Stock Code:**6223**

MPI Corporation

2018 Annual Report

Published May 24, 2019
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Website of the Annual Report/Market Observation Post System
Website:http://mops.twse.com.tw

I. Company spokesman and deputy spokesman:
Spokesman's Name: Qiu, Jin-Wen
Job Title: Special Assistant of the Chairman of Board
Tel. No.: 03-5551771
Email: amanda.chiu@mpi.com.tw

Deputy Spokesman's Name: Zhuang, Jie-Zhi
Title: Vice Director of the Business Division
Tel. No.: 03-5551771
Email: raymond.chuang@mpi.com.tw

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

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

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

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

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

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One. A Message to Shareholders

I. 2018 operation in review

(I) Business Plan and Result

In FY 2018, we had net sales amounting to NT$5,386,356 thousand, which was an increase of 21% compared to the NT$4,448,454 thousand from the same period of 2017. Corporate earnings in FY 2018 amounted to NT$337,628 thousand or an increase of 126% of NT$149,267 thousand from the same period of 2017 with earnings per share of NT$4.19.

Most research institutions estimate that the scale of the global semiconductor market will reach US$446 million with an annual decrease of 4.9% in 2019. This is the first time the market scale presents a recession since 2015 and the main cause is due to the uncertainty of the global economy resulted from the tense situation between the US-China trade.

Based on the classification of the semi-conductor product applications, most of the industries are in recession in 2019. However, the AI and robots, 5G and IoT along with the autonomous vehicles and IoV will become the highlight of future growth. To respond to the coming era of 5G application, chip manufacturers will continue to release 5G chips in 2019 while more applications including the AI, IoT and IoV will be integrated via the 5G platform. In the future, the “Internet of Everything” outlook will be worth our expectation.

Due to the high computing capability required by these emerging technologies, the role of semiconductor becomes very crucial. The manufacturers need to improve the overall performance of the end application products via the advanced process of the semiconductor while the blueprint of semiconductor scaling technology will create a great demand for the advanced probe cards. MPI Corporation invests great R&D resources in the development of high end probe cards with the expectation to increase the market share in the high-end market and peripheral and key components and improve the customized service and flexibility for our customers. As for the self-manufactured machines, we will have continuous growth in the semiconductor engineering machine and temperature testing machines.

(II) Revenue and profitability analysis

Currency unit: in NTD thousands

Item \ Year			2017	2018	Change (%)
Revenue	Net Sales		4,448,454	5,386,356	21.08%
	Gross profit		1,759,911	2,140,251	21.61%
	Profit or loss after tax		145,767	337,628	126.19%
Profitability	ROA (%)		2.19	4.48	104.57%
	ROE (%)		3.85	8.55	122.08%
	Operating Income to Paid-in capital ratio (%)		22.49	40.46	79.90%
	EBT to Paid-in capital ratio (%)		25.64	49.76	94.07%
	Net profit margin (%)		3.36	6.27	86.61%
	EPS (NT$)	before	1.83	4.19	128.96%
		after	1.83	4.19	128.96%

(III) Research and development

Research and development findings in 2018:

1. Photoelectric precision automated equipment:
   A. Full automatic 8-inch LED wafer probing system.
   B. Full automatic wafer level probing system with high power 6-inch aser diode and VCSEL.
   C. All-in-one test station (LIV, FF and NF) with related probing equipment for VCSEL.
   D. Micro LED wafer level optoelectronic measuring system.
2. Wafer probe card:
   A. The Company continues to develop vertical type MEMS probe cards to meet the need for fine-pitch technology of IC scaling.
   B. To meet the technology requirement for high-speed transmission of smart devices, we constantly develop the high-speed probe card to meet the probing need of high-speed transmission.
3. Semi-conductor component temperature testing series:
   For the high-temperature and low-temperature testing system, we continue to develop sub-systems of peripheral applications to meet the customer need.
4. Semi-conductor engineering testing machine series:
   We successfully introduce the full automatic high-frequency wafer prober and the probe station for automatic impedance matching test and continue to strengthen the performance and applications of 200mm and 300mm testing machines.

II. Summary of 2019 Business Plan

(I) Operational guidelines

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

1. To satisfy the need for application of high-rank IC scaling, we continue to develop wafer level fine-pitch testing technology.
2. In response to the application demand of high performance computing, we continue to develop high current withstanding probe cards.
3. To meet the technology requirement for high-speed transmission of smart devices, we constantly develop probe cards with higher speed.
4. We keep optimizing the multi-layer organic to correspond to the technical demand for higher specification applications in the future and strengthen the competitiveness of the probe card products.
5. For the photonics automation industry, we aim at four industrial fields of optical communication, sensing, micro display and LED to offer automated equipment with high optical, mechanical and electrical integration for measurement, sorting and optical inspection. By deeply cooperating with the leading customers of international technology, we adopt the providing of high value-added Turnkey solution for the photoelectric industry as our main development goal.
6. Regarding the application of the temperature control system for the environmental test of the semiconductor and fiber optics communication components, we continue to develop best products that corresponds to different testing temperature range to provide the customer with the best temperature testing solution.
7. In the application field of semiconductor engineering testing, we invest in the development of fill automatic 300mm engineering testing machine to satisfy the multiple application needs of the customers and enable the user to have a convenient, flexible, safe and precise operational environment.

(II) Vital production and sales policies

Looking into 2019, MPI Corporation will constantly invest in the R&D capacities, enhance the competitiveness and develop new products to expand our business. In the meanwhile, we will strengthen the support capacity of our overseas business locations to provide a more rapid and comprehensive technical service for the customers and further increase the market share of our products. We will behold the core philosophy of assisting our customers to upgrade their competitiveness and thereby positions ourselves as the technology partners of the customers. Also, our main production and sales policy is to focus on the future demand of the customer to jointly develop the most suitable products and provide in-time technical services. Therefore, we offer the best solution for our customers.

III. The development strategy of the future

(I) Based on the five major technical areas including prober, sorting, photoelectric testing and imaging detection, provide complete testing application solutions to meet the need for mass production of the photoelectric and semi-conductor industries.

(II) In the application field of semiconductor engineering testing, we develop more competitive products via the core technology of micro-signal, high-frequency and high power measurement with the support of the automatic wafer feeding technology.

(III) With the core technology of temperature control, we continue to expand the environmental temperature testing market in the fields of semiconductor and fiber optics communication components. In the future, we will introduce this technology to the applications of component temperature testing.

(IV) In response to the constant demand of the end consumption for higher performance computing, faster transmission, various functions and power saving and the rising market of intelligent technology application, we develop fine-pitch probe card as well as the high pin count and high speed probe card to upgrade the frequency in testing and efficiency for the customer needs to ensure our competitiveness.

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

Under the impact of the Sino-American trade war and the uncertainty of the global economy, this year will be a year full of challenges for the semi-conductor industry. In the beginning of the year, most research institutions already predicted that the market scale will present a recession this year and the economy may show a sign of recovery in the second half of the year. Despite surrounded by many uncertainties in the overall environment, the evolution of technology still creates new industries and opportunities while the application fields such as the automobile electronics, 5G and cloud computing constantly bring new momentum to the development of semiconductor. Our profound R&D capabilities are the basis for the promotion of the semiconductor process to provide the customer the most comprehensive and precise testing service. We expect to maintain our leading role in the industry and bring the greatest investment value to our shareholders.

Two. Introduction to Company

I. Introduction to Company

(I) Date of incorporation: July 25, 1995

(II) Company profile

July 1995	MPI Corporation was incorporated with the capital of NT$5 million.
July 1996	Maintenance technology of Micronics Japan Co., Ltd. ("MJC") was transferred to MPI.
September 1996	Reorganized to incorporate MPI Corporation
December 1997	MJC technical guidance and training started.
March 1998	MJC technical guidance and training ended.
October 1998	Due to the capital increase in cash by NT$55 million, the capital became NT$60 million.
October 1998	MJC 8 DUT completed the technology transfer and official invested in MPI Corporation.
December 1999	Possessed the ability to maintain 32 DUT
March 1999	Possessed the ability to produce Fine pitch (50μm)
June 1999	Possessed the MJC 8 DUT New Design ability
April 2000	Bldg. A of 1st Plant in Zhubei completed and activated
July 2000	Southern Taiwan Office and Customers Service Center established
July 2000	Due to the capital increase in cash and upon recapitalization of earnings, totaling NT$40 million, the capital became NT$100 million.
December 2000	Possessed the MJC 16 DUT Production & New Design ability.
December 2000	MPI TRADING CORP. incorporated with the registered capital US$1 million.
May 1991	Semi-auto prober released for LED wafer probing.
May 1991	Due to capital increase in cash and by recapitalization of earnings and employee bonus, totaling NT$100 million, the capital became NT$200 million.
July 1991	Proceed with the public offering upon approval of Securities and Futures Bureau, Ministry of Finance.
August 1991	Incorporated MMI HOLDING CO., LTD. with registered capital of NT$10 million.
September 1991	Pass ISO9001/2000 certification
December 1991	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the first time.
June 1992	Due to succession to the shares of Chain-Logic International Corp. totaling NT$50 million and capital increase by recapitalization of earnings and employee bonus, totaling NT$50 million, the capital became NT$300 million.
July 2002	Apply for registration of GTSM listed stock.
July 2002	Ranked 8th place among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth.
August 2002	Trade stock in GTSM, and apply for GTSM listed stock.
October 2002	Applied for GTSM listed stock approved by Securities Listing Review Committee of GTSM.
January 2003	MPI stock traded in GTSM as the general class stock as of January 6, 2003.
January 2003	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for

	the second time.
July 2003	Ranking 8th place for EPS among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth.
July 2003	Applied for approval of the plan on the development of new leading products "semi-conductor components analysis platform" with Industrial Development Bureau.
August 2003	Trial mass production by vertical type probe card.
October 2003	Bldg. B of 1st Plant in Zhubei completed and activated.
April 2004	Offer the domestic 1st unsecured convertible corporate bond totaling NT$250 million.
April 2004	Incorporated Chia Hsin Investment Co., Ltd. and Yi Hsin Investment Co., Ltd. with capital of NT$29 million respectively, both owned by MPI wholly.
May 2004	The application for stationing in Luchu Science Park was passed by the Luchu Science Park Review Committee.
June 2004	Bldg. C of 1st Plant in Zhubei completed and activated.
March 2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the third time.
April 2005	Southern Taiwan Branch (1st Plant in Luchu) completed and activated.
June 2005	Family Day and Charity Carnival for 10th anniversary celebration.
June 2005	Ranking 7th place for EPS of technology index TWSE/GTSM stock, 5th place for profit ratio and 7th place for return on equity (ROE) among the "TOP 100 Technological Companies in Taiwan" selected by CommonWealth in 2004.
September 2005	Conferred the Industrial & Technological Development - Excellent Enterprise Innovation Award of 13th Term by MOEA.
November 2005	Employee dormitory completed and activated.
December 2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fourth time.
May 2006	Received the approval letter for incorporation of Southern Taiwan Branch of MPI from MOEA.
September 2006	Listed as one of the candidates under the "Leading New product Development Guidance Plan - Special Report for 12 Candidates".
September 2006	Re-invested NT$50 million in the Taiwan subsidiary of MJC, Taiwan MJC Co., Ltd.
November 2006	Applied for approval of the plan on the new leading products "RFID Automatic Flip Chip Bonder" with Industrial Development Bureau.
February 2007	Offer the domestic 2nd unsecured convertible corporate bond totaling NT$400 million.
March 2007	2nd Plant in Luchu, Kaohsiung completed and activated.
March 2007	Trial mass production of solar chip dicing.
June 2007	Applied for approval of the plan on the new leading products "Advanced Micro Electro Mechanical SoC Probe Card" with Industrial Development Bureau.
January 2008	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fifth time.
December 2008	Listed in the middle-sized enterprise rating among the "Top 73 Companies Which Make Most Money for Shareholders" selected by

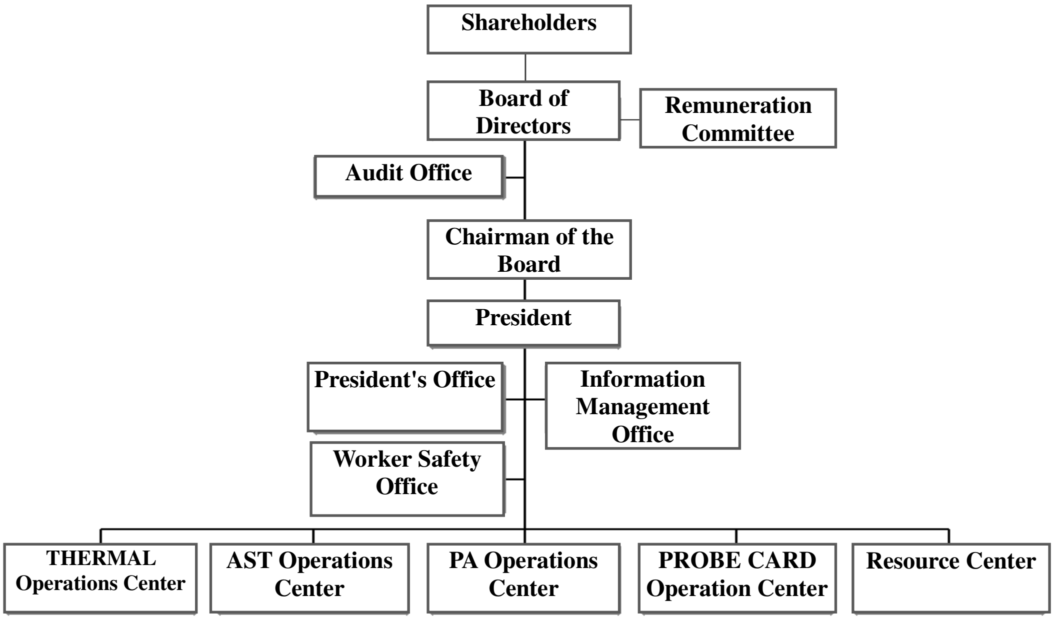
	Global View Monthly.
February 2009	Taiwan Intellectual Property Office announced MPI as "2008 top 100 local innovative companies".
March 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the sixth time.
June 2009	Applied for approval of the plan on the development of new leading products "semi-conductor high-frequency components probe card for probing" with Industrial Development Bureau.
December 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the seventh time.
May 2010	Transfered the equity of Taiwan MJC Co., Ltd.
May 2010	Re-invested US$630 thousand in LEDA-ONE (Shenzhen) Co.
September 2010	Invested 900 million won in MEGTAS CO., LTD.
December 2010	Incorporated Won Tung Technology Co., Ltd. with capital of $500 thousand.
March 2011	Capital increase of MEGTAS CO., LTD. by 300 million won.
June 2011	TaisElec CO., LTD. made the investment by 750 million won.
June 2011	Re-invested US$1,400 thousand in MMK (Kunshan).
March 2012	Capital increase of MEGTAS CO., LTD. by 300 million won.
May 2012	2nd Plant in Zhubei completed and activated.
June 2012	Re-invested US$1,170 thousand in LEDA-ONE (Shenzhen) Co.
October 2012	Honored as "Deloitte Technology Fast500 Asia Pacific 2012"
February 2013	Taiwan Intellectual Property Office announced MPI ranking at 88th place among the "2012 top 100 local companies which apply for patent".
April 2013	Awarded in the 2nd "Taiwan Mittlestand Award".
May 2013	Ranking at 7th place in the "Global Probe Card Suppliers' Billboard Published by VLSI Research Inc. in 2012"
May 2013	Ranking at 4th place in the best sub-system suppliers investigated by VLSI Research 2012
January 2014	Identified on the name list of 69 potential medium-sized enterprises selected by Ministry of Economic Affairs
January 2014	Reinvested US$4 million in Lumitek (Changchou) Co. Ltd.
February 2014	Taiwan Intellectual Property Office announced MPI ranking at 67th place among the "2013 top 100 local companies which apply for patent".
March 2014	Re-invested NT$50 million in Allstron Corporation.
April 2014	Ranked at 5th place in the global probe card suppliers' billboard in 2013 (by VSL Research).
September 2014	Purchased Xinpu Plant.
November 2014	United family day of 20th anniversary.
February 2015	Taiwan Intellectual Property Office announced MPI ranking at 79th place among the "2014 top 100 local companies which apply for patent".
February 2015	Reinvested US$7.5 million in Lumitek (Changchou) Co. Ltd.
April 2015	VLSI Research Inc. announced MPI ranking 1st place in the market of Epoxy/Cantilever Probe Cards in the world in 2014.
April 2015	VLSI Research Inc. announced MPI ranking 4th place in the market of vertical type probe cards in the world in 2014.
April 2015	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers' billboard in 2014.
August 2014	Reinvested US$600,000 in Lumitek (Changchou) Co. Ltd.

