\$ 3,810,073	\$ 16,091	\$ 3,826,164

(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 September 30, 2017 and 2016
(All amounts are expressed in thousand of New Taiwan Dollars unless otherwise stated)
(UNAUDITED)

Items	Jan 1 ~ Sep 30, 2017	Jan 1 ~ Sep 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 245,155	\$ 475,338
Adjustments to reconcile net income to net		
Depreciation	303,992	268,782
Amortization	44,203	42,040
(Reversal) allowance for doubtful receivables	(1,311)	5,177
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	55	(1,862)
Interest expense	14,244	16,846
Interest revenue	(1,282)	(1,293)
Compensation cost of employee stock options	-	14,268
Loss (gain) on equity-method investments	(7,989)	(3,861)
(Gain) loss on disposal of property, plant and equipment	2,235	173
Loss (gain) on disposal of investments	(1,870)	-
Loss (gain) on disposal of equity-method investments	(15,557)	-
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(30)	(167)
Adjustments-exchange (Gain) loss on prepayments for equipment	1,727	(158)
Decrease (Increase) in notes receivable	3,742	14,793
Decrease (Increase) in accounts receivable	1,799	(180,273)
Decrease (Increase) in accounts receivable-related parties	33,768	29,201
Decrease (Increase) in other receivables	(2,679)	11,105
Decrease (Increase) in inventories	(483,656)	(264,361)
Decrease (Increase) in prepayments	24,999	(7,539)
Decrease (Increase) in other current assets	(9,474)	(6,923)
(Decrease) Increase in notes payable	-	(56)
(Decrease) Increase in accounts payable	103,203	46,540
(Decrease) Increase in accounts payable-related parties	3,657	(1,949)
(Decrease) Increase in other accounts payable	(76,306)	(42,022)
(Decrease) Increase in other accounts payable-related parties	1,820	(5,768)
(Decrease) Increase in provision of liabilities	588	1,606
(Decrease) Increase in sales revenue received in advance	62,137	369,365
(Decrease) Increase in other current liabilities	13,027	8,825
Decrease(Increase) in accrued pension cost	1,071	1,018
Cash generated from operations	261,268	788,845
Interest received	1,188	1,243
Cash dividends received	554	13,192
Interest (excluding capitalization of interest)	(5,599)	(8,608)
Cash dividends paid	(334,343)	(238,816)
Income taxes paid	(82,237)	(81,461)
Net cash Provided By Operating Activities	(159,169)	474,395

(Continue)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
From January 1 to September 30, 2017 and 2016
(All amounts are expressed in thousand of New Taiwan Dollars unless otherwise stated)
(UNAUDITED)

Items	Jan 1 ~ Sep 30, 2017	Jan 1 ~ Sep 30, 2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of equity-method investments	18,918	-
Proceeds from disposal of Subsidiary Company	1,870	-
Additions to property, plant and equipment	(562,929)	(275,693)
Proceeds from sale of property, plant and equipment	1	481
Intangible assets	(13,027)	(12,252)
Increase in other financial assets	-	(336)
Decrease in other financial assets	5,775	-
Increase in other non-current assets	-	(62,886)
Decrease in other non-current assets	159,448	-
Others	-	(123)
Net cash Provided Used In Investing Activities	(389,944)	(350,809)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	685,949	150,084
Repayments of long-term loans	(6,996)	(7,096)
Employees to repurchase of treasury stock	-	34,349
Increase (decrease) in noncontrolling interests	(200)	281
Net cash (Used In) Financing Activities	678,753	177,618
Effects of exchange rate change on cash	(7,068)	(8,472)
Net increase in cash and cash equivalents	122,572	292,732
Cash and cash equivalents at beginning of year	749,227	473,793
Cash and cash equivalents at end of year	\$ 871,799	\$ 766,525

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

MPI CORPORATION and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED September 30, 2017 AND 2016

(Expressed in Thousands of New Taiwan Dollars 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\$799,014 thousand and outstanding stock has been 79,901,388 shares until September 30, 2017. 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 November 8, 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")
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

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(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 issued by IASB but not yet included in the 2018 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 9 Financial Instruments with IFRS 4 Insurance Contracts	January 1, 2018
IFRS 9, ‘Financial instruments’	January 1, 2018
IFRS 15, ‘Revenue from contracts with customers’	January 1, 2018

Clarifications to IFRS 15, “Revenue from contract with customers”	January 1, 2018
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 above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

(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 IFRSs endorsed by the FSC are as follows:

<u>New Standards, Interpretations and Amendments</u>	<u>Effective date by International Accounting Standards Board</u>
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 16 Leases	January 1, 2019
IFRS 17 Insurance Contracts	January 1, 2021
Long-term interests in associates and joint ventures (amendments to IAS 28)	January 1, 2019
IFRIC 23 Uncertainty Over Income Tax Treatments	January 1, 2019

The above standards and interpretations have no significant impact to the Group’s financial condition and financial performance based on the Group’s assessment.

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 of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Accounting Standards 34, ‘Interim financial reporting’ endorsed by the FSC.

(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:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			September 30, 2017	December 31, 2016	September 30, 2016	
MPI	Chain-Logic International Corp.	professional equipment agent and provides technologic service for the manufacturing of high-tech industry such as LED, LCD, Semiconductor, and etc.	100%	100%	100%	Established in March 1,1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	100%	Established in December 22, 2000.
MPI	MMI HOLDING CO., LTD.(Samoa)	Investment activities	100%	100%	100%	Established in August 7, 2002. (note 3)
MPI	MEGTAS CO., LTD.(Korea)	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	60%	60%	60%	Established in September 1, 2010.
MPI	JIA-SIN INVESTMENT CORP.	Investment activities	-	-	-	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on July 15, 2016. (note 2)
MPI	YI-SIN INVESTMENT CORP.	Investment activities	-	-	-	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on July 15, 2016. (note 2)

MPI	WANG-TONG CORP.	Maintenance, purchase, sales, research and development of computers and peripheral equipment;	100%	100%	100%	Established in December 22, 2010.
MPI	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	100% (Note1)	Established in March 31, 2006. The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
MPI	MPA TRADING CORP.	Investment activities	100%	-	-	Established in April 12, 2017. (note 4)
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)	Investment activities and International trading business	100%	100%	100%	Established in November 19, 2001.
Chain-Logic International Corp.	JIA-YING INVESTMENT CORP.	Investment activities	-	-	-	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%	100%	Established in February 8, 2002.
MMI HOLDING CO., LTD.	LEDA-ONE (Shenzhen) CORPORATION	development of computers and peripheral equipment	-	100%	100%	Established in May 7, 2010. (Note 6)
MMI HOLDING CO., LTD.	Lumitek (ChangZhou) Co.,Ltd.	Selling and manufacturing of high-tech industry such as LED.	100%	100%	100%	Established in January 10, 2014. (Note 1)
MMI HOLDING CO., LTD.	MPI (Suzhou) CORPORATION	Selling and manufacturing of high-tech industry such as LED.	100%	-	-	Established in July 11, 2017. (Note 7)
MPA TRADING CORP.	MPI America Inc	Selling Probe Card and Test Equipment	100%	-	-	Established in April 11, 2017. (note 5)

(Note1) To develop the market of China, the Group through MMI HOLDING CO., LTD invested Lumitek (Chan gzhou) Co., Ltd. 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.

(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.

(Note3) The Group invested MMI HOLDING CO., LTD. resolved to reducing the capital to offset the deficit US\$172,330.42 (equivalent to NT\$5,171 thousand) by the Board of Directors meeting on May 25, 2017.

(Note4) To develop the market of The USA, the Group invested MPA TRADING CORP increased capital by US\$650,000 (equivalent to NT\$19,689 thousand) in May 2017; Increased capital by US\$450,000 (equivalent to NT\$13,686 thousand) in July 2017 and increased capital by US\$150,000 (equivalent to NT\$4,506 thousand) in September 2017. Has cut it up till now, the Investment not approved by Commission on MOEA had the investment approved document.

(Note5) To develop the market of The USA, the Group invested MPI America Inc via the Group's subsidiary, MPA TRADING CORP increased capital by US\$600,000 (equivalent to NT\$18,174 thousand) in May 2017; Increased capital by US\$450,000 (equivalent to NT\$13,686 thousand) in July 2017 and increased capital by US\$150,000 (equivalent to NT\$4,506 thousand) in September 2017. Has cut it up till now, the Investment not approved by Commission on MOEA had the investment approved document.

(Note6) The motion for liquidation of LEDA-ONE (Shenzhen) Co. submitted by the Company and approved by the directors' meeting on September 5, 2014. The Company was liquidated and Written off in May 2017 and remit the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand). The Investment been approved by Commission on MOEA had the investment approved document.

(Note7) To develop the market of China, the Group through MMI HOLDING CO., LTD invested MPI (Suzhou) CORPORATION US\$2,000,000 (NT\$60,180 thousand) holding 100% of shares. The Investment been approved by Commission on MOEA had the investment approved document.

The financial statements of the entity as of and for the THREE-month periods ended September 30, 2017 and 2016 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary except MMI HOLDING CO., LTD. and Lumitek (ChangZhou) Co.,Ltd.

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) 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 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:

<u>Item</u>	<u>Useful years</u>
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:

- (a) It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- (b) An entity intends to complete the intangible asset and use or sell it;
- (c) An entity has the ability to use or sell the intangible asset;
- (d) It can be demonstrated how the intangible asset will generate probable future economic benefits;
- (e) Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And
- (f) 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

① 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.

② 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.

③ The expenses related to the service cost in the previous period shall be recognized as income immediately.

④ 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) Business combination

- 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) EPS

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 September 30, 2017, the book value of receivable accounts has been NT\$791,711 thousand (exclusive of the allowance for bad debt, NT\$11,415 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 September 30, 2017, the book value of the Group's inventories has been NT\$2,438,341 thousand (exclusive of the allowance for inventory devaluation and

obsolescence loss, NT\$233,078 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 September 30, 2017, the deferred income tax assets recognized by the Group have been NT\$73,235 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 September 30, 2017, the reserve for liabilities recognized by the Group have been NT\$3,183 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 September 30, 2017, the book value of accrual pension liabilities of the Group amounted to NT\$30,142 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(7). As of September 30, 2017, the book value of the Group's goodwill amounted to NT\$0 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Cash:			
Cash on hand	\$ 940	\$ 3,955	\$ 2,337
Cash in banks:			
Checking deposits	10	10	10
Demand deposits	844,034	708,090	715,657
Time deposits	26,815	37,172	48,521
Total	<u>\$ 871,799</u>	<u>\$ 749,227</u>	<u>\$ 766,525</u>

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

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Notes receivable	\$ 14,259	\$ 18,001	\$ 11,775
Less: Allowance for doubtful accounts	—	—	—
Notes receivable, net	<u>\$ 14,259</u>	<u>\$ 18,001</u>	<u>\$ 11,775</u>

The Group's receivable notes were issued for business and never been provided as collateral.

(3) Accounts receivable, net

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Accounts receivable	\$ 780,462	\$ 783,479	\$ 958,143
Less: Allowance for doubtful accounts	(7,231)	(9,459)	(11,975)
Accounts receivable, net	<u>\$ 773,231</u>	<u>\$ 774,020</u>	<u>\$ 946,168</u>
	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Accounts receivable-related parties	\$ 3,293	\$ 37,060	\$ 53,257
Less: Allowance for doubtful accounts	(72)	(447)	(1,661)
Accounts receivable-related parties, net	<u>\$ 3,221</u>	<u>\$ 36,613</u>	<u>\$ 51,596</u>
	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Overdue receivable	\$ 4,112	\$ 2,951	\$ 3,170
Less: Allowance for doubtful accounts	(4,112)	(2,951)	(3,170)
Overdue receivable, net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Accounts receivable	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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)):

	<u>Group provision</u>	<u>Individual provision</u>	<u>Total</u>
At January 1, 2017	\$ 12,708	\$ 149	\$ 12,857
Provision for impairment	—	—	—
Reversal of impairment	(1,311)	—	(1,311)
Write-offs during the period	(57)	—	(57)

Unwinding of discount and premium	(74)	—	(74)
At September 30, 2017	<u>\$ 11,266</u>	<u>\$ 149</u>	<u>\$ 11,415</u>
At January 1, 2016	\$ 17,982	\$ 60	\$ 18,042
Provision for impairment	5,177	—	5,177
Reversal of impairment	—	—	—
Write-offs during the period	(6,048)	—	(6,048)
Unwinding of discount and premium	(365)	—	(365)
At September 30, 2016	<u>\$ 16,746</u>	<u>\$ 60</u>	<u>\$ 16,806</u>

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

	September 30, 2017		December 31, 2016		September 30, 2016	
	Total	impairment	Total	impairment	Total	impairment
Neither past due nor impaired	\$ 731,724	\$ -	\$ 747,358	\$ -	\$ 879,512	\$ -
1-90 days	49,639	3,474	70,117	4,908	121,286	8,505
91 to 180 days	7,518	1,128	12,465	1,870	13,925	2,089
181 to 360 days	7,466	1,867	4,685	1,171	4,737	1,185
361 to 720 days	1,667	834	3,915	1,957	3,715	1,857
Over 721 days	4,112	4,112	2,951	2,951	3,170	3,170
Total	<u>\$ 802,126</u>	<u>\$ 11,415</u>	<u>\$ 841,491</u>	<u>\$ 12,857</u>	<u>\$1,026,345</u>	<u>\$ 16,806</u>

(4) Inventories

	September 30, 2017	December 31, 2016	September 30, 2016
Raw materials	\$ 442,705	\$ 345,398	\$ 359,350
Supplies	108,803	76,234	77,353
Work-in-process	368,828	338,417	340,106
Semi-finished goods	371,467	280,973	252,178
Finished goods	1,316,100	1,067,543	1,055,797
Merchandise	63,516	55,182	52,363
Materials and supplies in transit	—	10,316	4
Less : Allowance to reduce inventory to market	(233,078)	(219,377)	(236,613)
Inventories, net	<u>\$ 2,438,341</u>	<u>\$ 1,954,686</u>	<u>\$ 1,900,538</u>

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

	Jul.1-Sep. 30, 2017	Jul.1-Sep. 30, 2016	Jan.1-Sep 30, 2017	Jan.1-Sep 30, 2016
Cost of inventories sold	\$ 660,354	\$ 777,067	\$ 1,948,620	\$ 1,959,118
Loss on market price decline inventories (gain from price recovery)	5,813	7,438	13,779	7,499
Inventory retirement loss	—	7,818	—	7,818
Other operating costs-employees' bonus	1,371	10,999	10,868	21,674
Income from sale of scrap and wastes	—	—	—	—
Estimated warranty liabilities	986	1,214	3,380	2,368
Operating Cost	<u>\$ 668,524</u>	<u>\$ 804,536</u>	<u>\$ 1,976,647</u>	<u>\$ 1,998,477</u>

B. As of September 30, 2017, December 31, 2016 and September 30, 2016, the inventory was not pledged as collateral.

(5) Investments accounted for using equity method

The Investment under equity method by the Group on the reporting date is stated as follows:

Names of Investee company	September 30, 2017	December 31, 2016	September 30, 2016
	Amounts	Amounts	Amounts
Associates :			
MJC Microelectronics Shanghai Co.,Ltd.	\$ 29,794	\$ 30,155	\$ 30,484
MJC Microelectronics Kunshan Co.,Ltd.	69,120	62,706	63,389
Lumitek Corporation	—	3,360	3,359
Total	\$ 98,914	\$ 96,221	\$ 97,232

A. Changes in investment under equity method:

	Jan.1~Sep 30, 2017	2016	Jan.1~ Sep 30, 2016
At January 1	\$ 96,221	\$ 112,301	\$ 112,301
Cash dividend	(554)	(13,192)	(13,192)
Investment income under equity method	7,989	4,341	3,861
Cumulative translation adjustments	(1,411)	(7,526)	(6,026)
Unrealized Gross Profit	30	176	167
Gain on disposal of investments- Lumitek Corporation	15,557	—	—
Proceeds from disposal of investments- Lumitek Corporation	(18,918)	—	—
Other	—	121	121
At September 30	\$ 98,914	\$ 96,221	\$ 97,232

B. The information about affiliates important to the consolidated companies is stated as following:

Company name	Nature of relationship	Principal place of business	Shareholding ratio			Methods of measurement
			Sep 30, 2017	December31, 2016	Sep 30, 2016	
MJC Microelectronics Shanghai Co.,Ltd.	To develop the Market of China.	China	40%	40%	40%	Equity method
MJC Microelectronics Kunshan Co.,Ltd.	To develop the Market of China.	China	40%	40%	40%	Equity method
Lumitek Corporation	To dismiss in Feb.28,2015 (liquidated in August 8, 2017)	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 to the Company individually is summarized as following. Said financial information refers to the figures included into the Group's consolidated financial statements:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
The carrying amount of the Group's individually immaterial associates	\$ 98,914	\$ 96,221	\$ 97,232
	<u>Jan.1~Sep.30,2017</u>	<u>Jan.1~Sep.30,2016</u>	
Profit or loss for the period from continuing operations	\$ 7,989	\$ 3,861	
Loss for the period from discontinued operations	—	—	
Other comprehensive income- net of tax	—	—	
Total comprehensive income	<u>\$ 7,989</u>	<u>\$ 3,861</u>	

D. As of September 30, 2017 and 2016, the financial statements of investments accounted for using equity method were consolidated and measure based on their unreviewed financial statements.