November 2015	Reinvested US$2.9 million in Lumitek (Changchou) Co. Ltd.
February 2016	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2015 top 100 local companies which apply for patent”.
December 2016	Reinvested US$1 million in Lumitek (Changchou) Co. Ltd.
February 2017	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2016 top 100 local companies which apply for a patent” and 94th place among the “2016 top 100 local companies which apply for invention patent”.
April 2017	Awarded in the 4th “Taiwan Mittlestand Award”.
April 2017	VLSI Research announced MPI ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2016.
	VLSI Research announced MPI ranking 4th place in the global market of vertical type probe cards in the world in 2016.
	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers’ billboard in 2016.
May 2017	Established MPA TRADING CORP. for USD 2.15 million.
May 2017	Invested MPI AMERICA INC. for USD 1.2 million.
September 2017	Invested MPI Corporation (Suzhou) for USD 1 million.
February 2018	Taiwan Intellectual Property Office announced MPI ranking at 65th place among the “2017 top 100 local companies which apply for patent” and 76th place among the “2017 top 100 local companies which apply for invention patent”.
May 2018	VLSI Research announced MPI ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2017.
	VLSI Research announced MPI ranking 2nd place in the global market of vertical type probe cards in the world in 2017.
	VLSI Research Inc. announced MPI ranking at 5th place in the global probe card suppliers’ billboard in 2017.
October 2018	Capital increase of MEGTAS CO., LTD. by 500 million won.
April 2019	VLSI Research announced MPI continuously ranking 1st place in the global market of Epoxy/Cantilever Probe Cards in the world in 2018.
	VLSI Research announced MPI continuously ranking 2nd place in the global market of vertical type probe cards in the world in 2018.
	VLSI Research announced MPI continuously ranking at 5th place in the global probe card suppliers’ billboard in 2018.

Three. Corporate Governance Report

I. Organization structure

(I) Organizational structure



(II) Operations and functions

Audit Office	Responsible for processing the audit, maintenance, improvement and suggest under the internal control system throughout the Company, and helping various units resolve problems, take corrective actions and upgrade efficiency.
President's Office	Help the President with the management planning and control over various departments' functions and implementation thereof, in order to achieve the business goals.
Information Management Office	Responsible for computerization, access to network, emails, and planning and configuration of Internet throughout the Company
Occupational Safety Office	Responsible for safety and hygiene management and healthcare promotion for employees.
THERMAL Operation Center	R&D, manufacturing and selling of the Thermal Air series products of the Company, provision of the temperature testing equipment that the customer needs for manufacturing or experiment Our customers come from the semi-conductor, optical communication, photoelectric, automobile and aerospace industries. Our products are available around the globe.
AST Operation Center	Responsible for planning, development, manufacturing, selling and after service of the engineering probing system and radio-frequency probe.
PA Operation Center	Development of new equipment product, technology application, manufacturing and assembling. Quality inspection and control of the raw materials and equipment products. Information collection of the market demands of automated photoelectric equipment. Achievement of operational goals.
PROBE CARD Operation Center	Responsible for research, development, design, manufacturing, selling and after service of the probe card products.

Resource Center	Responsible for the finance, accounting, stock and tax affairs of the Company. Procurement of raw materials. Human resources/labor and legal matters. Administrative management, general affairs and plant affairs.

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

1. Directors & supervisors:

Information about directors & supervisors (1)

Unit: April 30, 2019, share; %

Position	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Current shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding other positions of the Company and other companies at present	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship
Chairman	The R.O.C.	MPI Investment Co., Ltd.	-	June 13, 2017	3 years	April 16, 2001	8,334,626	10.43%	8,334,626	10.43%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
		Representative--Ko, Chang-Lin	Male	June 13, 2017	3 years	July 11, 2016	1,425,994	1.79%	1,425,994	1.78%	427,781	0.54%	0	0.00%	Academic degree: EMBA, College of Management, National Chiao Tung University Major experience: Electronics Research & Service Organization, Industrial Technology Research Institute	The Company: CEO In other companies: Chairman of Chain-Logic International Corp., MPI Investment Co., Ltd., MMI HOLDING CORP., MPI TRADING CORP., CHAIN-LOGIC TRADING CORP., CLIPI Shanghai, MPA TRADING CORP., and Gordon Biersch Restaurant & Brewery. Director of Kopitiam.	N/A	N/A	N/A
Director	The R.O.C.	MPI Investment Co., Ltd.	-	June 13, 2017	3 years	April 16, 2001	8,334,626	10.43%	8,334,626	10.43%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
		Representative--Steve Chen	Male	June 13, 2017	3 years	August 1, 2012	230,283	0.29%	230,283	0.29%	0	0.00%	0	0.00%	Academic degree: National Taiwan University, Department of Mechanical Engineering, Master Program Major experience: Material and Chemical Research Laboratories, Industrial Technology Research Institute	The Company: Consultant In other companies: Director of Chain-Logic International Corp., Director of MPI Investment Co., Ltd., and Director of Allstron Corporation	N/A	N/A	N/A
Director	The R.O.C.	MPI Investment Co., Ltd.	-	June 13, 2017	3 years	April 16, 2001	8,334,626	10.47%	8,334,626	10.43%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A
		Representative--Scott Kuo	Male	June 13, 2017	3 years	November 26, 2012	438,037	0.55%	438,037	0.55%	2,179	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	In the Company: President In other companies: Director of Chain-Logic International Corp., Supervisor of MPI Investment Co., Ltd., Chairman of Allstron Corporation, and Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A

<u>Information about directors & supervisors (1)</u>

Unit: April 30, 2019, share; %

Position	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Current shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding other positions of the Company and other companies at present	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
							Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship
Independent director	The r.o.c.	Hsu, Mei-Fang	Female	June 13, 2017	3 years	April 16, 2001	244,441	0.31%	244,441	0.31%	45,050	0.06%	0	0.00%	Academic degree: Ming Chuan University, Accounting Department Major experience: Baker Tilly Clock & CO	In the Company: N/A In other companies: Responsible person of GREAT ASIA CAPS AND COMPANY; supervisor of 104 Corporation	N/A	N/A	N/A
Independent director	The r.o.c.	Kao, Chin-Cheng	Male	June 13, 2017	3 years	April 16, 2001	162,414	0.20%	162,414	0.20%	17,944	0.02%	0	0.00%	Academic degree: Department of Law, National Chung Hsing University Major experience: Hui Lin Law Office	In the Company: N/A In other companies: Attorney-at-law of Lian Cheng Law Office	N/A	N/A	N/A
Supervisor	The r.o.c.	Li, Tu-Cheng	Male	June 13, 2017	3 years	April 16, 2001	599,349	0.75%	539,349	0.67%	414	0.00%	0	0.00%	Academic degree: Feng Chia University, Department of Business Administration Major experience: Chain-Logic International Corp.	In the Company: N/A In other companies: Chairman of Zen Voce Corporation, Chairman of Chen Ho Investment Ltd., Chairman of Zan Hong Industrial Co., Ltd., Director of Zen Voce Precision Equipment (Suzhou) Ltd., and Chairman of Zen Voce(Pg)Sdn.Bhd, and Chairman of Zen Voce Manufacturing Pte Ltd.	N/A	N/A	N/A
Supervisor	The r.o.c.	Liu, Fang-Sheng	Male	June 13, 2017	3 years	April 16, 2001	255,471	0.32%	255,471	0.32%	0	0.00%	0	0.00%	Academic degree: Kaohsiung Medical University, School of Dentistry Major experience: Taipei City Hospital	In the Company: N/A In other companies: Physician of Cheng Tai Dental Clinic	N/A	N/A	N/A
Supervisor	The r.o.c.	Tsai, Chang-Shou	Male	June 13, 2017	3 years	June 20, 2003	21,630	0.03%	21,630	0.03%	0	0.00%	0	0.00%	Academic degree: Chinese Culture University, Department of Accounting Major experience: Shang Ho CPA Office	In the Company: N/A In other companies: Practicing CPA of Shang Ho CPA Office; supervisor of Kung Long Batteries Industrial Co., Ltd.	N/A	N/A	N/A

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

Schedule 1: Major shareholders of the corporate shareholder

April 30, 2019

Name of the corporate shareholder	Major shareholders of the corporate shareholder	Ratio of shareholding
MPI Investment Co., Ltd.	Ko, Chang-Lin	40.76%
	Li, Tu-Cheng	27.17%
	Steve Chen	9.06%
	Cai, Shu-Jin	6.34%
	Yeh, Chi-Wen	4.07%
	Hsieh, Wei-Yun	3.60%
	Scott Kuo	2.68%

3. Information about directors & supervisors

<u>Information about directors & supervisors (2):</u>

April 30, 2019

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

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

Note 2: A "✓" is placed in the box if the director or supervisor met the following conditions during active duty and two years prior to the date elected.

(1) Not an employee of the Company or its affiliates.

(2) Not a director of any of the company's related companies (this restriction does not apply to independent director positions in the company, its parent company or subsidiary, which have been appointed in accordance with local laws or laws of the registered country).

(3) Not a natural person, spouse, underage children, or under the title of a third party who holds more than 1% of the outstanding shares issued by the Company or among the top 10 natural person shareholders.

(4) Not a spouse, kin at the second pillar under the Civil Code, or the lineal blood relatives within the third pillar under the Civil Code as specified in (1) through (3).

(5) Not a director, supervisor, or employee of any company that has 5% or higher ownership interest in the Company; nor a director, supervisor, or employee of any of the top-5 corporate shareholders.

(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.

(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons. However, this shall not apply to the remuneration committee

members who exercise their powers in accordance with Article 7 of the Regulations on the Establishment of Remuneration Committees by TWSE/GTSM Listed Companies and their Exercise of Powers.

(8) Not a spouse to or kin at the second pillar under the Civil Code to any other director.

(9) Not under any of the categories stated in Article 30 of the Company Act.

(10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Act.

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

April 30, 2019

Position	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding positions in other companies at present	Managers Within the Second Degree of Kinship		
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship
President	The R.O.C.	Scott Kuo	Male	June 16, 2010	438,037	0.55%	2,179	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. Supervisor of MPI Investment Co., Ltd. Chairman of Allstron Corporation Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A
Vice General Manager of the Equipment Operation Center	The R.O.C.	Fan, Wei-Ju	Male	July 1, 2008	75,034	0.09%	244	0.00%	0	0.00%	Academic degree: National Chiao Tung University, the Institute of Electrical and Control Engineering Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	N/A	N/A	N/A	N/A
Marketing Vice President	The R.O.C.	Liu, Yung-Chin	Male	June 20, 2011	20,211	0.03%	0	0.00%	0	0.00%	Academic degree: PhD, National Cheng Kung University, Department of Aeronautics and Astronautics Major experience:	Director of Allstron Corporation	N/A	N/A	N/A

Position	Nationality	Name	Gender	Election (Appointment) Date	Shareholding		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Holding positions in other companies at present	Managers Within the Second Degree of Kinship		
					Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding			Job title	Name	Relationship
											Mechanical and Systems Research Laboratories, Industrial Technology Research Institute				
Assistant Manager of Resource Center	The R.O.C.	Hsieh, Wei-Yun	Female	April 17, 2001	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
Manager of Financial Accounting Dept.	The R.O.C.	Rose Jao	Female	March 9, 2007	72,251	0.09%	0	0.00%	0	0.00%	Academic degree: Minghsin University of Technology and Science, Department of Business Administration Major experience: Topco Quartz products Co., Ltd.	Supervisor of Chain-Logic International Corp. Supervisor of Allstron Corporation	N/A	N/A	N/A
Vice Director of the Southern Manufacturing Division	The R.O.C.	Wang, Jian-Min	Male	November 14, 2016	5,000	0.01%	6,210	0.01%	0	0.00%	Education: Department of Mechanical Engineering, Nanya Institute of Technology Major experience: Yi Jia Industrial	N/A	N/A	N/A	N/A

Note 1: Transferred to become a consultant on Nov. 13, 2018.