E. As of September 30, 2017, December 31, 2016 and September 30, 2016, the Investments accounted for using equity method were not pledged as collateral.

(6) Property, plant and equipment

A. 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, 2017	\$ 763,767	\$ 1,403,676	\$ 1,097,608	\$ 2,600	\$ 82,625	\$ 583,521	\$ 51,982	\$ 83,485	\$ 42,836	\$ 4,112,100
Acquisition through	-	-	-	-	-	-	-	-	-	-
Additions	-	8,888	66,570	-	8,949	40,439	1,285	-	45,741	171,872
Disposals	-	-	(34,279)	-	(17,407)	(53,425)	(2,694)	(1,457)	-	(109,262)
Reclassifications	-	27,740	132,616	-	1,225	156,595	-	-	(20,213)	297,963
effect of movements in	-	(764)	(7,702)	(37)	(59)	24	(543)	(1,183)	-	(10,264)
At September 30, 2017	\$ 763,767	\$ 1,439,540	\$ 1,254,813	\$ 2,563	\$ 75,333	\$ 727,154	\$ 50,030	\$ 80,845	\$ 68,364	\$ 4,462,409
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	-	-	-	-	-	-	-	-	-	-
Additions	-	17,197	54,370	-	6,886	8,049	7,410	87,580	35,178	216,670
Disposals	-	-	(25,650)	(1,320)	(6,463)	(6,442)	(795)	-	-	(40,670)
Reclassifications	-	48,809	27,145	-	360	16,963	121	-	(48,809)	44,589
effect of movements in	-	(1,900)	(32,197)	(174)	127	12	(1,507)	(2,735)	(673)	(39,047)
At September 30, 2016	\$ 763,767	\$ 1,358,701	\$ 1,048,031	\$ 2,695	\$ 95,549	\$ 577,657	\$ 56,565	\$ 84,845	\$ 37,803	\$ 4,025,613
Accumulated depreciation										
At January 1, 2017	\$ -	\$ 247,350	\$ 470,078	\$ 1,517	\$ 50,072	\$ 332,061	\$ 23,304	\$ 16,697	\$ -	\$ 1,141,079
Acquisition through	-	-	-	-	-	-	-	-	-	-
Additions	-	40,033	157,760	484	12,977	72,152	8,177	12,409	-	303,992
Disposals	-	-	(32,199)	-	(17,397)	(53,424)	(2,549)	(486)	-	(106,055)
Reclassifications	-	-	-	-	-	-	-	-	-	-
effect of movements in	-	(216)	(3,286)	(25)	(35)	24	(257)	(324)	-	(4,119)
At September 30, 2017	\$ -	\$ 287,167	\$ 592,353	\$ 1,976	\$ 45,617	\$ 350,813	\$ 28,675	\$ 28,296	\$ -	\$ 1,334,897
Accumulated depreciation										
At January 1, 2016	\$ -	\$ 202,323	\$ 331,938	\$ 1,617	\$ 53,737	\$ 273,007	\$ 18,480	\$ -	\$ -	\$ 881,102
Acquisition through	-	-	-	-	-	-	-	-	-	-
Additions	-	33,861	140,606	566	14,262	58,680	7,670	13,137	-	268,782
Disposals	-	-	(25,650)	(678)	(6,455)	(6,438)	(794)	-	-	(40,015)
Reclassifications	-	-	-	-	-	-	-	-	-	-
effect of movements in	-	(861)	(7,763)	(76)	68	11	(170)	(410)	-	(9,201)
At September 30, 2016	\$ -	\$ 235,323	\$ 439,131	\$ 1,429	\$ 61,612	\$ 325,260	\$ 25,186	\$ 12,727	\$ -	\$ 1,100,668
Book value										
At September 30, 2017	\$ 763,767	\$ 1,152,373	\$ 662,460	\$ 587	\$ 29,716	\$ 376,341	\$ 21,355	\$ 52,549	\$ 68,364	\$ 3,127,512
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 September 30, 2016	\$ 763,767	\$ 1,123,378	\$ 608,900	\$ 1,266	\$ 33,937	\$ 252,397	\$ 31,379	\$ 72,118	\$ 37,803	\$ 2,924,945

B. 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 October 2016.

C. The Group to non-related party purchased pre-sale housing in 2015, the sale of a total of RMB 1,641,816. And settled transfer in May 2017.

D. About Leased assets as follows :

(a) Leased assets, net :

	Jan.1-Sep.30,2017	2016	Jan.1-Sep.30,2016
Cost			
Machinery	\$ 82,027	\$ 86,900	\$ 87,580
Less : Accumulated depreciation	(28,620)	(17,380)	(13,137)
effect of movements in exchange rate	(858)	(2,732)	(2,325)
Leased assets, Net.	<u>\$ 52,549</u>	<u>\$ 66,788</u>	<u>\$ 72,118</u>

(b) The content of capital were summarized as follows :

The company signed the five-year lease agreement with non-related party in January, 2016; lessee will pay RMB366 thousand (tax included) to buy the capital lease assets at the expiration of lease term. The group return six lease assets on August 2017. In September 2017, the two sides agreed to modify the price of per machinery to RMB360 thousand (tax included). the remaining are the same.

Lease assets detail :

Lessor	Properties	Payment Terms
Non related party	Agilent Technologies	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	\$ 16,806	\$ 637	\$ 16,169
Non-current			
1 to 5 years	37,812	1,432	36,380
Total	<u>\$ 54,618</u>	<u>\$ 2,069</u>	<u>\$ 52,549</u>

E. The collateralized land and building for loans amounted please see note 8 for details.

F. Total capitalized interest see note 6 (17) B for details.

(7) Intangible assets

The costs of intangible assets, amortization, and the impairment loss of the Group as of and for the ended of September 30, 2017 and 2016 were as follows:

	<u>Goodwill</u>	<u>Computer software</u>	<u>Total</u>
2017			
January 1, 2017	\$ —	\$ 35,923	\$ 35,923
Addition	—	13,136	13,136
Reclassification	—	(109)	(109)
Amortization expenses	—	(17,929)	(17,929)
Impairment	—	—	—
Exchange difference, net	—	(8)	(8)
September 30, 2017	<u>\$ —</u>	<u>\$ 31,013</u>	<u>\$ 31,013</u>
2016			
January 1, 2016	\$ 45,533	\$ 35,934	\$ 81,467
Addition	—	12,252	12,252
Reclassification	—	—	—
Amortization expenses	—	(16,514)	(16,514)
Impairment	—	—	—
Exchange difference, net	—	(27)	(27)
September 30, 2016	<u>\$ 45,533</u>	<u>\$ 31,645</u>	<u>\$ 77,178</u>

	<u>Goodwill</u>		
	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Cost	\$ 45,533	\$ 45,533	\$ 45,533
Accumulated impairment	(45,533)	(45,533)	—
Net book value	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 45,533</u>

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) for the three-month ended September 30, 2017 and 2016, respectively, were stated as the following items in the comprehensive income statement:

	<u>July1~Sep30, 2017</u>	<u>July1~Sep. 30, 2016</u>	<u>Jan.1~Sep.30, 2017</u>	<u>Jan.1~Sep.30, 2016</u>
Operating cost	\$ 8,058	\$ 5,945	\$ 19,730	\$ 17,131
Operating expense	6,808	8,085	24,473	24,909
Total amortization expenses	<u>\$ 14,866</u>	<u>\$ 14,030</u>	<u>\$ 44,203</u>	<u>\$ 42,040</u>

B. R&D expenditure

Research and development expenditures are recognized as Operating-Research and development, which represented NT\$188,865 thousand, NT\$197,480 thousand, NT\$ 535,089 thousand and NT\$624,891 thousand for the three-month and nine-month periods ended September 30, 2017 and 2016, respectively.

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.
- (b) Fair values of identifiable net assets acquired on acquisition date: NT\$ 4,467 thousand.
- (c) Goodwill
- | | | |
|---------------------------------|-----------|---------------|
| Transfer pricing | \$ | 50,000 |
| Less : Fair value of net assets | | (4,467) |
| Goodwill | <u>\$</u> | <u>45,533</u> |

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 in December 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:

<u>Cash Generating Unit - Allstron</u>		
	<u>December 31,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
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).

(8) Other non-current assets

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
prepayments for equipment	\$ 148,585	\$ 326,688	\$ 214,795
Refundable deposit	25,518	22,937	22,835
Deferred Charges	73,266	84,029	86,847
Total	<u>\$ 247,369</u>	<u>\$ 433,654</u>	<u>\$ 324,477</u>

The costs of Deferred Charges, amortization, and the impairment loss of the Group as of and for

the ended of September 30, 2017 and 2016 were as follows:

	Deferred Charges		Deferred Charges	
January 1, 2017	\$	84,029	January 1, 2016	\$ 108,312
Addition		16,074	Addition	6,676
Reclassification		—	Reclassification	—
Amortization expenses		(26,274)	Amortization expenses	(25,526)
Impairment		—	Impairment	—
Exchange difference, net		(563)	Exchange difference, net	(2,615)
September 30, 2017	\$	<u>73,266</u>	September 30, 2016	\$ <u>86,847</u>

(9) Short-term loan

Nature	September 30, 2017		December 31, 2016		September 30, 2016	
	Amounts	Interest rates	Amounts	Interest rates	Amounts	Interest rates
Credit loan	\$ 100,000	0.88%	\$ 184,052	0.92% ~4.44%	\$ 4,301	4.67%
Secured borrowings	970,000	0.89% ~0.897%	200,000	1.00%	700,000	1.01%
Total	<u>\$ 1,070,000</u>		<u>\$ 384,052</u>		<u>\$ 704,311</u>	

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

	September 30, 2017	December 31, 2016	September 30, 2016
Payable expenses	\$ 434,648	\$ 503,750	\$ 331,282
Payable employees' remuneration	80,990	61,960	40,497
Short-term employee benefits	24,129	53,632	41,587
Payable stock dividends	—	—	—
Others	24,574	21,012	23,570
Total	<u>\$ 564,341</u>	<u>\$ 640,354</u>	<u>\$ 436,936</u>

(11) Reserve for liabilities

	Warranty		Warranty		Warranty
At January 1, 2017	\$ 2,595	At January 1, 2016	\$ 1,240	At January 1, 2016	\$ 1,240
Provision made/(Payment)	588	Provision made/(Payment)	1,355	Provision made/(Payment)	1,606
At September 30, 2017	<u>\$ 3,183</u>	At December 31, 2016	<u>\$ 2,595</u>	At September 30, 2016	<u>\$ 2,846</u>
Current	\$ 3,183	Current	\$ 2,595	Current	\$ 2,846
Non-current	-	Non-current	-	Non-current	-
At September 30, 2017	<u>\$ 3,183</u>	At December 31, 2016	<u>\$ 2,595</u>	At September 30, 2016	<u>\$ 2,846</u>

The Group's reserve for warranty and liabilities for the year ended September 30, 2017 and 2016 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

	September 30, 2017	December 31, 2016	September 30, 2016
The convertible bonds issued in 2014	\$ 700,000	\$ 700,000	\$ 700,000
Bonds transferred to common stock	(126,000)	(99,300)	(99,300)
Less: Discount of bonds payable	(1,434)	(10,053)	(12,877)
Corporate bonds-payable, net	<u>\$ 572,566</u>	<u>\$ 590,647</u>	<u>\$ 587,823</u>
Current	\$ 572,566	\$ 590,647	\$ 587,823
Non-current	—	—	—
Total	<u>\$ 572,566</u>	<u>\$ 590,647</u>	<u>\$ 587,823</u>
Embedded derivative- Financial (Assets) liability Equity element	<u>—</u> \$ 27,005	<u>\$ (60)</u> \$ 28,261	<u>\$ (180)</u> \$ 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.
 - Ⓔ The Company's board of directors resolved on August 11, 2017 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 15, 2017, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT\$85.6 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 September 30, 2017, the book value of 3rd domestic unsecured convertible corporate bonds which have been converted upon request cumulatively was NT\$126,000 thousand. The issued stock totaled 1,289 thousand shares, and the capital surplus-convertible corporate bond conversion premium generated therefore was NT\$113,265 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	<u>\$ 660,884</u>

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 September 2017, 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\$55) thousand and NT\$1,862 thousand as of September 30, 2017 and 2016.

The effective interest rate of the third convertible bonds is 1.9183%, total interest expenses amounted to NT\$8,352 thousand and NT\$8,390 thousand for the nine-month ended of 2017 and 2016.

(13) Long-term Loans

<u>Lender</u>	<u>Nature</u>	<u>Amount</u>	<u>Period</u>	<u>September 30, 2017</u>
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	\$ 163,000	2009.03.02~2022.03.02	41,973

borrowings	
Less: Long-term Loans payable-current portion	(9,328)
Long-term Loans, net	<u>\$ 233,645</u>
Interest rates for long-term loans	<u>1.28 %~1.32%</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				<u>\$ 240,640</u>
Interest rates for long-term loans				<u>1.28 %~1.32 %</u>

Lender	Nature	Amount	Period	September 30, 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	51,300
Less: Long-term Loans payable-current portion				(9,328)
Long-term Loans, net				<u>\$ 242,972</u>
Interest rates for long-term loans				<u>1.28 %~1.32%</u>

- 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.

(14) Pension Benefits

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 September 2017, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was NT\$59,408 thousand.

- (b) For the aforementioned pension plan, the Group recognized pension costs of NT\$4,217 thousand and NT\$4,199 thousand for the three-month periods ended September 30, 2017 and 2016, respectively.
- (c) Expected contributions to the defined benefit pension plans of the Group for the next annual reporting period as at September 30, 2017 is NT\$4,092 thousand.

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 NT\$44,238 thousand and NT\$42,690 thousand for the three-month periods ended September 30, 2017 and 2016.

(15) EQUITY

- A. The Company's outstanding common stock at beginning and ending is reconciled as follows:

	Jan.1-Sep.30,2017	2016	Jan.1-Sep.30,2016
At January 1	79,605,392	79,005,392	79,005,392
Transfer of treasury stock to employees	—	600,000	600,000
Convertible Bonds Transferred To Common Stock	295,996	—	—
Repurchase of treasury stock	—	—	—
At September 30	<u>79,901,388</u>	<u>79,605,392</u>	<u>79,605,392</u>

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:

	September 30, 2017	December 31, 2016	September 30, 2016
Common stock premium	\$ 210,163	\$ 210,163	\$ 210,163
Convertible corporate bond conversion premium	593,941	569,216	569,216
Treasury Stock Transactions	58,236	58,236	58,236
Donation from shareholders	1	1	1
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	27,005	28,261	28,261
Total	<u>\$ 909,204</u>	<u>\$ 885,735</u>	<u>\$ 885,735</u>

- Ⓐ The company issued the first and second Domestic unsecured convertible corporate bonds; The company recognized NT\$480,676 thousand as paid-in capital in excess of par-common stock and treasury stock transaction NT\$8,477 thousand.
- Ⓑ The group issued the first and second Domestic unsecured convertible corporate bonds; The company recognized NT\$35,596 thousand 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 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 12% 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 September 30, 2016.

The Company provided special reserve NT\$30,177 thousand to shareholders from earnings 2016 on June 13, 2017.

(f) The Company resolved to allocate the cash dividend, NT\$334,343 thousand (NT\$4.2 per share), to shareholders from earnings 2016 on June 13, 2017.

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.