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

(1) Remuneration to directors:

December 31, 2018 Unit: NTD thousands

Position	Name	Remuneration to directors								The total amount of A, B, C and D in net income after tax (%)		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Business execution fee (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)						
																The Company		All companies included into the financial statement.				
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	Cash dividends	Stock dividends	Cash dividends	Stock dividends	The Company	All companies included into the financial statement.	
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	0	0	0	0	6,002	6,002	160	160	1.84%	1.84%	9,364	9,364	216	216	26	0	26	0	4.71%	4.71%	N/A
Director	Representative of MPI Investment Co., Ltd.: Steve Chen																					
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo																					
Independent director	Hsu, Mei-Fang																					
Independent director	Kao, Chin-Cheng																					

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

Breakdown of Remuneration

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

(2) Remuneration to supervisors

December 31, 2018; Currency unit: in NTD thousands

Position	Name	Remuneration to supervisor						The sum of A, B and C to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Compensation (B)		Fees for practicing services (C)				
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	
Supervisor	Li, Tu-Cheng	0	0	3,601	3,601	140	0	1.12%	1.12 %	N/A
Supervisor	Liu, Fang-Sheng									
Supervisor	Tsai, Chang-Shou									

Breakdown of Remuneration

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

(3) Remuneration to presidents and vice presidents

December 31, 2018; Currency unit: in NTD thousands

Position	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Remuneration to employees (D)				The sum of A, B, C and D to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		The Company	All companies included into the financial statement.	The Company (Note 1)	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company		All companies included into the financial statement.		The Company	All companies included into the financial statement.	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends			
President	Scott Kuo	7,997	7,997	322	322	2,401	2,401	50	0	50	0	7.87%	7.87%	N/A
Vice President	Fan, Wei-Ju													
Vice President	Liu, Yung-Chin													

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

Breakdown of Remuneration

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

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

December 31, 2018; Currency unit: in NTD thousands

	Position	Name	Stock dividends	Cash dividends	Total	Proportion to Earnings After Tax (%)
Manager	President	Scott Kuo	0	91	91	0.03%
	Vice President	Fan, Wei-Ju				
	Vice President	Liu, Yung-Chin				
	Assistant Manager	Hsieh, Wei-Yun				
	Manager	Rose Jao				
	Manager of the Branch Office	Wan, Jian-Min				

6. Specify and compare the remuneration to directors, supervisors, presidents and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent two (2) years, and specify the policies, standards, combinations, procedure of decision-making of remunerations and their relation to business performance and future risk.

Position	2017		2018	
	Proportion to Earnings After Tax (%)		Proportion to Earnings After Tax (%)	
	The Company	Companies included into the consolidated financial statement	The Company	Companies included into the consolidated financial statement
Director	0	0.00%	4.71%	4.71%
Supervisor	0	0.00%	1.12%	1.12%
President Vice President	7.87%	7.87%	7.87%	7.87%
Total	7.87%	7.87%	13.70%	13.70%

(1) The Company allocates the remuneration to directors/supervisors in accordance with the Articles of Incorporation. Where the Company has an income before tax after the account settlement, it shall allocate no more than 3% thereof as the remuneration to directors/supervisors. However, profits must first be used to offset 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 remuneration shall be reported to the Remuneration Committee and the board of directors for review and then to the shareholders' meeting for approval.

(2) The appointment, termination and remuneration of the Company's presidents and vice presidents would be adjusted based on their business performance and reported to the Remuneration Committee for review and approval, and then to the board of directors for approval and implementation. The Company's polices of remuneration vary based on earnings and have nothing to do with future risk.

III. Status of corporate governance

(I) Operations of the Board

The Board held 5 meetings (A) in 2018. The attendance record of directors & supervisors is listed below:

Position	Name	Actual attendance rate (%) (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remarks
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	5	0	100%	Re-elected on June 13, 2017
Director	Representative of MPI Investment Co., Ltd.: Steve Chen	5	0	100%	Newly elected on June 13, 2017
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	5	0	100%	Re-elected on June 13, 2017
Independent director	Kao, Chin-Cheng	5	0	100%	Re-elected on June 13, 2017
Independent director	Hsu, Mei-Fang	5	0	100%	Re-elected on June 13, 2017
Supervisor	Li, Tu-Cheng	3	0	60%	Re-elected on June 13, 2017
Supervisor	Liu, Fang-Sheng	4	0	80%	Re-elected on June 13, 2017
Supervisor	Tsai, Chang-Shou	4	0	80%	Re-elected on June 13, 2017

Other notes:

I. If any of the following is applicable to the operation of the Board, specify the date, the series of the session, the content of the motions, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:
   (I) Conditions described in Article 14-3 of the Securities and Exchange Act: Refer to the important resolutions of the Board of Directors' meetings on page 29 to 30.
   (II) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: Refer to the important resolutions of the Board of Directors' meetings on page 29 to 30.

II. The recusal of the Directors from motions that involved a conflict of interest. Specify the names of the Directors, the content of the motions, and reason for recusal, and the participation in voting: Not applicable.

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

(3) The Company established the remuneration committee on December 30, 2011. The committee should evaluate the Company's policies and systems of remuneration to directors, supervisors and managers, in a professional and optimistic manner, and should submit suggestions to the Board of Directors as the reference for decision-making.

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

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

The Board held 5 meetings (A) in 2018. The attendance record is specified as below:

Position	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remarks
Supervisor	Li, Tu-Cheng	3	60%	Re-elected on June 13, 2017
Supervisor	Liu, Fang-Sheng	4	80%	Re-elected on June 13, 2017
Supervisor	Tsai, Chang-Shou	4	80%	Re-elected on June 13, 2017
Other notes: I. The organization of supervisors and their duties: (I) Communications between the Supervisors and the employees and shareholders: If the supervisors deem necessary, they may communicate with the Company's employees and shareholders directly. (II) Communication between supervisors and internal audit officers and CPA: The Company's supervisors may check the Company's business and finance at any time, and ask the Board of Directors or managers to submit the relevant report. If necessary, the supervisors would contact the CPA. The internal audit director shall submit the audit report to supervisors periodically. II. If any supervisor attends the meeting of the board of directors to state their opinion, it is necessary to specify the date, session, motions and resolution of the meet of the board of directors, and the Company's response to the opinion stated by the supervisor: None				

(IV) Status of Corporate Governance, and any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:

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

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(I) Does the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	√		The Company has appointed two independent directors, including one female director. Each of the directors has some professional backgrounds covering laws, accounting, industries, finance, marketing, R&D, business administration, expertise and industrial experience, et al. Diversified policies are implemented substantively according to the composition of the members.	No non-conformity

Status of the policy of diversity for the formation of our Board of Directors:

Core items under diversity / Members of the Board of Directors	Gender	Corporate management	Leadership and decision-making	Industry knowledge	Finance and accounting	Legal matters
Ko, Chang-Lin	Male	√	√	√		
Steve Chen	Male	√	√	√		
Scott Kuo	Male	√	√	√		
Kao, Chin-Cheng	Male	√	√	√		√
Hsu, Mei-Fang	Female	√	√	√	√	
Liu, Fang-Sheng	Male	√	√	√		
Li, Tu-Cheng	Male	√	√	√		
Tsai, Chang-Shou	Male	√	√	√	√	

Items under evaluation	Yes	No	Summary	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
(II) Does the Company, in addition to setting up the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?		√	The Company has set up the Remuneration Committee and Audit Committee lawfully, but has had not other functional committee set up voluntarily so far.	No non-conformity
(III) Does the Company have the performance evaluation rules and methods for the Board of Directors regulated and have the performance evaluation performed regularly every year?		√	The Company has not yet established any performance evaluation rules and methods so far.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(IV) Does the Company have the independence of the public accountant evaluated regularly?	√		The Company's Board of Directors would assess the independence, competency and professionalism of the external auditor regularly in accordance with the relevant laws and regulations.	No non-conformity
IV. Have the companies listed in TWSE or TPEx appointed designated full-time (part-time) body or personnel to handle matters of corporate governance (including but not limiting to supplying Directors and Supervisors the information they need in performing their duties, administrative matters of the Board and the General Meeting of Shareholders as required by law, company registration and registration for changes, and keeping the minutes of meetings of the Board and the General Meeting of Shareholders)?	√		The stock affairs unit of the Company is responsible for handling matters related to Board of Directors' and shareholders' meetings pursuant to the laws, making minutes of Board of Directors' and shareholders' meetings, dealing with company and change registration, reviewing and revising the Corporate Governance Best-Practice Principles and relative regulations of the Company regularly.	No non-conformity
V. Has the Company established channels for communications with the stakeholders (including but not limiting to shareholders, employees, customers, and suppliers), and set up a section for stakeholders at the official website of the Company with proper response to the concerns of the stakeholders on issues related to corporate social responsibility?	√		The Company has set up the stakeholder section on the Company's website.	No non-conformity
VI. Has the Company commissioned a professional share registration and investor service institution for providing services to shareholders?	√		The Company has commissioned the professional stock service agent, Share Registration Agency Service Department, Hua Nan Securities, to handle the shareholders' affairs.	No non-conformity
VII. Disclosure of information				
(I) Does the Company have a website setup and the financial business and corporate governance information disclosed?	√		The Company's stock code is 6223. The status of the Company's finance and corporate governance may be accessed at the MOPS, and on the website established by the Company at http://www.mpi.com.tw.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(II) Whether there are other means for disclosure adopted by the Company (e.g. set up a English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website)?	√		The website established by the Company provides the English version. The Company has also delegated the spokesman and deputy spokesman to collect and disclose the Company's information, to fulfill the spokesman system.	No non-conformity
VII. Other important information facilitating understanding of the functioning of corporate governance (including but not limited to, the state of employees' rights and interests, concern for employees, investor relations, vendor relations, rights of interested parties, continuing education of directors and supervisors, implementation of risk management policy and risk assessment criteria, implementation of customer policy, and liability insurance purchased by the Company for directors and supervisors)?	√		Note 1	No non-conformity
IX. Response to the corporate governance evaluation result released by the Corporate Governance Center of Taiwan Stock Exchange Corporation in the most recent year, and further effort shall be made on matters for improvement but still unaccomplished. The Company will spare no efforts to show the determination of sustainable operation in all aspects. We will continue to exercise the corporate social responsibility of ethical management and take responsibility of long-term sustainable operation for the stakeholders and society.				

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

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

1. Information about remuneration committee members

ID	Qualification / Name	More than five (5) years of experience and the following professional qualifications			Status of independence								Number of public companies where the person holds the title as Remuneration Committee member	Remarks
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities.	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company.	Work experience in commerce, law, finance and banking, accounting or necessary for company operation.	1	2	3	4	5	6	7	8		
Independent director	Kao, Chin-Cheng		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A
Independent director	Hsu, Mei-Fang		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A
Others	Su, Hsien-Teng		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A

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

Note 2: If any of the following is applicable to the Directors and Supervisors in the period of 2 years prior to the election to office and within the term of office, put a "✓"in the appropriate box below.

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

2. Duties of the Remuneration Committee

The Committee is responsible for establishing the remuneration system that can reflect the employees' performance in an independent aspect. The Committee shall exercise its function the Board of Directors gives it to regularly propose the remuneration system or suggestion to the Board of Directors for discussion and resolution.

3. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of three (3) members.
(2) Current term of office: The term of office commences from July 12, 2017 until June 12, 2020. The Committee held 3 meetings in 2018.
The qualifications and attendance record of the Committee members is summarized as follows:

Position	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remark
Convener	Kao, Chin-Cheng	3	0	100%	Re-elected on July 12, 2017
Member	Hsu, Mei-Fang	3	0	100%	Re-elected on July 12, 2017
Member	Su, Hsien-Teng	3	0	100%	Re-elected on July 12, 2017

Other notes:

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

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

Date of the remuneration meeting	Proposal	Result
02/02/2018	Approved the managers' remuneration proposal in 2018.	Approved by all of the Remuneration Committee members
03/20/2018	Approved the change of the appropriation rate for the remuneration of the directors, supervisors and employees in 2017.	Approved by all of the Remuneration Committee members
08/09/2018	Approved the managers' remuneration proposal in 2017.	Approved by all of the Remuneration Committee members
01/25/2019	Approved the managers' remuneration proposal in 2019.	Approved by all of the Remuneration Committee members
03/18/2019	Approved the remuneration of the directors, supervisors and employees in 2018.	Approved by all of the Remuneration Committee members

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

(2) If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of the election. His/her actual attendance rate (%) to the committee meeting shall be calculated on the basis of the number of meetings called and actual number of meetings he/she attended, during his/her term of office.

(3) Functions of the Remuneration Committee:
The Remuneration Committee shall implement the following functionality faithfully and submit the proposed motions to the Board of Directors for discussion to fulfill the duty of care as a good administrator:
①Stipulate and review regularly the compensation policies, systems, standards and structures, and performance of directors and managers.
②Regularly review and adjust directors' and managers' remuneration.

4. Other important information relevant to the understanding of actual corporate governance:

(1) The Company defines its work rules in accordance with the relevant laws and regulations, which provide written provisions about protection of human rights and employee's interest and right. Meanwhile, the Company will maintain the reciprocal cooperation relationship with suppliers and customers trading with the Company.
(2) The Company has defined the corporate governance best-practice principles and handle relative affairs per the principles.
(3) The Company's directors and supervisors are able to perform their duties honestly and

exercise their powers as good administrators.

(4) The Company has purchased liability insurance for directors/supervisors in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies". For the relevant information, please visit the MOPS.

(5) In order to enhance the corporate governance, the Company's Board of Directors will call a meeting at least once per quarter.