(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:

Cause	Year ended September 30, 2017			Quantity, ending
	Quantity, beginning	Increase in current period	Decrease in current period	
For transfer of shares to employees	—	—	—	—

Cause	2016			Quantity, ending
	Quantity, beginning	Increase in current period	Decrease in current period	
For transfer of shares to employees	600,000	—	600,000	—

Cause	Year ended September 30, 2016			Quantity, ending
	Quantity, beginning	Increase in current period	Decrease in current period	
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 600,000 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:

Evaluation Model	2016 Treasury stock transferred to employees	
	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 September 30, 2017, information on outstanding ESO is shown below: N/A

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	<u>Jul 1~Sep.30, 2017</u>	<u>Jul 1~Sep.30, 2016</u>	<u>Jan.1~Sep. 30, 2017</u>	<u>Jan.1~Sep.30, 2016</u>
Gains (losses) on disposal of property, plant and equipment	\$ (2)	\$ —	\$ (2)	\$ (173)
Gains (losses) on disposal of investments	15,557	—	17,427	—
Net gains (losses) on financial liabilities at fair value through profit or loss	—	(120)	(55)	1,862
Net currency exchange gains (losses)	2,630	(16,293)	(19,722)	(19,392)
Others	(1)	(1,392)	(206)	(1,467)
Total	<u>\$ 18,184</u>	<u>\$ (17,805)</u>	<u>\$ (2,558)</u>	<u>\$ (19,170)</u>

B. Financial cost

	<u>Jul 1~Sep.30, 2017</u>	<u>Jul 1~Sep.30, 2016</u>	<u>Jan.1~Sep. 30, 2017</u>	<u>Jan.1~Sep.30, 2016</u>
Interest expense				
Bank borrowings	\$ 1,945	\$ 2,559	\$ 5,405	\$ 7,939
The convertible bonds issued in 2014	2,737	2,810	8,352	8,390
Interest of Financial Leasing	163	167	487	517
subtotal	<u>4,845</u>	<u>5,536</u>	<u>14,244</u>	<u>16,846</u>
Less: capitalisation of qualifying assets	—	—	—	—
Total	<u>\$ 4,845</u>	<u>\$ 5,536</u>	<u>14,244</u>	<u>\$ 16,846</u>
Capitalized interest rate	<u>0.62%~1.12%</u>	<u>1.04%~1.15%</u>	<u>0.62%~1.12%</u>	<u>1.04%~1.45%</u>

(18) Income Tax

A. The Group's income tax expenses (gains) are specified as following:

	<u>Jul. 1~Sep.30,2017</u>	<u>Jul. 1~Sep.30,2016</u>	<u>Jan.1~Sep. 30, 2017</u>	<u>Jan.1~Sep.30, 2016</u>
Current tax:				
Current tax on profits for the period	\$ 10,671	\$ 30,734	\$ 54,032	\$ 70,927
Adjustments in respect of prior years	—	—	—	52
Total current tax	<u>10,671</u>	<u>30,734</u>	<u>54,032</u>	<u>70,979</u>
Deferred tax:				
Origination and reversal of temporary differences	(358)	(1,200)	1,506	(1,172)
Impact of change in tax rate	—	—	—	—
Total deferred tax	<u>(358)</u>	<u>(1,200)</u>	<u>1,506</u>	<u>(1,172)</u>
Income tax expense	<u>\$ 10,313</u>	<u>\$ 29,534</u>	<u>\$ 55,538</u>	<u>\$ 69,807</u>

B. The Group recognized Income tax expenses in other comprehensive income are NT\$ 0 start from January to September, at 2017 and 2016.

C. The income tax expenses recognized under the title of equity are NT\$0 start from January to September, at 2017 and 2016.

D. The investment credit tax on deferred income tax assets which has been recognized by the Company before September 30, 2017 shall be credited by the following deadline:

<u>Item</u>	<u>Total tax credits</u>	<u>Deducted amount</u>	<u>Credited balance in current period</u>	<u>Balance to be credited</u>	<u>Final year tax credits are due</u>
Research and development-2017	\$ 48,049	\$ —	\$ 13,118	\$ —	2017
	<u>\$ 48,049</u>	<u>\$ —</u>	<u>\$ 13,118</u>	<u>\$ —</u>	

(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.

E. Authorization of income tax:

	<u>Year</u>
MPI Corporation	2014
Chain-Logic International Corp.	2015
WANG-TONG CORP.	2015
Allstron Corp	2015

F. Information about the Company's two-in-one tax policy:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Balance in deductible tax accounts	\$ 211,676	\$ 229,656	\$ 201,771
	<u>2016</u> <u>(Actual)</u>	<u>2015</u> <u>(Actual)</u>	
Deduction percentage of earnings appropriation	<u>15.32 %</u>	<u>16.25 %</u>	

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.

H. 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

	<u>Jul 1~ Sep 30, 2017</u>			<u>Jul 1~ Sep 30, 2016</u>		
	<u>Amount after tax</u>	<u>Weighted average number of outstanding common stock (thousand shares)</u>	<u>EPS (NT\$)</u>	<u>Amount after tax</u>	<u>Weighted average number of outstanding common stock (thousand shares)</u>	<u>EPS (NT\$)</u>
Basic EPS						
Net profit attributed to the Company's common stock shareholders	\$ 26,876	79,901	\$ 0.34	\$206,014	79,605	\$ 2.59
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	\$ 26,876	79,782		\$206,014	79,605	
Effect of all potential diluted common stocks						
3rd domestic unsecured convertible corporate bond	—	6,706		—	6,660	
Employee stock bonus	—	34		—	220	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$ 26,876	86,522	\$ 0.31	\$206,014	86,485	\$ 2.38

	Jan 1~Sep 30, 2017			Jan 1~Sep 30, 2016		
	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	\$186,152	79,782	\$ 2.33	\$409,046	79,439	\$ 5.15
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	\$186,152	79,782		\$409,406	79,439	
Effect of all potential diluted common stocks						
3rd domestic unsecured convertible corporate bond	—	6,706		—	6,660	
Employee stock bonus	—	266			465	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	\$186,152	86,754	\$ 2.15	\$409,406	86,564	\$ 4.73

For the details about capital increase, please see Note 6(15).

(20) Employee benefits, depreciation, depletion and amortization expenses are summarized as follow

Nature \ Function		Jul. 1~Sep. 30, 2017			Jul. 1~Sep. 30, 2016		
		Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense							
Wages and salaries		177,296	144,823	322,119	200,012	147,450	347,462
Labor and health insurance expense		14,259	10,241	24,500	14,966	11,234	26,200
Pension costs		9,485	6,876	16,361	11,899	6,771	18,670
Other personnel expense		20,108	8,785	28,893	15,104	6,026	21,130
Depreciation		82,893	23,485	106,378	74,389	16,460	90,849
Amortization		6,457	8,409	14,866	5,944	8,086	14,030

Nature \ Function		Jan.1~Sep. 30, 2017			Jan.1~Sep. 30, 2016		
		Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense							
Wages and salaries		577,476	470,924	1,048,400	585,366	505,616	1,090,982
Labor and health insurance expense		42,083	31,622	73,705	36,848	32,621	69,469
Pension costs		27,872	20,583	48,455	25,842	21,047	46,889
Other personnel expense		54,886	21,102	75,988	61,825	18,867	80,692
Depreciation		242,674	61,318	303,992	213,459	55,323	268,782
Amortization		19,730	24,473	44,203	17,131	24,909	42,040

(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).

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 not be lower than 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. For the three-month and nine-month periods ended September 30, 2017 and 2016, employees remuneration(bonus) was accrued at NT\$2,429 thousand, NT\$19,155 thousand, NT\$19,030 thousand and NT\$40,497 thousand, respectively, and

directors' and supervisors' remuneration was accrued at NT\$608 thousand, NT\$5,387 thousand, NT\$4,758 thousand and NT\$11,389 thousand, respectively. The aforementioned amounts were recognized as salary expenses. The expense recognized for 2017 were accrued based on the earnings of current year.

- D. The remuneration to employees and directors/supervisors 2016 resolved to be allocated at the shareholders' meeting on June 13, 2017 were NT\$61,660 thousand and NT\$14,760 thousand, respectively, identical with that recognized in the financial statement 2016, and the remuneration to employees will be paid in cash. The Board of Directors of MPI held on June 13, 2017 approved the profit sharing bonus to employees in 2016. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2017.
- E. The remuneration to employees and directors/supervisors 2015 resolved to be allocated at the shareholders' meeting on June 16, 2016 were NT\$28,640 thousand and NT\$7,160 thousand, 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.
- 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:

	<u>Jan.1~Sep.30, 2017</u>	<u>Jan.1~Sep.30, 2016</u>
Purchase of fixed assets	\$ 470,592	\$ 261,148
Add: opening balance of payable on equipment	134,487	127,068
Add: opening balance of lease obligations payable	66,788	—
Less: ending balance of payable on equipment	(56,389)	(40,405)
Less: ending balance of lease obligations payable	(52,549)	(72,118)
Cash paid during the period	<u>\$ 562,929</u>	<u>\$ 275,693</u>

B. Financing activities not affecting cash flow:

	<u>Jan.1~Sep. 30, 2017</u>	<u>Jan.1~Sep. 30, 2016</u>
Convertible bonds being converted to capital stocks	<u>\$ 2,960</u>	<u>—</u>

7. Transactions with related parties

(1) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(2) The names and relationship of related parties