(6) "The status of continuing education of directors and supervisors" is disclosed at the "MOPS" (http://newmops.tse.com.tw)

Status of continuing education of directors & supervisors:

Position	Name	Organizer	Date	Courses	Hours	Conformity with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
Chairman	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	N/A	N/A	N/A	N/A	No
Director	Representative of MPI Investment Co., Ltd.: Steve Chen	N/A	N/A	N/A	N/A	No
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	N/A	N/A	N/A	N/A	No
Independent director	Kao, Chin-Cheng	N/A	N/A	N/A	N/A	No
Independent director	Hsu, Mei-Fang	National Federation of Certified Public Accountant Associations of the Republic of China	2018/03/01	Guildline and analysis of declaration for profit-seeking enterprise income tax in 2017	7	Yes
Supervisor	Li, Tu-Cheng	N/A	N/A	N/A	N/A	No
Supervisor	Liu, Fang-Sheng	N/A	N/A	N/A	N/A	No
Supervisor	Tsai, Chang-Shou	N/A	N/A	N/A	N/A	No

(V) Fulfillment of social responsibility

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Promote the implementation of corporate governance				

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
Does the Company develop CSR policies or systems, and review their implementation?		√	The Company has established the "CSR Principles" to protect the shareholders' and stakeholders' rights, strengthen the functions of the Board of Directors and improve the information transparency.	No non-conformity
(II) Does the Company organize social responsibility training on a regular basis?		√	The Company has not yet arranged CSR education and training on a regular basis.	Under research
(III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?		√	The Company has not yet established a unit that specializes (or is involved) in CSR practices.	Under research
(IV) Does the Company have a reasonable salary and remuneration policy setup, have the employee performance evaluation system combined with corporate social responsibility policies, and have a clear and effective reward and punishment system established?	√		The Company organizes the orientation training periodically, covering the enterprise culture, work rules, concept about quality control, safety education and training to enable new employees to known about the Company's organization and management regulations.	No non-conformity
II. Development of a sustainable environment				
(I) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	√		The Company recycles various materials and supplies and adopts low-contamination raw materials to reduce the impact to the environment.	No non-conformity
(II) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	√		The Company handles the environment management-related affairs pursuant to the environmental protection and labor safety laws and regulations.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(III) Whether the Company is mindful of the impact of climate change on its operations, and implements greenhouse gas check and develops a strategy to reduce carbon emissions and other greenhouse gas?	√		The Company works hard to boost such measures for classification of garbage and reduction of waste, reduction of detergent (replaced with camellia powder), usage of disposable bowls and chopsticks, and saving of water and power consumption, in order to achieve the goal for saving energy and reducing carbon and greenhouse gas.	No non-conformity
III. Social welfare				
(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	√		The Company defines its work rules in accordance with Article 70 of the Labor Standard Law, and reports the same to the competent authority for approval and disclosure.	No non-conformity
(II) Does the Company have the complaint mechanism and channel established for employees and have it handled properly?	√		The Company provides diversified communication management to enhance the interaction between the Company and employees.	No non-conformity
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	√		The Company organizes the operating environment test, employees' health examination, health symposiums, safety and sanitation education and training, and on-site health inquiry with physician, and also establishes the breastfeeding room, medical room, lounge for employees, and parking lots exclusive for the mother-to-be, in order to provide a working environment where it is safe and comfortable and employees are pleased to work.	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(IV) Whether the Company establishes the mechanism for periodic communication with employees, and sends notification to employees of the circumstances which might materially affect the operation in a reasonable manner?	√		The Company will organize a management meeting on a monthly basis. Each department will also organize its monthly meeting to provide the communication channel between heads and employees for correction of problems.	No non-conformity
(V) Does the Company have an effective career capacity development training program established for the employees?	√		The Company organizes the career capacity development training program for employees on a regular basis.	No non-conformity
(VI) Has the Company implemented consumer protection and grievance policies with regards to its research, development, procurement, production, operating and service activities?	√		The Company's Business Dept. and QA Dept. are responsible for dealing with any extraordinary circumstances about products for customers, and the Company also establishes the exclusive taskforce dedicated to providing related services.	No non-conformity
(VII) Has the Company complied with laws and international standards with regards to the marketing and labeling of products and services?	√		The Company has complied with laws and international standards with regards to the marketing and labeling of products and services.	No non-conformity
(VIII) Does the Company evaluate suppliers' environmental and social conducts before commencing business relationships?		√	For the time being, the Company doesn't evaluate suppliers' environmental and social conducts before commencing business relationships.	Under research
(IX) Does the contract between the Company and any of its main suppliers include any clause stipulating that if the supplier violates its CSR policies and causes significant impact on the environment and society, the Company may terminate or cancel the contract at any time?		√	The current contracts between the Company and the main suppliers do not clearly state that the Company is entitled to terminate the supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society.	Under research
IV. Strengthening information disclosure				
(I) Has the Company disclosed relevant and reliable CSR information on its website and		√	The Company has disclosed the relevant and reliable CSR information on its website	No non-conformity

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
at the Market Observation Post System?			and at the Market Observation Post System.	
V. If the Company has established its own corporate social responsibility best practice principles in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE or TPEx Listed Companies", elaborate the state of implementation and any variation thereof: No non-conformity				
VI. Other information useful to the understanding of corporate social responsibilities: Donation to public welfare groups in 2018:				

Item No.	Donee	Donation
1	World Peace Assoiation	411,671
2	Chinese Fund for Children and Families/Taiwan	165,000
3	R.O.C. Salvation Charity Association	10,334
4	Saint Joseph Social Welfare Foundation	13,443
5	Children Are Us Foundation	10,000
6	Hao Shang Orphanage	2,060
7	Hsinchu City Symphonic Band	200,000
8	Chang Yung-Fa Foundation	400,000
9	Tai-he Community Development Association in Zhubei City, Hshinchu County	10,000
10	Hsinchu County Symphonic Band	80,000
11	Art and Culture Development Association of Hshinchu County	20,000
12	ST.Camillus Center for Interllectual Disability	7,072
Total		1,329,580

VII. Verification of the Company's Corporate Social Responsibility Report according to the standards of relevant certifying organizations, if any: N/A

(VI) Implementation of ethical business practices

Items under evaluation	Status			Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Establish ethical business policies and programs				
(I) Has the Company stated in	√		The Company adheres to the ethical	No

	its Articles of Incorporation or external correspondence about the polices and practices it has to maintain ethical management? Are the board of directors and the management committed in fulfilling this commitment?			business principle, and aims at creating the maximum interest for shareholders and employees. The Board of Directors and management also work hard to fulfill the ethical business.	non-conformity
(II)	Does the Company have the prevention program for any fraud stipulated; also, have the respective operating procedures, behavior guidelines, disciplinary actions, and complaints system declared explicitly, and also have it implemented substantively?	√		According to the Company's "Service Agreement", employees are required to maintain the highest ethical business conduct. The Agreement also expressly states the SOP and guidance for ethical behavior.	No non-conformity
(III)	Does the Company have preventive measures adopted in response to the conducts stated in Article 7 Paragraph 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or other business activities subject to higher risk of fraud?	√		All of the Company's employees need to comply with the Company's "Service Agreement" and to prevent bribery and acceptance of bribery, and illegal political contribution.	No non-conformity
II.	Implementation of ethical business practices				
(I)	Does the Company evaluate the integrity of all counterparts it has business relationships with? Are there any ethical management clauses in the agreements it signs with business partners?	√		The Company has already signed the "Non-Disclosure Agreement" which expressly defines the clauses about ethical behavior with its trading counterparts.	No non-conformity
(II)	Does the Company have a specific (part-time) unit set up under the board of directors to advocate ethical corporate management and to report its implementation to the Board on a regular basis?		√	The Company has not yet set up any specific (part-time) unit to advocate ethical corporate management.	Under research
(III)	Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?	√		The Company defines the conflict of interest policy to avoid any conflict with personal interest and the Company's interest.	No non-conformity
(IV)	Has the Company implemented effective accounting and internal control systems for the	√		The Company establishes the effective accounting system and internal control system. Auditors would also audit the compliance with	No non-conformity

purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?			the systems periodically.	
(V) Does the Company organize internal or external training on a regular basis to maintain ethical management?		√	The Company has not yet organized any educational training about ethical management.	Under research
III. Reporting of misconducts				
(I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	√		The Company defines the “administrative disciplinary” measures. Any complaint may be filed via the email exclusive for employees’ complaining.	No non-conformity
(II) Has the Company implemented any standard operating procedures or confidentiality measures for handling reported misconducts?	√		The Company has implemented standard operating procedures or confidentiality measures for handling reported misconducts.	No non-conformity
(III) Has the Company provided proper whistle blower protection?	√		The Company will keep the complainant’s personal information confidential and take appropriate protective measures.	No non-conformity
IV. Strengthening information disclosure				
(I) Has the Company disclosed its ethical management principles and progress onto its website and Market Observation Post System (MOPS)?	The Company’s website and Market Observation Post System (MOPS) have disclosed the ethical management principles.			No non-conformity
V. If the Company has established its ethical corporate management best practice principles in accordance with the “Corporate Social Responsibility Best Practice Principles for Companies Listed on TWSE /TPEx”: No non-conformity.				
VI. Other important information regarding the Company’s ethical management (e.g., the Company’s reviewing and amending the Company’s ethical management best practice principles, etc.): N/A				

(VII) If the Company has established the corporate governance principles and relevant regulations, the references to such principles must be disclosed: The Company has disclosed the contents on the Market Observation Post System, the Company website (corporate governance section).

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

(IX) Disclosure of internal control system

1. Internal Control Declaration:

MPI Corporation
Declaration of International Control System

Date: March18, 2019

The following declaration are made based on the 2018 self-assessment of the Company's internal control system:

I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of this system is to provide reasonable assurance in terms of the effectiveness and efficiency of operations (including profitability, performance and asset security etc), reliable, timely and transparent reporting, and compliance with relevant laws and regulations.

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

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

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

V. Based on the result of the assessment, the Company finally determined the effectiveness of the design and implementation of our internal control system until December 31, 2018 (including supervision and management of subsidiaries) regarding the effectiveness and efficiency of operations, the reliability, promptness, and transparency of reports and compliance with relevant laws and regulations. This system provided reasonable assurance that the above objectives have been achieved.

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

VII. The Declaration of Internal Control System was resolved at the Board meeting with the objection of 0 board directors out of the 5 attending board directors on March 18, 2019. The contents of the declaration have been accepted without objection.

MPI Corporation

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

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

(X) Considering the company and its internal personnel being punished according to law and the internal personnel in violation of internal control system being punished by the company in the most recent year as of the publication date of the annual report, please describe the major defect and corrective actions: None.

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

Important resolution reached by the Board of Directors:

Date of important resolution made by the Board of Directors	Important resolution	Article 14-3 or 14-5, Securities Exchange Act	Independent directors' opinion and the Company's action
February 02, 2018	Approved the 2018 operational plan of the Company.		N/A
	Approved the discussion about allocation ratios for remuneration to employees, directors and supervisors in 2018.		N/A
	Approved the discussion about remuneration to the Company's managers reviewed by Remuneration Committee.		N/A
March 20, 2018	Approved the discussion about allocation of remuneration to employees, directors and supervisors in 2017.		N/A
	Approved the discussion about the individual financial statement and business report 2017.	V	N/A
	Approved the discussion about the consolidated financial statements 2017.	V	N/A
	Approved the discussion about allocation of earnings 2017.		N/A
	Approved the discussion about the Company's Articles of Incorporation.		N/A
	Approved the discussion about the Declaration of International Control System 2017.	V	N/A
	Approved the discussion about date, location and agenda of the general shareholders' meeting 2018.		N/A
May 07.2018	Approved the 4th domestic unsecured convertible corporate bond by the Company.	V	N/A
August 09.2018	Approved the discussion about distribution of cash dividends to shareholders.		N/A
	Approved the discussion about remuneration to the Company's directors and supervisors reviewed by Remuneration Committee.		N/A
November 08.2018	Approved the discussion about the Company's internal audit plan 2019.		N/A
January 25.2019	Approved the 2019 operational plan of the Company.		N/A
	Approved the discussion about allocation ratios for remuneration to employees, directors and supervisors in 2019.		N/A
	Approved the discussion about remuneration to the Company's managers reviewed by Remuneration Committee.		N/A
	Approved the discussion of contracting third parties to construct on land owned by the Company.	V	N/A
March	Approved the remuneration of the employees and		N/A

18.2019	directors/supervisors.		
	Approved the 2018 Operation Review and Financial Statements.	V	N/A
	Discussion about allocation of earnings 2018		N/A
	Approved the discussion about the Company's Articles of Incorporation.		N/A
	Approved the discussion about the Company's Operating Procedure for Acquisition and Disposal of Assets.	V	N/A
	Approved the discussion about the "Procedures for Engaging in Derivatives Trading" of the Company.	V	N/A
	Approved the discussion about the "Operating Procedure for Loaning to Others"of the Company.	V	N/A
	Approved the discussion about the "Operating Procedure for Making Endorsement/Guarantee" of the Company.	V	N/A
	Approved the discussion about the "Corporate Governance Best-Practice Principles".		N/A
	Approved the discussion about the Declaration of International Control System 2018	V	N/A
	Discussion about date, location and agenda of the general shareholders' meeting 2019		N/A
	Approved the motion for change of the external audit responsible for auditing the Company's financial statements.		N/A
May 07, 2019	Approved parts of the provisions of the "Articles of Incorporation" of the Company.		N/A
	Approved the "Procedures for Handling Requests Made by Directors" of the Company.		N/A
	Approved the change in the chief financial officer of the Company.	V	N/A

Status of important resolution made by the general shareholders' meeting 2018:

Date of important resolution made by the shareholders' meeting	Important resolution	Status
General shareholders' meeting June 12, 2018	The motion for business report and financial statements 2017 was ratified.	Passed by the present shareholders unanimously.
	The motion for allocation of earnings 2017 was ratified.	Pass by the present shareholders unanimously; cash dividends distributed at NT$0.5 per share; ex-dividend record date: September 7, 2018; date of allocation of cash dividends: September 21, 2018
	Amendments to the "Articles of Incorporation" of MPI Corporation.	Obtained the permission from the Ministry of Economic Affairs on June 27, 2018 and announced on the Company's website.

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

(XIII) Summary of discharge and termination of parties relating to the financial report (including the Chairman, president, accounting officer, finance officer, internal audit officer and R&D officer): N/A

(XIV) Other disclosure:
Status of the continuing education of the Company's accounting officer and audit officer in 2018:

Position	Name	Institute	Date	Name of Course	Hours
Accounting officer	Rose Jao	Accounting Research and Development Foundation	November 01, 2018 to November 02, 2018	Continuing education program for accounting officer of issuer, securities firm and securities exchange	12
			November 21, 2018	Consolidated financial statements editing workshop	6
Audit officer	Chen, Yi-Chang	Internal Audit Association	August 15, 2018	Data analyses and audit cases practice	6
			September 10, 2018	How can internal audit personnel learn the operational performance and risk from the IFRS financial reports?	6

IV. Information about CPA Professional Fee

(I) Breakdown of CPA Professional Fee

Currency unit: in NTD 1,000

Firm Name	CPA Name	Audit Fee	Non-Audit Fee					Duration of Audit	Remarks
			System Design	Commercial and Industrial Registration	HR	Others	Subtotal		
Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen Chen, Tsai-Huang	2,649	0	6	0	0	6	January 1, 2018 to December 31, 2018	N/A

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

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

(2) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: N/A
(3) Audit fees were 15% less than that of the previous year, and the reduction of audit fee, percentage and reasons: N/A

V. Information About Replacement of CPA: N/A

(I) Former CPA: N/A

(II) Succeeding CPA: N/A

(III) The former CPA's written response to the sub-paragraphs 1&2-3 of Paragraph 5 of Article 10 of the Principles: N/A

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

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

(I) Change in equity of directors, supervisors, managerial officers, and major shareholders	Name	2018		As of April 30, 2019	
		Increase (Decrease) in current holding	Increase (Decrease) in shares pledged	Increase (Decrease) in current holding	Increase (Decrease) in shares pledged
Chairman, director and also major shareholder	MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	0	0	0	0
Chairman, director and also major shareholder	MPI Investment Co., Ltd. Representative: Steve Chen	0	0	0	0
Chairman, director and also major shareholder	MPI Investment Co., Ltd. Representative: Scott Kuo	0	0	0	0
Independent director	Hsu, Mei-Fang	0	0	0	0
Independent director	Kao, Chin-Cheng	0	0	0	0
Supervisor	Liu, Fang-Sheng	0	0	0	0
Supervisor	Li, Tu-Cheng	0	0	0	0
Supervisor	Tsai, Chang-Shou	0	0	0	0
President	Scott Kuo	0	0	0	0
Vice President	Fan, Wei-Ju	0	0	0	0
Vice President	Liu, Yung-Chin	0	0	0	0
Assistant Manager	Hsieh, Wei-Yun	(Note)	(Note)	(Note)	(Note)
Finance/Accounting Officer	Rose Jao	0	0	0	0

(Note) : Transferred to become a consultant on Nov. 13, 2018.

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

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

April 30, 2019

Name	Own shareholding		Current Shares Held by Spouse and Children of Minor Age		Total shareholding Under the Name of A Third Party		Information on top 10 shareholders in proportion of shareholdings and are related to one another or kin at the second pillar under the Civil Code to one another, their names and relations.		Remarks
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Name	Relationship	
MPI Investment Co., Ltd.	8,334,626	10.43%	0	0	0	0	MPI Investment Co., Ltd.	Director of the Company	
Representative: Ko, Chang-Lin	1,425,994	1.78%	427,781	0.54%	0	0	MPI Investment Co., Ltd.	Chairman of the Company	
MJC	6,548,576	8.19%	0	0	0	0	N/A	No	
Representative: Masayoshi Hasegawa	0	0	0	0	0	0	N/A	No	
Labor pension fund under the new system	3,338,000	4.18%	0	0	0	0	N/A	No	
Goldman Sachs International investment account mandated by HSBC	1,528,000	1.91%	0	0	0	0	N/A	No	
Ko, Chang-Lin	1,425,994	1.78%	0	0	0	0	MPI Investment Co., Ltd.	Chairman of the Company	
Public Service Pension Fund	1,159,000	1.45%	0	0	0	0	N/A	No	
Labor pension fund under the old system	1,116,000	1.40%	0	0	0	0	N/A	No	
DFA Emerging Market Core Securities Investment Accounts commissioned to Citibank	649,000	0.81%	0	0	0	0	N/A	No	
Tsai, Min-Xun	596,000	0.75%	0	0	0	0	N/A	No	
Gong, Xiao-Ying	590,000	0.74%	0	0	0	0	N/A	No	

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

Unit: thousand shares; %
December 31, 2018

Investee (Note 1)	Invested by the Company		Invested by directors, supervisors, managers, and entities controlled by the Company directly or indirectly		Combined investment	
	Shares	Ratio of shareholding	Shares	Ratio of shareholding	Shares	Ratio of shareholding
Chain-Logic International Corp.	5,000	100%	0	0	5,000	100%
MPI TRADING CORP.	1,000	100%	0	0	1,000	100%
MMI HOLDING CO., LTD.	18,267,987	100%	0	0	18,267,987	100%
Allstron Corporation	1,550,000	100%	0	0	1,550,000	100%
MEGTAS CO., LTD.	400,000	80%	0	0	400,000	80%
MPA TRADING COR.	1,250,000	100%	0	0	1,250,000	100%
CHAIN-LOGIC TRADING CORP. (Note 2)	0	0	1,400,100	Wholly owned by the subsidiary	1,400,100	100%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. (Note 3)	0	0	US$1,400,000	Wholly owned by the indirect subsidiary	US$1,400,000	100%
MPI AMERICA INC. (Note 4)	0	0	US$1,200,000	Wholly owned by the subsidiary	US$1,200,000	100%
Chairman of Lumitek (Changchou) Co. Ltd. (Note 5)	0	0	US$16,000,000	Wholly owned by the subsidiary	US$16,000,000	100%
MPI Corporation (Suzhou) (Note 6)	0	0	US$2,000,000	Wholly owned by the subsidiary	US$2,000,000	100%

Note 1: Long-term investment by the Company
Note 2: An investee of the Company's subsidiary, Chain-Logic International Corp.
Note 3: An investee of the Company's indirect subsidiary, CHAIN-LOGIC TRADING CORP.
Note 4: An investee of the Company's subsidiary, MPA TRADING CORP.
Note 5: An investee of the Company's subsidiary, MMI HOLDING CO., LTD.
Note 6: An investee of the Company's subsidiary, MMI HOLDING CO., LTD.

Four. Status of Fund Raising

I. Capital Stock and Shares

(I) Source of Capital Stock

Unit: Thousand shares; NTD Thousand
April 30, 2019

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

						common stock NT$909 thousand		
2006/9	10	58,000	580,000	56,496	564,959	Capital increase upon recapitalization of earnings by NT$50,814 thousand Capital increase upon recapitalization of employee bonus by NT$6,000 thousand	N/A	Note 5
2007/8	10	100,000	1,000,000	56,501	565,005	Conversion of convertible bonds to common stock NT$45 thousand	N/A	
2007/9	10	100,000	1,000,000	63,676	636,758	Capital increase upon recapitalization of earnings by NT$57,500 thousand Capital increase upon recapitalization of employee bonus by NT$8,118 thousand Conversion of convertible bonds to common stock NT$6,135 thousand	N/A	Note 6
2007/10	10	100,000	1,000,000	63,679	636,789	Conversion of convertible bonds to common stock NT$30 thousand	N/A	
2008/1	10	100,000	1,000,000	63,736	637,363	Conversion of convertible bonds to common stock NT$574 thousand	N/A	
2008/9	10	100,000	1,000,000	71,105	711,053	Capital increase upon recapitalization of earnings by NT$64,570 thousand Capital increase upon recapitalization of employee bonus by NT$9,120 thousand	N/A	Note 7
2009/8	10	100,000	1,000,000	73,311	733,111	Capital increase upon recapitalization of earnings by NT$21,190 thousand Capital increase upon recapitalization of employee bonus by NT$868 thousand	N/A	Note 8
2009/12	10	100,000	1,000,000	74,084	740,841	Conversion of employee options to common stock NT$100 thousand Conversion of convertible bonds to common stock NT$7,630 thousand	N/A	
2010/4	10	100,000	1,000,000	77,449	774,486	Conversion of employee options to common stock NT$11,190 thousand Conversion of convertible bonds to common stock NT$22,455 thousand	N/A	
2010/7	10	100,000	1,000,000	77,629	776,291	Conversion of employee options to common stock NT$11,082 thousand Conversion of convertible bonds to common stock NT$3,200 thousand	N/A	
2010/10	10	100,000	1,000,000	77,697	776,970	Conversion of employee options to common stock NT$5,376 thousand Conversion of convertible bonds to common stock NT$200 thousand	N/A	
2011/1	10	100,000	1,000,000	77,985	779,854	Conversion of employee options to common stock NT$13,149 thousand Conversion of convertible bonds to common stock NT$8,900 thousand	N/A	
2011/4	10	100,000	1,000,000	78,464	784,644	Conversion of employee options to common stock NT$39,613 thousand	N/A	
2011/8	10	100,000	1,000,000	78,549	785,494	Conversion of employee options to common stock NT$7,030 thousand	N/A	
2011/10	10	100,000	1,000,000	78,590	785,904	Conversion of employee options to common stock NT$3,299 thousand	N/A	
2012/1	10	100,000	1,000,000	78,602	786,024	Conversion of employee options to common stock NT$931 thousand	N/A	
2012/4	10	100,000	1,000,000	78,605	786,054	Conversion of employee options to common stock NT$233 thousand	N/A	
2012/7	10	100,000	1,000,000	78,610	786,104	Conversion of employee options to common stock NT$388 thousand	N/A	
2013/7	10	100,000	1,000,000	78,612	786,123	Conversion of employee options to common stock NT$143 thousand Cancellation and capital reduction by 8 shares upon shareholders' waiver to hold shares	N/A	
2015/1	10	100,000	1,000,000	79,536	795,364	Conversion of convertible bonds to common stock NT$92,400 thousand	N/A	
2015/5	10	100,000	1,000,000	79,605	796,054	Conversion of convertible bonds to	N/A	

						common stock NT$6,900 thousand		
2017/8	10	100,000	1,000,000	79,901	799,014	Conversion of convertible bonds to common stock NT$26,700 thousand	N/A	
2019/7	10	100,000	1,000,000	79,915	799,154	Conversion of convertible bonds to common stock NT$1,000 thousand	N/A	

Note 1: Approval letter by Securities and Futures Commission, Ministry of Finance under (91) No. 09100127510 dated June 3, 2002.

Note 2: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0920129426 dated July 2, 2003.

Note 3: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0930126472 dated June 15, 2004.

Note 4: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0940124109 dated June 16, 2005.

Note 5: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0950130971 dated July 17, 2006.

Note 6: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0960036186 dated July 12, 2007.

Note 7: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0970031732 dated June 25, 2008.

Note 8: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0970031732 dated June 25, 2008.

Type of share	Authorized capital stock			Remarks
	Outstanding shares	Outstanding shares	Outstanding shares	
Common stocks	79,915,374 (shares)	20,084,626 (shares)	100,000,000 shares (share)	TWSE stock

(II) Composition of shareholders

April 30, 2019

Composition of shareholders / Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution or Foreigner	Total
Number of person	2	35	181	16,746	52	17,016
Shares held	4,497,000	3,998,508	10,399,615	49,467,743	11,552,508	79,915,374
Ratio of shareholding	5.63%	5.00%	13.01%	61.90%	14.46%	100.00%

(III) Diversification of equity

April 30, 2019

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
1～ 999	9,373	208,591	0.26
1,000～ 5,000	5,994	12,025,682	15.05
5,001～ 10,000	809	6,404,897	8.01
10,001～ 15,000	249	3,240,944	4.06
15,001～ 20,000	155	2,866,399	3.59
20,001～ 30,000	153	3,884,586	4.86
30,001～ 40,000	67	2,419,449	3.03
40,001～ 50,000	60	2,810,290	3.52
50,001～ 100,000	73	5,445,155	6.81

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
100,001～ 200,000	41	5,699,545	7.13
200,001～ 400,000	27	7,340,473	9.19
400,001～ 600,000	7	3,470,167	4.34
600,001～ 800,000	1	649,000	0.81
800,001～ 1,000,000	0	0	0.00
1,000,001 or more	7	23,450,196	29.34
Total	17,016	79,915,374	100.00

Preferential shares: N/A

(IV) Roster of Major Shareholders

April 30, 2019

Name of Major Shareholder \ Shares	Shares held	Ratio of shareholding
MPI Investment Co., Ltd.	8,334,626	10.43%
MJC	6,548,576	8.19%
Labor pension fund under the new system	3,338,000	4.18%
Goldman Sachs International investment account mandated by HSBC	1,528,000	1.91%
Ko, Chang-Lin	1,425,994	1.78%
Public Service Pension Fund	1,159,000	1.45%
Labor pension fund under the old system	1,116,000	1.40%
DFA Emerging Market Core Securities Investment Accounts commissioned to Citibank	649,000	0.81%
Tsai, Min-Xun	596,000	0.75%
Gong, Xiao-Ying	590,000	0.74%

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

Unit: NTD; share

Item \ Year			2017	2018	As of April 30, 2019 (Note 7)
Market value per share (Note 1)	The Highest		121.00	73.70	80.40
	The Lowest		62.70	47.5	52.40
	Average		97.23	62.07	68.24
Net value per share	Before distribution		47.16	51.53	52.84
	After distribution		46.66	(Note 2)	N/A
EPS	Weighted average shares		79,901,388	79,901,388	79,915,374
	EPS (Note 3)	before retroactive adjustment	1.83	4.19	1.15
		after retroactive adjustment	1.83	(Note 2)	0

<table>
<tr><td rowspan="4">Dividend per share</td><td colspan="2">Cash dividend</td><td>0.5</td><td>2</td><td>0</td></tr>
<tr><td rowspan="2">Free-Gratis dividends</td><td>Retained shares distribution</td><td>0</td><td>(Note 2)</td><td>0</td></tr>
<tr><td>Capital surplus shares distribution</td><td>0</td><td>(Note 2)</td><td>0</td></tr>
<tr><td colspan="2">Retained dividend</td><td>0</td><td>(Note 2)</td><td>0</td></tr>
<tr><td rowspan="3">Return on investment analysis</td><td colspan="2">Price-Earnings Ratio (Note 4)</td><td>53.13</td><td>14.81</td><td>0</td></tr>
<tr><td colspan="2">Dividend Yield (Note 5)</td><td>194.46</td><td>(Note 2)</td><td>0</td></tr>
<tr><td colspan="2">Cash dividend yield (Note 6)</td><td>0.51%</td><td>(Note 2)</td><td>0</td></tr>
</table>

Note 1: The Company has traded on Taiwan Stock Exchange as of January 6, 2003.
Note 2: To be resolved at the general shareholders' meeting 2019
Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.
Note 4: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share
Note 5: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share
Note 6: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year
Note 7: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Articles of Incorporation

Article XX: Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and no more 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.

The remuneration for employees may be paid in the form of stock or in cash. Employees entitled to receive the distribution includes those of the affiliated companies who meet specified requirements.

If the Company has a profit in the total final account of a fiscal year, it shall first pay the taxes, make up any losses from past years, and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the amount of the Company paid-in capital. After appropriating or reversing a special reserve in accordance with the laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undistributed profit is formulated by the Board of Directors and submitted to the shareholder's meeting to decide the distribution or reservation.

Article XX-I: The Company is now at the growth stage of industrial development. As such, the dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the

Company at present moment and in the futures. Shareholders interest, balance of dividend payment and long-term financial planning shall also be considered with the Board of Directors to design the plans for income distribution annually as required by law, and present before the General Meeting of Shareholders for ratification.
The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

2. Allocation of dividends proposed at the shareholders' meeting in the current year
   The Company's motion for allocation of earnings 2018 has been resolved by the directors' meeting on March 18, 2019, and the cash dividends to shareholders, NT$159,802,776 (NT$2 per share), were scheduled to be allocated. Notwithstanding, the motion is still pending resolution by the general shareholders' meeting 2019.

3. Whether the dividend policy is expected to suffer material changes: No.

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

(VIII) Remuneration to employees and directors/supervisors

1. Proportion or scope of remuneration to employees and directors/supervisors as stated in the Articles of Incorporation:

   Article XX: Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and no more 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.

   The remuneration for employees may be paid in the form of stock or in cash. Employees entitled to receive the distribution includes those of the affiliated companies who meet specified requirements.