<u>Names of related parties</u>	<u>Relationship with the Company</u>
MICRONICS JAPAN CO.,LTD.(MJC)	MJC was a director of the Company originally, after the reorganization of the shareholders' meeting on June 13, 2017, which is the parent company of the affiliated enterprise currently.
MJC Electronics Corporation(MEC)	The Company's director – a subsidiary of MJC
MEK CO., LTD.	The Company's director – a subsidiary of MJC
Mjc Microelectronics (Shanghai) Co., Ltd. (MMS)	Associates
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD (MET)	Associates – a subsidiary of MMS
MMK (Kunshan)	Associates
Lumitek Co.,LTD	Associates (liquidated in August 8, 2017)

(3) 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:

<u>Type</u>	<u>Jul 1~Sep. 30, 2017</u>	<u>Jul 1~Sep. 30 2016</u>	<u>Jan.1~Sep. 30, 2017</u>	<u>Jan.1~Sep. 30, 2016</u>
Sale of products:				
-Affiliates	\$ 1,911	\$ 12,662	\$ 34,086	\$ 49,404
-Essential related party (Director of the original Company)				
MEC	17,101	77,486	247,374	262,076
Others	—	164	13,213	8,980
Sale of labor services:				
-Essential related party (Director of the original Company)				
MEC	—	116	320	360
Others	2,130	25,719	25,733	72,579
Total	<u>\$ 21,142</u>	<u>\$ 116,147</u>	<u>\$ 320,726</u>	<u>\$ 393,399</u>

The Group's sales values to related parties are stated as follows:

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	Jul. 1~Sep. 30, 2017	Jul. 1~Sep. 30 2016	Jan.1~Sep. 30, 2017	Jan.1~Sep. 30, 2016
-Affiliates	\$ —	\$ 16	\$ 980	\$ 666
-Essential related party (Director of the original Company)				
MEC	—	—	—	—
Other	581	4,584	3,932	75,054
Total	\$ 581	\$ 4,600	\$ 4,912	\$ 75,720

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	September 30, 2017	December 31, 2016	September 30, 2016
Accounts receivable	Affiliates	\$ 3,293	\$ 14,670	\$ 20,885
Accounts receivable	Essential related party Director of the original Company)-MEC	—	22,390	32,372
subtotal		3,293	37,060	53,257
Less: Allowance for bad debt		(72)	(447)	(1,661)
Total		\$ 3,221	\$ 36,613	\$ 51,596
Other receivable	Associates	\$ —	\$ —	\$ —

D. Payable accounts-related parties

The Group's payable accounts-related parties are stated as following:

Title	Type	September 30, 2017	December 31, 2016	September 30, 2016
Accounts payable	Affiliates	\$ 11	\$ 11	\$ 121
Accounts payable	Essential related party(Director of the original Company)-Others	3,737	81	922
Other payables	Affiliates	1,957	—	—
Other payables	Essential related party Director of the original Company)-MEC	195	263	853
	Essential related party (Director of the original Company)-Others	10	79	46
Total		\$ 5,910	\$ 434	\$ 1,942

E. Exchange of property

(a)Acquisition of property, plant, and equipment: None.

(b)Disposition of property, plant, and equipment: None.

F. Financing from related party (stated as other payable accounts-related party)

The Group's loans from related parties are stated as follows: None.

G. Purchase of labor services from related parties

The Group's expenditure in labor services to related parties are stated as follows:

Type	Jul. 1~Sep. 30, 2017	Jul. 1~Sep. 30 2016	Jan.1~Sep. 30, 2017	Jan.1~Sep. 30, 2016
Promotion-expenditure in commission:				
-Affiliates	\$ 1,485	\$ 1,236	\$ 2,307	\$ 1,609
-Essential related party (Director of the original Company)				
MEC	—	1,074	197	3,232
Others	—	—	202	—
Total	\$ 1,485	\$ 2,310	\$ 2,706	\$ 4,841

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)

Type	September 30, 2017	December 31, 2016	September 30, 2016
Essential related party (Director of the original Company)-Others	\$ —	\$ 22	\$ 3,424
Total	\$ —	\$ 22	\$ 3,424

Payment of goods on behalf of others for triangle trade

(b) Advance Receipts

Type	September 30, 2017	December 31, 2016	September 30, 2016
Advance sales receipts			
-Affiliates	\$ 23	\$ 2,413	\$ 60
-Essential related party (Director of the original Company)			
MEC	265	611	9,586
Others	—	—	71
Total	\$ 288	\$ 3,024	\$ 9,717

(c) Receipts under custody (stated as other current liabilities)

Type	September 30, 2017	December 31, 2016	September 30, 2016
Essential related party (Director of the original Company)-Others	\$ 23,786	\$ 7,726	\$ 13,028

Payment of goods and general receipt under custody for triangle trade.

(d) Manufacturing expenses (stated as operating cost)

Type	Nature	Jul. 1~Sep. 30, 2017	Jul. 1~Sep. 30 2016	Jan.1~Sep. 30, 2017	Jan.1~Sep. 30, 2016
Affiliates	Manufacturing Overhead-outsourced	\$ —	\$ —	\$ 50	\$ 2,795
Essential related party (Director of the original Company)-Others	Others	\$ —	\$ 4	\$ —	\$ 4

(e) Selling expenses

Type	Nature	Jul. 1~Sep. 30, 2017	Jul. 1~Sep. 30 2016	Jan.1~Sep. 30, 2017	Jan.1~Sep. 30, 2016
Essential related party (Director of the original Company) -Others	Others	\$ —	\$ 380	\$ —	\$ 567
Essential related party (Director of the original Company) -Others	Repair and maintenance	\$ —	\$ —	\$ 46	\$ —
Affiliates	Others	\$ 206	\$ 1,089	\$ 3,612	\$ 1,089

(f) Management expenses : None.

(g) Research and development expense : None.

(h) Lease

Type	Jul. 1~Sep. 30, 2017	Jul. 1~Sep. 30 2016	Jan.1~Sep. 30, 2017	Jan.1~Sep. 30, 2016
Affiliates	\$ 11	\$ 107	\$ 45	\$ 433

The main contents of lease contract:

Objective	Lease period	Collection Term
Wenshan Rd., Xinpu Township, Hsinchu County	2014.11.01-2017.10.31	Since January 1, 2016, NT \$ 58 thousand per(excluded VAT) ; Since April 1, 2016, NT \$ 51 thousand per(excluded VAT) ; Since September 1, 2016, NT \$ 6 thousand per(excluded VAT) ; To count for actual parking space per month.

(i) Other revenue

Type	Jul. 1~Sep. 30, 2017	Jul. 1~Sep. 30 2016	Jan.1~Sep. 30, 2017	Jan.1~Sep. 30, 2016
-Essential related party (Director of the original Company) MEC	\$ —	\$ —	\$ 373	\$ 272
Others	\$ 83	\$ —	\$ 171	\$ —
Affiliates	\$ —	\$ 1	\$ 46	\$ 440

(3) Information about remuneration to the management

Information about remuneration to the Group's management is stated as follows:

	Jul. 1~Sep. 30, 2017	Jul. 1~Sep. 30 2016	Jan.1~Sep. 30, 2017	Jan.1~Sep. 30, 2016
Salary and other short-term employee benefits	\$ 1,810	\$ 2,818	\$ 8,598	\$ 8,579
Resignation benefits	—	—	—	—
Retirement benefits	—	—	—	—
Other long-term benefits	—	—	—	—
Share-based payments	—	—	—	—
Total	\$ 1,810	\$ 2,818	\$ 8,598	\$ 8,579

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:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Land	\$ 699,538	\$ 699,538	\$ 699,538
Buildings	890,324	910,837	917,452
Pledged time deposit (stated as other current assets)	3,537	9,312	9,304
Total	<u>\$ 1,593,399</u>	<u>\$ 1,619,687</u>	<u>\$ 1,626,294</u>

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: N/A.

(2) Commitment:

A. Balance of unused letter of credit issued by the Group, guarantee money paid and service charges: N/A.

B. 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, 2022. 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\$12,973 thousand and NT\$7,257 thousand for the year ended September 30, 2017 and 2016. The future payable rent for important long-term operating lease is stated as follows:

	<u>September 30, 2017</u>
Less than one year	\$ 15,559
One year to five years	42,123
More than five years	5,411
Total	<u>\$ 63,093</u>

- B. The outstanding amount under the purchase orders signed for the Group's purchase of equipment is stated as following:

	<u>September 30, 2017</u>	<u>December 31, 2016</u>	<u>September 30, 2016</u>
Purchases of property, plant and equipment	\$ 49,054	\$ 196,205	\$ 70,716

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
September 30, 2017				
Financial assets	—	—	—	—
Financial liabilities	—	—	—	—
December 31, 2016				
Financial assets				
Financial Assets held for trading - current	—	\$ 60	—	\$ 60
Convertible corporate bond	—	—	—	—
Financial liabilities	—	—	—	—
September 30, 2016				
Financial assets				
Financial Assets held for trading - current	—	\$ 180	—	\$ 180
Convertible corporate bond	—	—	—	—
Financial liabilities	—	—	—	—

(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 September 30, 2017 and 2016.