   If the Company has a profit in the total final account of a fiscal year, it shall first pay the taxes, make up any losses from past years, and then make contribution of 10% as the statutory reserve unless the statutory reserve reaches the amount of the Company paid-in capital. After appropriating or reversing a special reserve in accordance with the laws and regulations, the proposal for the distribution of the profits concerning the balance along with the accumulative undistributed profit is formulated by the Board of Directors and submitted to the shareholder’s meeting to decide the distribution or reservation.

Article XX-I: The Company is now at the growth stage of industrial development. As such, the dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the Company at present moment and in the futures. Shareholders interest, balance of dividend payment and long-term financial planning shall also be considered with the Board of Directors to design the plans for income distribution annually as required by law, and present before the General Meeting of Shareholders for ratification.

The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

2. The accounting in the case of deviation from the basis for stating remuneration to employees and directors/supervisors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:
   Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~15% thereof as the remuneration to employees, and no more 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. If the actual distributed amount resolved by a shareholders’ meeting is different from the estimate, the difference shall be treated as a change in accounting estimate and stated as the income of next year.

3. Allocation of remuneration approved by the board of directors:
   The Company’s motion for allocation of earnings 2018 has been resolved by the directors’ meeting on March 18, 2019. The allocation of earnings approved by the directors’ meeting is stated as following:
   (1) Employees’ remuneration and directors’/supervisors’ remuneration, in cash, NT$34,144,000 and NT$9,603,000 were not different from the estimation in the year of recognized expenses.
   (2) Proposed amount of employees’ remuneration in shares as a percentage to the current period net profit after tax and the total amount of employees’ remuneration: N/A

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

Unit: NTD $

Item	Amount
Employees’ cash remuneration	9,323,000
Remuneration of the directors and supervisors	0

The actual allocation of remuneration to employees and directors/supervisors has no discrepancy in the recognized amount.

(IX) Repurchase of the Company's shares: None

II. Issuance of Corporate Bonds (including ECB):

(I) Issuance of Corporate Bonds

April 30, 2019

Type of corporate bond (Note 2)	4th domestic unsecured convertible corporate bond
Issue (offering) date	August 15, 2018
Face value	NT$100,000
Issuance and trading location (Note 3)	N/A
Issue price	NT$100,000
Total	Total issued amount: NT$1,000,000,000 Par value: NT$100,000 (issued by 100.1% of the par value)
Interest rate	The coupon rate is 0%
Duration	5 years, expiry date: August 15, 2023
Guaranteed by	N/A
Trustee	Land Bank of Taiwan
Underwritten by	KGI Securities
Certified by	Handsome Attorneys-at-Law Peng Yi-Cheng, Attorney-at-Law
Name of CPA	Nexia Sun Rise CPAs & Co. CPA Wu, Kuei-Chen and CPA Chen, Tsan-Huang
Repayment terms	Those converted to the Company's common stock 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 for cancellation, the others would be repaid in cash in full amount upon maturity.
Outstanding principal	NT$962,300,000
Terms and conditions for early redemption or repayment	(I) From the date following expiration of one month upon offering of the bonds until 40 days prior to expiration of the duration, if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may send the "Notice of Call" to be matured in 30 days (the time limit shall commence from the Company's service date, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit) to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail within 30 business days. Meanwhile, the Company shall

<table>
<tr><td colspan="2"></td><td>ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within five (5) business days upon the record date.

(II) From the date following expiration of one month upon offering of the bonds until 40 days prior to expiration of the duration, if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may send the “Notice of Call” to be matured in 30 days to the bond holders (those referred to the roster of creditors within five business days prior to the service date of the Notice of Call, while the investors who acquire the bonds through exchange or due to other causes subsequently, if any, shall be notified by public notice) via registered mail (the time limit shall commence from the Company’s service date, and the record date of the call shall be the date when the time limit expires, and the record date of the call shall be the date when the time limit expires, and the conversion suspension period for the corporate bonds should not fall in the time limit). Meanwhile, the Company shall ask Taipei Exchange in writing to post a public announcement, and shall call the corporate bonds held by the bond holders at the face value in cash within 5 business days upon the record date.</td></tr>
<tr><td colspan="2">Restrictive clause (Note 4)</td><td>N/A</td></tr>
<tr><td colspan="2">Name of credit rating agency, dates of rating, and ratings awarded</td><td>N/A</td></tr>
<tr><td>Attached with other rights</td><td>Amount of common stock, GDR/ADR or other securities already converted until the date of publication of the annual report (swapped or subscribed for)</td><td>Already converted to common stock totaling NT$1,000,000</td></tr>
</table>

	Regulations for Issuance and Conversion (Swap or Subscription)	Unless (1) the period for suspension of transfer registration of common stock required by laws, (2) 15 business days prior to the date for suspension of transfer registration of allocated dividends requested by the Company, the date for suspension of transfer registration of cash dividends or the date for suspension of transfer registration of cash capital increase until the record date for allocation of rights, and (3) from the record date for capital decrease until the day prior to the trading of stock swapped upon capital decrease, the bond holders may ask Taiwan Depository & Clearing Corporation (TDCC) (hereinafter referred to as the "Depository Corporation") via the securities firm to ask the Company's stock agent to convert the Bond into the Company's common shares pursuant to the Regulations at any time from the day following expiration of one month after the Bond is issued until expiration of the Bond.
Status of potential dilution of equity by the Regulations for Issuance and Conversion, Swap or Subscription, and the issuing terms and conditions, and impact thereof on the existing shareholders' equity.		The convertible bonds would not dilute the Company's equity until the creditors request the conversion. The creditors may choose the timing more favorable to them to proceed with the conversion in the duration of conversion and, therefore, the dilution of equity would be deferred. As to the effect on the existing shareholders' equity, though the convertible corporate bonds would increase the Company's debt prior to conversion, the debt would be reduced upon conversion of the convertible bond into common stock and the shareholders' equity would be increased relatively, and the net worth per share as well. Therefore, the shareholders' equity would be protected better, in the long term.
Name of custody institute		N/A

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

Note 2: The number of spaces shall be adjusted subject to the frequency of issuance.

Note 3: To be specified, in the case of ECB.

Note 4: For example, restricting release of cash dividends or external investment, or request for maintenance of specific proportion of assets, et al.

Note 5: The private placement, if any, shall be identified in a prominent manner.

Note 6: In the case of convertible corporate bond, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method or corporate bonds with warrants, it is necessary to further disclose the information about convertible corporate bonds, exchangeable corporate bonds, corporate bonds issued under the categorical reporting method and corporate bonds with warrants by nature in a column format.

(II) Information about convertible corporate bonds

Type of corporate bond (Note 1)		4th domestic unsecured convertible corporate bond		
Item / Year		2017	2018	As of April 30, 2019 (Note 4)
Market value of convertible corporate bond (Note 2)	The Highest		106.20	113.00
	The Lowest		93.50	94.75
	Average		102.50	103.74
Conversion price			71.50	71.50
Issue (offering) date and conversion price at the time of issuance			107.09.07 71.50	107.09.07 71.50
Approaches to perform the conversion (Note 3)			Offering of new shares	Offering of new shares

Note 1: The number of spaces shall be adjusted subject to the frequency of issuance.

Note 2: In the case of multiple trading locations of ECB, please identify it by the trading locations.

Note 3: Deliver issued shares, or issue new shares.

Note 4: To specify the information available in the current year until the date of publication of the annual report.

(III) Status of corporate bonds issued under the categorical reporting method

April 30, 2019

Total amount to be raised and issued	NT$1,001,000,000
Total raised amount (including issue (offering) date and conversion price at the time of issuance)	Issuing date: 08.15.2018 Issuing amount: NT$1,001,000,000
Balance of corporate bonds issued under categorical reporting method	NT$962,300,000
Scheduled period for issuance of corporate bonds not offered	N/A

III. Issuance of Preferred Shares: N/A

IV. Status of GDR/ADR: N/A

V. Status of employee stock options: N/A

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

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

VIII. Implementation of Capital Utilization Plan:

1-1 Contents of the Plan

1. Date and Ref. No. of the approval letter from the competent authority in charge of

the relevant industry: Approval letter under Ching-Kuan-Cheng-Fa-Tze No. 1070325999 dated July 26, 2018 issued by Financial Supervisory Commission.

2. Total fund required by the Plan: NT$1,002,000 thousand.
3. Source of fund:
   (1) Issue 10,000 4th domestic unsecured convertible corporate bonds at par value of NT$1,000,000; issued by 100.1% of the par value; duration: 5 years; total issue amount: NT$1,001,000 thousand.
   (2) The balance, NT$1,000 thousand, was paid from the own capital.
4. Projects and expected progress

Project	Expected date of rectification	Total fund	Planned progress of the fund utilization
			Q3, 2018
Repayment of bank loan	Q3, 2018	1,002,000	1,002,000
Expected benefits	The Company plans to pay NT$1,002,000 thousand as the bank loan repayment. According to the repayment amount and interest rate on borrowings, we estimate the Company can save NT$3,084 thousand in interest expenditure and NT$12,331 thousand each year subsequently.		

1-2. Status

Currency unit: in NTD thousands

Project	Status			Status of progress, ahead or behind, and the cause and corrective action plan
Repayment of bank loan	Expenditure (NTD 1000)	Scheduled	1,001,000	To be executed in full per the initial progress of fund utilization
		Actual	1,001,000	
	progress (%)	Scheduled	100.00	
		Actual	100.00	
Total	Expenditure (NTD 1000)	Scheduled	1,001,000	To be executed in full per the initial progress of fund utilization
		Actual	1,001,000	
	progress (%)	Scheduled	100.00	
		Actual	100.00	

Five. Overview of operation

I. Business Contents

(I) Business lines:

(1) The Company primarily engages in:

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

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

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

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

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

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

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

H. Machinery and equipment manufacturing;

I. Machinery wholesale; and

J. Machinery and utensil retailing.

(2) Weight of business:

The Company's consolidated operating revenue, net was NT$5,386,356 thousand in 2018, primarily generated from the sale of wafer probe cards and photoelectric semi-conductor automated equipment. The weight of business for various products (services) is stated as following:

Currency unit: in NTD thousands

Product (service)	2018	
	Net sales	Weight of business %
Wafer probe card	2,578,758	47.87
Photoelectric semi-conductor automated equipment	1,546,864	28.72
Others	1,260,734	23.41
Total	5,386,356	100.00

(3) Current products (services) of the Company

A. Wafer probe card

B. Wafer probe card maintenance service

C. Wafer probing and sorting equipment

D. Probing, sorting and photoelectric inspection equipment of and components

(4) New products (services) under development

A. Wafer probe card

(a) In order to deal with the technology upgrade in the production process of the semi-conductor wafer, the Company will continue to develop the wafer probe cards with ultra-fine pitch technology, high pin count, high density, (high I/O number), less cleaning and multi-DUT.

(b) The Company will continue to develop the wafer probe card for high-speed test to keep up with the development trend of high-speed chips.

(c) To catch up with the packaging technology development and cope with different product application, the Company will continue to develop the highly-integrated wafer probe cards with FOWLP, KDG, flip chip, CIS, TSV, WLP, 2.5D and 3D stack die structures for probing.

B. Photoelectric semi-conductor automated equipment

(a) VCSEL Wafer Level Burn-in System that integrates the production process equipment of VCSEL.

(b) The market demand of Micro Display is gradually increasing; therefore, the relative mass-production equipment of the wafer level probing system and Sub-Module probing system has become our main development plan.

(c) We will continue the development of VCSEL photoelectric components in the field of 3D sensing, wafer level photoelectric probing system, packaging level probing system and module level probing device.

(II) Overview of industry

1. Overview and development of industry

A. Status of the global business

(a) Wafer probe card (semi-conductor industry)

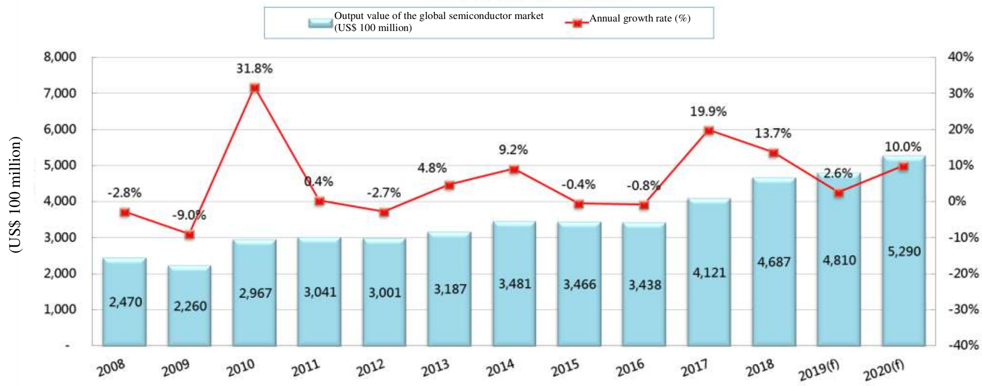
Probe card is a plated circuit board filled with probe needles. It is the interface between the probing machine and the wafer under test and analysis. When the manufacture of the wafer is complete, the probe card is needed for probing the quality of the wafer and separating the fine-quality IC (integrated circuit) from the wafer of poor quality (defective product). The process allows the fine-quality IC to enter the packaging step, and the poor-quality IC will not enter the packaging step to avoid unnecessary waste of the cost.

Each IC requires at least one corresponding probe card. The operation principle of the probe card is that the probe needles on the probe card contact with the pads or bumps on the devices under test (DUT) to perform probe test and input/output the chip signal to perform electrical measurement. Automated measuring is realized with the help of the peripheral probing instrument and controlling software.

The wafer probe test using the probe card is the back-end packaging process of the traditional semi-conductor process. Recently, the high-profile FOWLP (Fan Out Wafer Level Package) technology introduces the concept of wafer probe test in the front-end process. This changes the prominent boundary between the middle-end process and front-end/back-end process in the traditional semi-conductor process. It brings about the revolution of the packaging technology.

Whether it's the wafer probe test in the front-end process or back-end process, the purpose of it is to prevent the defective products from entering the back-end packaging process. The cost of packaging takes up a great percentage of the overall cost of IC production. Therefore, preventing the defective products from entering the back-end packaging process will result in effective cost-reduction and avoid unnecessary waste. In addition, electronic devices with slim structure, multiple functions and lower power consumption have become the trend. Advanced packaging cost will increase as a result. This is why wafer probe test technology with lower cost has become very important in the IC industry.