(c) Among the total gains (losses) stated into the income, the gains (losses) related to the financial derivatives were (NT\$55) thousand and NT\$1,862 thousand until September 30, 2017 and 2016.

(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:

September 30, 2017			
Currency unit	Amount in	Applicable	Book value

		foreign currency (thousand dollars)	foreign exchange rate, ending (Dollar)	(NTD) (thousand dollars)
Financial assets	NTD/USD	\$ 11,083	28.098	\$ 311,406
	NTD/JPY	\$ 10,179	0.26905	\$ 2,739
	NTD/EUR	\$ 149	35.750	\$ 5,340
	NTD/RMB	\$ 2,410	4.5365	\$ 10,931
	NTD/KRW	\$ 4,326	0.02664	\$ 115
	NTD/THB	\$ 3	0.8758	\$ 2
	NTD/MYR	\$ 1	6.892	\$ 8
	NTD/SGD	\$ 4	22.18	\$ 95

Financial liabilities	NTD/USD	\$ 2,795	30.239	\$ 84,510
	NTD/JPY	\$ 22,415	0.271	\$ 6,076
	NTD/EUR	\$ 196	35.950	\$ 7,034
	NTD/RMB	\$ 94	4.577	\$ 428

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	\$ 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

September 30, 2016

	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	\$ 12,401	31.36	\$ 388,895
	NTD/JPY	\$ 5,826	0.3108	\$ 1,811
	NTD/EUR	\$ 174	35.074	\$ 6,103
	NTD/RMB	\$ 47,297	4.693	\$ 221,965
	NTD/KRW	\$ 801	0.02867	\$ 23
	NTD/HKD	\$ 4	3.9915	\$ 16
	NTD/MYR	\$ 5	7.239	\$ 36
	NTD/SGD	\$ 2	22.85	\$ 46

	NTD/THB	\$ 5	0.8716	\$ 4
Financial liabilities	NTD/USD	\$ 2,784	31.614	\$ 88,013
	NTD/JPY	\$ 30,241	0.311	\$ 9,405
	NTD/EUR	\$ 30	35.074	\$ 1,052
	NTD/GBP	\$ 3	40.515	\$ 122

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\$19,722) thousand and (NT\$19,392) thousand until September 30, 2017 and 2016.

Ⓑ 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, September 30, 2017 and 2016 are stated as following:

September 30, 2017		
Primary risk	Range of change	Sensitivity of income
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-6,302 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-3,294 thousand
December 31, 2016		
Primary risk	Range of change	Sensitivity of income
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-10,770 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 1,585 thousand

September 30, 2016

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk	Fluctuation in foreign exchange rate +/- 3%	+/-15,672 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 2,381 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 September 30, 2017 and 2016, 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, September 30, 2017 and 2016, 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\$780,000 thousand on September 30, 2017.
- Ⓒ 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.

Non-derivative financial liabilities	September 30, 2017			Total
	Within 1 year	1~2 years	More than 2 years	
Short-term loan	\$ 1,070,000	\$ -	\$ -	\$ 1,070,000
Payable accounts (including related party)	532,725	-	-	532,725
Other payable accounts (including related party)	622,892	-	-	622,892
Long-term loan (including the current portion)	9,328	9,328	224,317	242,973
Corporate bond payable	572,566	-	-	572,566
Rent payable	16,169	16,169	20,211	52,549
Total	\$ 2,823,680	\$ 25,497	\$ 244,528	\$ 3,093,705

Non-derivative financial liabilities	December 31, 2016			Total
	Within 1 year	1~2 years	More than 2 years	
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	<u>\$2,201,772</u>	<u>\$ 26,025</u>	<u>\$ 264,706</u>	<u>\$2,492,503</u>

Non-derivative financial liabilities	September 30, 2016			
	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	\$ 704,301	\$ -	\$ -	\$ 704,301
Payable accounts (including related party)	441,765	-	-	441,765
Other payable accounts (including related party)	478,240	-	-	478,240
Long-term loan (including the current portion)	9,328	9,328	233,644	252,300
Corporate bond payable	587,823	-	-	587,823
Rent payable	16,969	16,969	38,180	72,118
Total	<u>\$2,238,426</u>	<u>\$ 26,297</u>	<u>\$ 271,824</u>	<u>\$ 2,536,547</u>

(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 2017 as that in 2016, dedicated to maintaining the debt/equity ratio less than 70%~120%. The Company's debt ratios on December 31, 2016, September 30, 2017 and 2016 are stated as following:

	September 30, 2017	December 31, 2016	September 30, 2016
Total liabilities	\$ 3,962,413	\$ 3,305,212	\$ 3,505,281
Total net worth	3,826,164	3,959,782	3,817,370
Debt/equity ratio	104%	83%	92%

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~ September2017
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	\$4,634	\$4,634	\$4,634	4.99%	Short-term loans	—	Working capital	—	—	—	\$394,696	\$1,578,782

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, 2017 to loan the fund to its subsidiary, MEGTAS CO., LTD., in the amount of NT\$4,634 thousand. The Contract term is from March 28, 2017 to March 28, 2018.

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 to ptjers shall be no more than 40% of the net worth in the Company's latest financial statement: NT\$ 3,946,956 thousand (the Company's net worth on December 31, 2016) X 40% = NT\$ 1,578,782 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\$ 3,946,956 thousand (the Company's net worth on December 31, 2016) X 10% = NT\$ 394,696 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	\$ 247,374	8 %	same as that applicable to the general customer	—	—	—	—	

Attached table 3 : Business relationship and important transactions between parent company and subsidiaries

a. For the year ended September 30, 2017

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	\$ 13,152	Note 4	—
				Receivable accounts	\$ 5,697	Note 6	—
				Advance sale receipts	\$ 2,417	Note 4	—
				Other receivable accounts	\$ 1,050	Note 8	—
				Rent revenue	\$ 2,888	Note 7	—
				Administrative and general expenses – other expenses, less	\$ 28	Note 7	—
				Other gains (losses)	\$ 665	Note 4	—
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	\$ 27,810	Note 4	1%
				Receivable accounts	\$ 16,977	Note 6	—
				Other gains (losses)	\$ 177	Note 4	—
0	MPI Corporation	MEGTAS CO.,LTD.	1	Other receivable accounts	\$ 4,617	Note 9	—
				Interest revenue	\$ 116	Note 9	—
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sale revenue	\$ 1,912	Note 4	—
				Receivable accounts	\$ 82,778	Note 6	1%
				Other gains (losses)	\$ 32,768	Note 4	1%

				Other receivable accounts	\$ 32,564	Note8	—
0	MPI Corporation	MPI TRADING CORP.	1	Sale revenue	\$ 634	Note 4	—
0	MPI Corporation	MPI America Inc	1	Sale revenue	\$ 60,355	Note 4	2%
				Receivable accounts	\$ 60,716	Note 6	1%
				Others revenue	\$ 188	Note 4	—
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Other receivable accounts	\$ 400	Note 9	—
				Other gains (losses)	\$ 403	Note 4	—
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue	\$ 7,086	Note 4	—
				Receivable accounts	\$ 10,909	Note 6	—
				Revenue from commission	\$ 58,448	Note 5	2%
				Receivable commission	\$ 116,923	Note 6	2%
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	\$ 6,162	Note 4	—
				Receivable accounts	\$ 2,498	Note 6	—
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	\$ 687	Note 4	—
				Receivable accounts	\$ 356	Note 6	—
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 864	Note 5	—
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Revenue from commission	\$ 6,011	Note 5	—
				Revenue from repair and maintenance	\$ 104	Note 4	—
				Receivable accounts	\$ 11,142	Note 6	—
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	\$ 106	Note 4	—
3	MEGTAS CO.,LTD.	MPI Corporation	2	Sale revenue	\$ 176	Note 4	—
3	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue	\$ 9,199	Note 4	—
				Receivable accounts	\$ 5,104	Note 6	—
3	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue	\$ 1,010	Note 4	—
				Receivable accounts	\$ 372	Note 6	—
4	Lumitek (Changchou) Co. Ltd.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue - maintenance	\$ 311	Note 4	—
				Receivable accounts	\$ 196	Note 6	—
4	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Other receivable accounts	\$ 6,112	Note 8	—
5	WANG-TONG CORP.	MPI Corporation	2	Sales revenue	\$ 50	Note 4	—

6	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	\$ 76	Note 4	—
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b. For the year ended September 30, 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	\$ 16,564	Note 4	—
				Receivable accounts	\$ 3,613	Note 6	—
				Other receivable accounts	\$ 3,266	Note 8	—
				Rent revenue	\$ 2,894	Note 7	—
				Administrative and general expenses – other expenses, less	\$ 28	Note 7	—
				Other gains (losses)	\$ 143	Note 4	—
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	\$ 17,734	Note 4	—
				Receivable accounts	\$ 8,727	Note 6	—
				Advance sale receipts	\$ 7,998	Note 4	—
0	MPI Corporation	MEGTAS CO.,LTD.	1	Interest revenue	\$ 40	Note 9	—
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sale revenue	\$ 22,307	Note 4	1%
				Receivable accounts	\$ 203,615	Note 6	3%
				Other gains (losses)	\$ 16,633	Note 8	—
				Other gains (losses)	\$ 17,563	Note 4	—
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue	\$ 6,930	Note 4	—
				Receivable accounts	\$ 6,953	Note 6	—
				Revenue from commission	\$ 36,868	Note 5	1%
				Receivable commission	\$ 75,522	Note 6	1%
				Advance sale receipts	\$ 103	Note 4	—
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	\$ 11,226	Note 4	—
				Receivable accounts	\$ 6,447	Note 6	—
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	\$ 639	Note 5	—
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	\$ 130	Note 4	—
				Receivable accounts	\$ 130	Note 6	—
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Sale revenue	\$ 228	Note 4	—
				Revenue from commission	\$ 16,484	Note 5	—
				Receivable accounts	\$ 13,134	Note 6	—

2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	\$ 1,734	Note 4	—
				Receivable accounts	\$ 61	Note 6	—
3	MEGTAS CO.,LTD.	MPI Corporation	2	Sale revenue	\$ 44	Note 4	—
				Receivable accounts	\$ 25	Note 6	—
3	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue	\$ 7,747	Note 4	—
				Receivable accounts	\$ 2,937	Note 6	—
3	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue	\$ 1,652	Note 4	—
				Receivable accounts	\$ 334	Note 6	—
4	MPI TRADING CORP.	MPI Corporation	2	Sale revenue	\$ 462	Note 4	—
5	Lumitek (Changchou) Co. Ltd.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue - maintenance	\$ 167	Note 4	—
				Receivable accounts	\$ 74	Note 6	—

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 September 30. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the years ended on September 30.

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) for the year ended September 30, 2017 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%	\$ 62,430	\$ 7,853	\$ 7,853	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	\$ 686,177	\$ 635,844	22,061,857	100%	\$ 586,423	\$ 27,018	\$ 27,865	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%	\$ 23,999	\$ 8,665	\$ 5,225	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%	\$ 245,451	\$ 27,488	\$ 29,045	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%	\$ 29	\$ (159)	\$ (159)	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	7,473,968	—	—	\$ 2,350	—	MPI adopted the evaluation under equity method. (Note 7)
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%	\$ 2,125	\$ (371)	\$ (371)	Subsidiary of MPI Corporation
MPI Corporation	MPA TRADING CORP.	Vistra (Anguilla) Limited, Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	Holding company	\$ 37,881	—	1,250,000	100%	\$ (2,126)	\$ (29,678)	\$ (29,678)	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%	\$ 59,948	\$ (12,147)	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	\$ 36,366	—	1,200,000	100 %	\$ 7,642	\$ (29,613)	—	Subsidiary of MPA TRADING CORP. (Note 5)

Note 1: Except MMI HOLDING CO., LTD., which recognized the investment income

based on the financial statements reviewed by other external auditors, the investment income of the others were recognized based on the financial statements reviewed by the parent company's external auditors.

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\$1,000,000 (equivalent to NT\$31,980 thousand) in December 2016; Increased capital by US\$2,000,000 (equivalent to NT\$60,180 thousand) in September 2017. So far, the Group has invested a total of US\$22,061,857 in the subsidiary, MMI HOLDING CO., LTD., totaling 22,061,857 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\$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.

In order to expand the market in Mainland China, the Group invested subsidiary MPI (Suzhou) Corporation increased capital by US\$2,000,000 (equivalent to NT\$60,180 thousand) in September 2017. Until now, a total of US\$2,000,000 has been invested in MPI (Suzhou) Corporation and the subsidiary, MMI HOLDING CO., LTD., held it wholly. The investment project was approved by Investment Commission, Ministry of Economic Affairs.

Note 5: In order to meet the need for business expansion, the Group's subsidiary, MPA TRADING CORP increased capital by US\$650,000 (equivalent to NT\$19,689 thousand) in May 2017; Increased capital by US\$450,000 (equivalent to NT\$13,686 thousand) in July 2017 and increased capital by US\$150,000 (equivalent to NT\$4,506 thousand) in September 2017. So far, the Group has invested a total of US\$1,250,000 in the subsidiary, MPA TRADING CORP., totaling 1,250,000 shares, at the par value of US\$1 per share. The Company's shareholding was 100%.

In order to expand the market in USA, the Group invested MPI America Inc via the Group's subsidiary, MPI America Inc increased capital by US\$600,000

(equivalent to NT\$18,174 thousand) in May 2017; Increased capital by US\$450,000 (equivalent to NT\$13,686 thousand) in July 2017 and increased capital by US\$150,000 (equivalent to NT\$4,506 thousand) in September 2017. Until now, a total of US\$1,200,000 in the subsidiary, MPI America Inc., totaling 1,200,000 shares, at the par value of US\$1 per share, and the subsidiary, MPA TRADING CORP held it wholly.

Note 6: The Group invested MMI HOLDING CO., LTD. resolved to reduce the capital to offset the deficit US\$172,330.42 (equivalent to NT\$5,171 thousand) by the Board of Directors meeting in May 25, 2017.

The Group invested MMI HOLDING CO., LTD. resolved to liquidate and Write off LEDA-ONE (Shenzhen) Co. and remit the surplus investment US\$ 155,857.58 (equivalent to NT\$4,677 thousand) in May 25, 2017.

Note 7 : The group assessed Lumitek Corporation by equity method which was liquidated and written off on August 8, 2017. The distribution of surplus property to be allocated at the shareholders' meeting on August 23, 2017. The group obtained recover payment a total of NT\$18,198 thousand.

(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
					outflow	inflow						
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)	\$ (12,152)	100 %	\$(12,152)	\$ 54,779	\$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)	\$ 1,628	40 %	\$ 651	\$ 29,795	\$40,273
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 (\$ 2,396)	(Note 3)	—	—	—	—	\$ 1,799	40 %	\$ 720	\$ 2,264	—
LEDA-ONE (Shenzhen) Co.	Production of new electronic components, LED probe, 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)	— (Note 5)	\$ (174)	100 %	\$ (174)	—	—
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor	USD 4,900,000 (\$143,558)	(Note 2)	USD 1,960,000 (\$ 57,423)	—	—	USD 1,960,000 (\$ 57,423)	\$ 18,344	100 %	\$ 7,338	\$ 69,366	—

	testing, and sale of self-made products											
Lumitek (Changzhou) Co. Ltd.	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 16,000,000 (\$ 502,470)	—	—	USD 16,000,000 (\$ 502,470)	\$ 21,196	100 %	\$ 21,196	\$ 490,066	
MPI (Suzhou) Corporation	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 2,000,000 (\$60,180) Registered capital USD 3,000,000 (\$ 90,270)	(Note 2)	—	USD 2,000,000 (\$60,180)	—	USD 2,000,000 (\$60,180)	\$ (2,841)	100 %	\$ (2,841)	\$ 57,177	—

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: Except the financial statement of Lumitek (Changchou) Co. Ltd, which was reviewed by company's external auditors, the investment income not recognized based on the financial statements reviewed by the parent company's external auditors was recognized under the equity method.

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.

The Company was liquidated and Write off in May 2017 and remit the surplus

investment USD 155,857.58 (equivalent to NT\$4,677 thousand).Has cut it up till now, the Investment not been approved by Commission on MOEA had the investment approved document.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period (Note 2)	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 1)
USD 21,960,000 (NTD 687,803)	USD 240,604,142.42 (NTD 767,327)	NTD 2,295,698

Note1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note2 : Investment amount approved by the Investment

LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US\$155,857.58 (equivalent to NT\$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount is still in total of US\$1,644,142.42(equivalent to NT\$49,434 thousand) that could not be offset the investment amount.

C. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, for the year ended September 30, 2017 (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.