Global semiconductor market forecast



Source of data: Gartner (03/2019); compiled by MPI

Global semiconductor market forecast

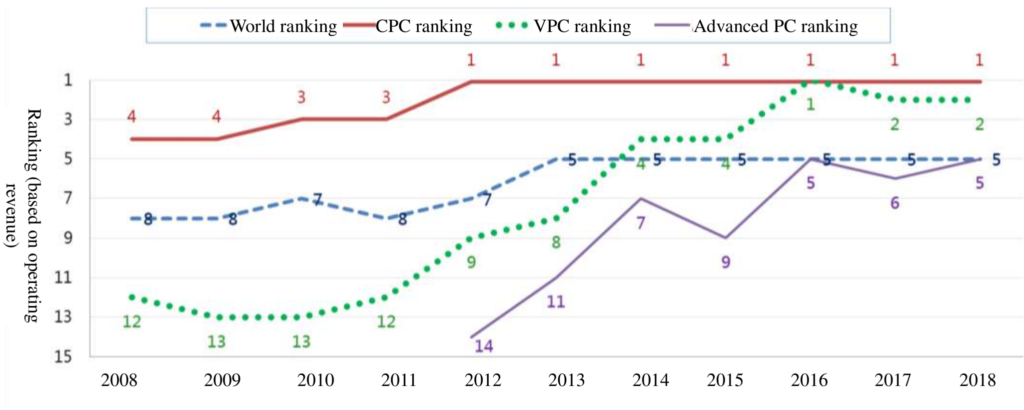
The wafer probe card is closely related to the semi-conductor industry. The rise and fall of the semi-conductor market will affect the wafer probe card market directly.

The global semi-conductor market continued to grow in 2018 thanks to the great basis in 2017. Both the sales amount and volume of the semi-conductor market in 2018 reached the all-time high. They were US$468.778 billion (annual growth: 13.7%) and 1.004 trillion pieces respectively. Recently, the market demand of consumer electronic devices decreases. And with the uncertainty of the global economy, the

2019 business conditions might hit some obstacles. Some research institutions revise down the global semi-conductor market growth in 2019. However, global research and advisory firm, Gartner, states that though the global semi-conductor market in 2019 might be very different from the conditions in 2018, it will continue to grow by 2.6% in 2019. VLSI Research, Gartner, WSTS and other renowned institutions all predict that the 2020 global semi-conductor market will recover and grow by 5 to 10% comparing with 2019.

The sales volume and amount growth of the semi-conductor market in 2020 is expectable. The production value of the 2020 global probe card market will grow together with the semi-conductor market by 7%, reaching US$1,739 million. The global semi-conductor probe card market appears to grow gradually year by year. The total production value will amount to US$2,254 million in 2023 based on the compound annual growth rate (CAGR) of 5.3%.

MPI's ranking in the global probe card market



Source of data: VLSI Research Inc. (2019/5); Compiled by MPI

MPI's ranking in the global probe card market

According to the survey report of global probe card suppliers made by the VLSI Research Inc., MPI ranked the 5th place among other suppliers in 2013. Since then, we have kept investing resources in R&D and expanded the sale in order to maintain the outstanding achievement and to pursue more excellent ranking. MPI ranked 5th place in the global probe card market in 2018. MPI took the 1st place in the global market share of epoxy/cantilever Probe cards. Moreover, MPI ranked the 2nd place in the global market share of vertical probe cards. MPI took the 5th place in the global market share of advanced probe cards.

Both our production value of probe cards and the global ranking gradually grow year by year. We have earned ourselves the leading place in the market. The operational strategies emphasize the R&D investment and technology innovation. We will keep growing by adopting leading-edge technology to maintain our competitive advantages.

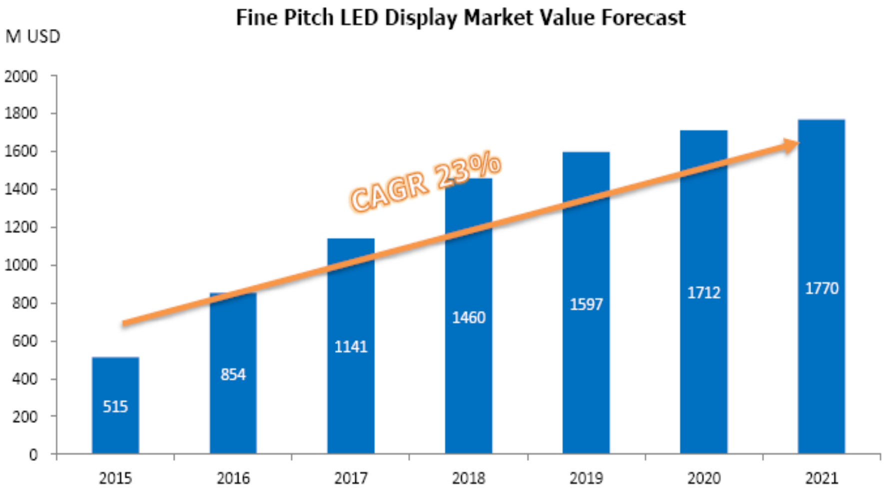
(b) Automated photoelectric semi-conductor equipment (LED industry)

A light-emitting diode (LED) is a semiconductor diode that can emit light with a specific wavelength. It is power-saving, shock-proof and its blink speed is quick. Therefore, it can be applied on a variety of fields. The process of LED may be categorized into the up-stream, mid-stream and down-stream stages. The up-stream stage refers to manufacturing the raw materials of LED such as single wafer, single crystal bar and epi-wafer. The mid-stream stage refers to epi-wafer machining, electrode and etching manufacturing and probing. The down-stream stage refers to the packaging process. The automated photoelectric semi-conductor equipment developed and manufactured by the Company provides a movable and supportive automated platform for the wafer level and IC level probing after the LED process and after/before the IC cutting for the mid-stream suppliers. Since the IC of LED is small, a piece of wafer with the size of 2 to 4 inches contains more than 10 thousand ICs. This leads to longer probing time and higher requirement and dependency for the probing device. The automated photoelectric semi-conductor equipment of the Company has advantages such as the ability to move and lift quickly. It can perform positioning with high accuracy and is highly reliable. The equipment is an indispensable tool during function testing for the LED manufacturers.

There are many kinds of LED products. Based on the wavelength, they can be categorized into visible LED and invisible (infrared rays). LED is a product of civilization that can be seen in the daily life of the modern people in the 21st Century. LED is small, energy-saving and it gives off lower heat and has longer life span. With the breakthrough of the advanced brightness technology of red, blue, green, white light, the visible LED has become the primary product type we adopt.

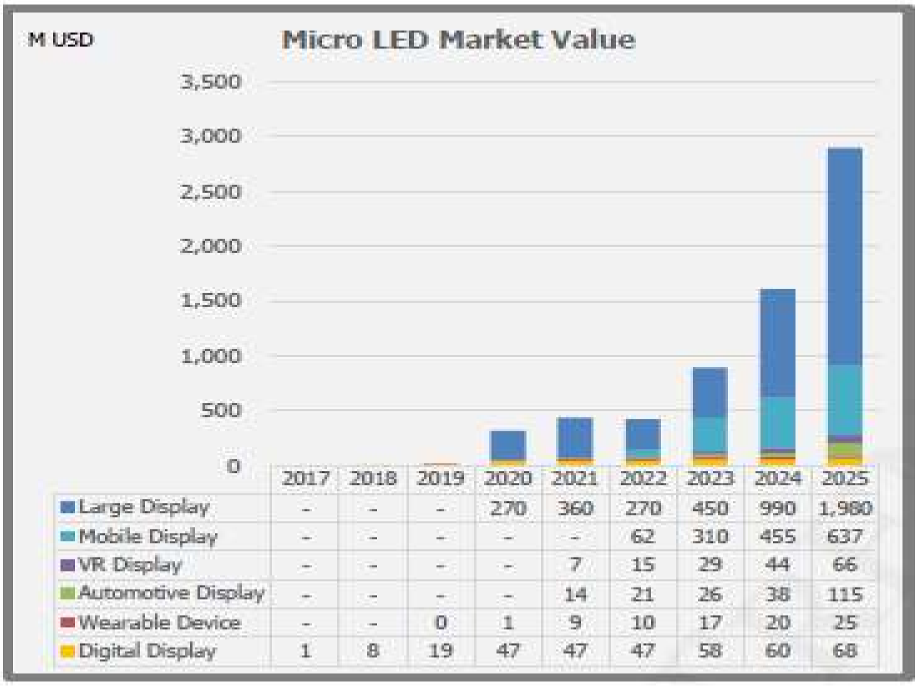
With the back-light and illumination technology, LED finds a broad application in a variety of fields. With the demand for high-brightness applications in the market, LED now can be used on indoor and outdoor large screens and displays. The manufacturing process of LED is getting even better. The fine pitch technology for

LED display can now replace the technology of LCD&DLP used for large display screens. The evaluation for the industry points out that the fine pitch LED display will become a product with the highest growth rate in the future years. With the increasing need for higher resolution, the market will grow quickly and more and more manufacturers will devote themselves to the development of related products.



Fine pitch LED Display Market Value Forecast
Source of data: Report of LEDinside in 2017

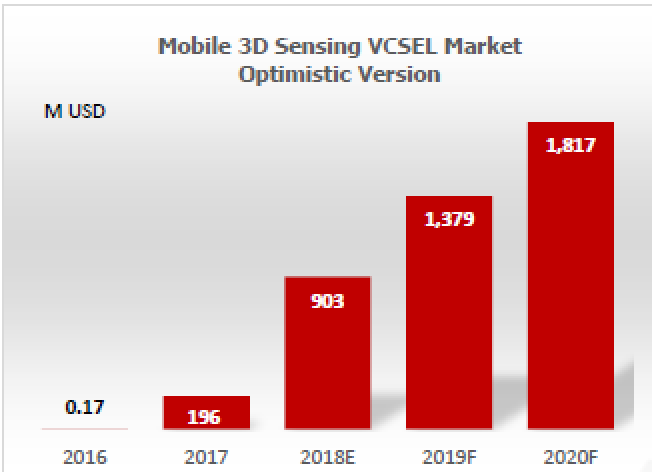
The market of the fine pitch LED display is growing rapidly. The technology of the next generation, micro LED display technology, is developing as well. According to the analysis of the research institution, LEDinside, the performance of micro LED is extraordinary. It can be used in watches, cell phones, displays for cars, AR/VR, displays and TVs. Considering the cost and technology, micro LED might be more suitable to be used in advanced TVs, displays and displays in vehicles. LEDinside predicts that micro LED will become the main stream for larger size display screens. It will take up 68% of the production value of the LED application.



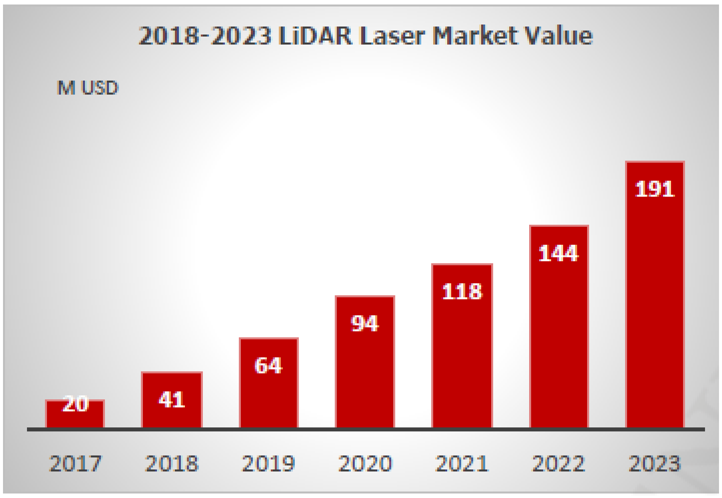
	2017	2018	2019	2020	2021	2022	2023	2024	2025
Large Display	-	-	-	270	360	270	450	990	1,980
Mobile Display	-	-	-	-	-	62	310	455	637
VR Display	-	-	-	-	7	15	29	44	66
Automotive Display	-	-	-	-	14	21	26	38	115
Wearable Device	-	-	0	1	9	10	17	20	25
Digital Display	1	8	19	47	47	47	58	60	68

2017 - 2025 Micro LED Market Value Forecast
Source of data: Report of LEDinside in 2018

Infrared ray sensing elements are found in the cell phone sensing, light detection and ranging, optical sensing elements. The new application of the infrared ray sensing elements has brought about lots of business opportunities for the industry. Especially, after the 3D facial recognition technology is introduced on the smart phones, more companies around the globe are attracted to the development of relative applications. The infrared ray technology used on LiDAR for cars are growing stably. Once traditional car companies introduce the technology, the LiDAR technology for cars will extend even more.



2018 - 2020 Mobile 3D Semsing VCSEL Market
Source of data: Report of LEDinside in 2019

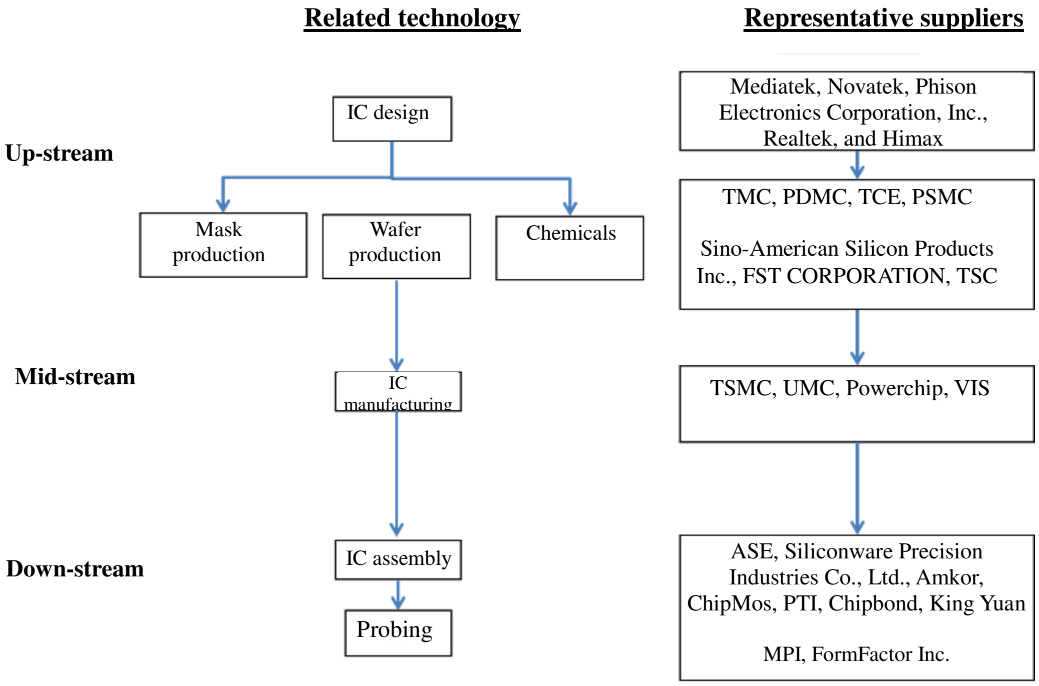


2018-2020 LiDAR Laser Market Value
Source of data: Report of LEDinside in 2019

B. Status of domestic industry

(a) Wafer probe card (semi-conductor industry)

The semi-conductor industry has developed in Taiwan for many years. Along with help and promotion from the government, the industry has a complete structure and a professional division of labor. The industry consists of the up-stream IC design, mid-stream wafer manufacturing and down-stream IC packaging and probing. In 2018, the production value of the semi-conductor industry in Taiwan grew by 6.4%, reaching NT$2.62 trillion. Industry, Science and Technology International Strategy Center, Industrial Technology Research Institute, predicts the production value of the semi-conductor industry in Taiwan will exceed NT$2.64 trillion in 2019, growing by 0.9% comparing to 2018. The development trend of the semi-conductor industry in Taiwan presents a positive growth every year. The semi-conductor industry has become the star industry that is most competitive and drives the economic growth in Taiwan.



Source of data: MPI (2019/4)

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

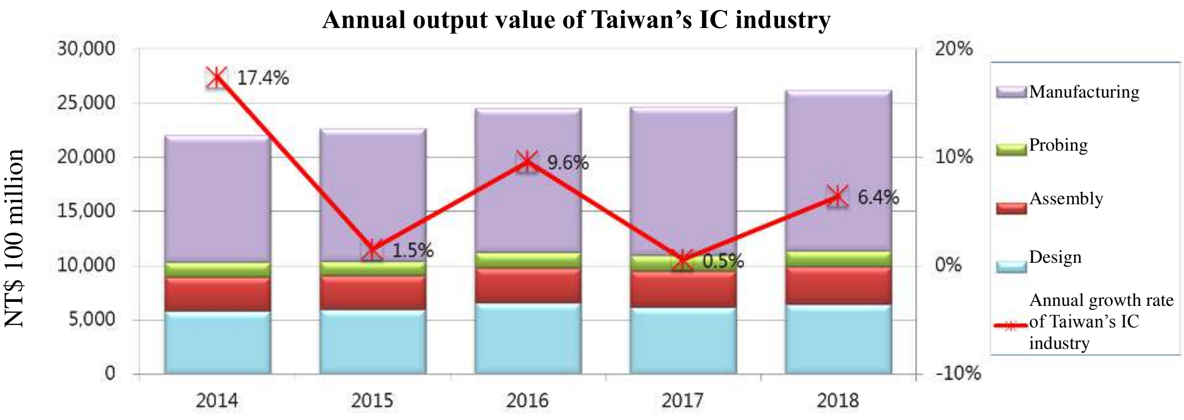
The semi-conductor industry has a close positive relationship with the global economic conditions. If the global economy is brilliant, the overall semi-conductor industry and the manufacturing sector will grow stably. This will help the growth and demand of the advanced packaging industry. With the large scale of growth of the Internet devices, the demand for data processing, computing and storage increases greatly. It helps the IoT technology, AI and high performance computing become more mature. The need for the AI and IoT end products will increase dramatically. Moreover, industrial smart manufacturing, electronics for vehicles and smart appliances have become more common. They are the new force that pushes the semi-conductor industry to keep expanding.

Output value of Taiwan's IC industry from 2014 to 2018

Unit: NT$ 100 million

	2014	2015	2016	2017	2018
Design	5,763	5,927	6,531	6,171	6,413
Assembly	3,160	3,099	3,238	3,330	3,445
Probing	1,379	1,314	1,400	1,440	1,485
Manufacturing	11,731	12,300	13,324	13,682	14,856
Wafer OEM	9,140	10,093	11,487	12,061	12,851
Memory	2,591	2,207	1,837	1,621	2,005
Output value of	22,033	22,640	24,493	24,623	26,199
Yearly growth rate	17.4%	1.5%	9.6%	0.5%	6.4%

Source of data: ITRI IEK (02/2019); Table compiled by MPI (03/2019)
Note: Output value of IC industry=output value of IC design industry+IC manufacturing industry+IC assembly industry+IC probing industry



Source of data: ITRI IEK (02/2019); Graphic made by MPI (03/2019)

2014 - 2018 IC Industry Value and Annual Growth in Taiwan

Recently, the development trend of the end products in the 5G communication, cloud computing, automobile/industry and IoT fields leads to the demand for semi-conductor. The trend fosters the needs for semi-conductor packaging in the back-end process and pushes the development of the IC packaging to develop from low end to high end and advanced packaging technology. The probe card industry relies significantly on the semi-conductor industry. Thus, the advanced packaging need due to the end-application, the continual growth of the packaging market, or the new material introduction in the semi-conductor industry will increasingly promote the growth of the probe card market.

(b) Automated photoelectric semi-conductor equipment (photonics automation industry)

3D sensing has become a trend. Many domestic companies with the ability of GaAs process have started to invest in the field of infrared ray applications. On the basis of relative technology such as RF, PA, LED, domestic companies improve their technology rapidly and reach the international standard. The main end application is dominated by the companies abroad. Most of the domestic companies entered the market as an original equipment manufacturer in the beginning.

The LED industry has always been the strength of Taiwan. Taiwan has been the bellwether in the global LED industry since the lighting and backlighting application field in the past. Before the cost of micro

LED reduces and the manufacturing problems are solved, mini LED will be the main product of Taiwanese companies. They will try to target the markets of direct-light-type backlight module and RGB display.

The Company continues to focus on the development and application of the engineering and production equipment required in the photoelectric component process. We have earned ourselves a high market share in the field of traditional LED epitaxy testing and sorting equipment. The Company cooperates with the companies that have leading technology and develop all kinds of testing equipment required in the micro LED mass production process. With the rise of the VCSEL infrared ray sensing elements, the Company collaborates with international companies and academic units to improve relevant technologies and make progress with the growth of the industry in the challenging environment.

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

The Company's main products include wafer probe cards and automated photoelectric semi-conductor equipment. The complicated machining process in the machinery industry requires lots of components/parts. Therefore, some part machining in the manufacturing process is outsourced to the subcontractors. In terms of the correlation between the up-stream and down-stream in the industry, the Company is identified as a down-stream company engaged in R&D, design & assembly and selling of various wafer probe cards and machines to companies in the semi-conductor and LED industries. The up-stream companies are responsible for supplying parts/components and raw materials including PCB, probes, microscopes, slide rails and automatic control components. The correlation between the up-stream and down-stream companies in the industry is as follows:

A. Wafer probe card:

Up-stream	Mid-stream	Down-stream
Measuring instrument industry		
PCB industry	Probes for probing	IC design industry
Ceramic industry	Special jigs	IC manufacturing industry
Synthetic resin manufacturing industry	Wafer probe card probing device	IC probing industry
Passive component industry		

B. Automated photoelectric semi-conductor equipment:

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

(3) Development trends of products

A. Wafer probe card (semi-conductor industry)

The development of the probe card industry is closely related to the development of the IC industry. For example, 3D IC, fan-out wafer level packaging, chip scale package, flip chip package, multi chip module (MCM), KGD (known good die), cooper pillar package, graphic processing chip and high-frequency probing demand all depend on various probe card probing technology.

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

①Fine pitch

In the Metrology Roadmap 2012 Update, ITRS (International Technology Roadmap for Semiconductors) disclosed that the overall semi-conductor technology would continue to make progress in the miniaturization of circuit interval. In the future, micro technology for IC process and continual miniaturization of the chip size will be the main focus. Better fine pitch technology for the wafer probe cards will be developed to comply with the requirement of IC process.

②Prevention of signal interruption

SoC has become the mainstream in terms of IC development. In the future, the IC process and function will become more complicated. Logic, memory and analog functions will be centralized on one single chip. Therefore, the difficulty for improving the wafer probe test technology will increase. And the technology to prevent signal interruption will become a challenge.

③Application of different semi-conductor materials and technology

The innovation and development of new semi-conductor process and technology will lead to the creation of different types of chip bonding pads and materials. The probe card technology will vary when using different bonding pad materials with DUT.

④High-frequency and high-speed probe card

Due to the increasing demand of 5G communication, automobile electronics, VR wireless transmission, internet application in the recent years, the demand for high-speed communication chips multiplies drastically. The demand drives the development of IC in the high-speed signal communication field. The most important thing in the design of high-speed communication chips is the signal transmission. Therefore, the impedance matching of the signal transmission path and completeness of signal are significant. The circuit design and manufacturing precision of the probe card are the development keys for ensuring the completeness of signal transmission.

⑤Multi-chip parallel probing

The number of 12” FAB grows rapidly. IC probing companies prefer the probe card that is able to complete multi-chip probing with only one contact in order to save the probing time and improve cost effectiveness. To achieve the goal, the number of the chip that can be tested simultaneously must be higher. However, the consistency between DUTs will be more difficult to reach. Moreover, if the simultaneous probing size is bigger, it will be harder to control the flatness. Therefore, better probe card design and manufacturing technology are required.

⑥Probe card for low k chip

In the field of RF application, low-k dielectrics are used as connection materials to decrease the RC delay in copper wire connection in the micro semi-conductor process. Most low-k materials are fragile with porosity; thus, it is critical to control the pin pressure range of the probe cards to avoid damaging the chip during wafer probe test.

⑦Less cleaning

The poor quality of pin contact on the probe card will fail to deliver the probing function. Cleaning thus is needed for continuous probing. However, the pin contact will be worn during cleaning the life span of the pin will decrease as a result. Therefore, developing probe cards with less cleaning need has become a key for the product.

⑧High and low temperature testing

The applicable working environment of different IC products varies. Using environment (high and low temperature) of the product shall be simulated during wafer probing to ensure the impact of temperature will not affect normal operation of the electronic circuit of the IC product. Since the impact of temperature is required to be examined in the test, the impact of temperature on the probe card has become a key during product development.

⑨High-power chip probing

The demand for high-power and high-voltage power chips rises rapidly in the industrial, communication and netcom equipment markets. This renders the IC manufacturers to develop related products. Industrial equipment, communication equipment and netcom equipment need high-power chips that allow high current input. Therefore, the development of the probe card applicable to high-power chip probing becomes a significant trend Developing probes of high current endurance and improving the current endurance of probe cards are the keys for design and development.

⑩Low contact resistance

In order to meet the requirement of energy reduction for the portable mobile devices, the voltage during the operation will become lower. As a result, contact resistance applied when the probe card is probing the chip shall not be too high. Therefore, probe card with low contact resistance is the focus of the design and development.

B. Automated photoelectric semi-conductor equipment (LED industry, VCSEL industry, Micro Display industry)

①Measuring ability

Photoelectric components are commonly used in lighting, backlight illuminating, 3D sensing and micro display products. In addition to measuring the basic optical and electrical property, the ability to measure the far field and near field of the optics types, photocurrent with different wavelengths, RGB property of the micro display and optical property with different current is the main focus of the future market.

②Precision

The sizes of the components utilized in mini and micro LEDs reduce drastically. The mechanical positioning precision of the mechanism must be improved. Shield environment ability for the automated equipment will become a basic requirement for the photoelectric components in the future.

③Automatic production

The capacity of the industry is expanding with the extending application of the photoelectric products, and more automatic equipment is introduced in the process to decrease manual operation. Highly automated equipment in line with the featurse of the photoelectric components (slim chip, low temperature testing) will be required in the industry.

④Production management

In addition to the output efficiency of a single machine, the output efficiency of a whole production line is also an important indicator for each fab. The integration of the data flow and the most efficient production process, and the application and design of machines must be improved non-stop.

(4) Status of competition of products

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

(a) Wafer probe card

According to the survey of VLSI Research and to our knowledge, there are only few companies engaged in the manufacturing and agency of wafer probe cards domestically. Most of these companies do not trade on the TWSE/GTSM market or are the branches of foreign leading manufacturers. Among the domestic wafer probe card manufacturers, MPI is the only company that is listed as the Top 10 global wafer probe card manufacturers. We have managed to maintain the ranking as one of the Top 5 for a couple of years.

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

(b) Photoelectric semi-conductor automated equipment

The Company's automated photoelectric semi-conductor equipment has earned the recognition from the customers with the outstanding technology and performance. With the growth of the photoelectric industry, more and more local equipment manufacturers start the development of related automated photoelectric semi-conductor equipment. We maintain our leading position in the highly competitive market with our own technology, the philosophy of "Customer First", and high production volume. The competitors are described as follow:

The others in the same trade	Competitive products
OPTO tech. Co., Japan	Wafer prober Die bonder
Lumitek Co.,LTD	Wafer prober
Chroma ATE Inc.	Wafer prober
ASM	Die bonder
Innobiz, Korea	Die bonder
Cascade, USA	Wafer prober
Hauman Technologies Corporation	Wafer prober
WeiMin Industrial Co., Ltd.	Wafer prober Die test device
SIDEA, China	Wafer prober
Han's Photoelectric Equipment Co.,Ltd, China	Flip-chip Wafer prober

(III) Overview of technology and R&D

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

Currency unit: in NTD thousands

Year	2018	As of March 31, 2019
R&D expenses	885,934	173,331

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

Year	Technology name/product name
2018	WAT probe card used in advanced semi-conductor process Vertical probe card with high current endurance design VCSEL wafer level automated probing device S1 Prober High-speed VCSEL die sorting equipment M60V Sorter VCSEL manual low-temperature testing device LS8T Prober VCSEL TOF package multi-probing equipment LDP80V System
2017	High-speed vertical probe card development technology Large-size spring-loaded type probe card development technology Large OD micro-distance MEMS type probe card development technology probing system LTP-100 VCSEL single chip multi-probing equipment LP76 Photocurrent and capacitance measurement technology for photo diodes Micro LED probing system C1 / M1
2016	High probing speed cantilever probe card development technology Micro-distance pin pressure vertical probe card development technology MEMS type probe card development technology for mobile communication power amplifier High-speed AOI photoelectric inspection equipment A3000 Laser wafer prober W1 / S1
2015	Micro-distance spring-loaded type probe card development

	technology High-current-resistant micro-electromechanical probe card technology development technology High-speed LED die sorting equipment M60D Flip chip CSP components Dice identification and positioning prober technology Multi-channel multi-die LED photoelectric prober and measuring technology EEL Laser Diode components prober and sorting equipment Photo Diode low-current prober and measuring equipment
2014	Wide I/O interface testing technology Micro-electromechanical epoxy/cantilever probe card development technology for co-design of chips Vertical probe card large-area needle technology development technology High-speed full-automatic white-light component prober equipment heating and testing technology Fast thermal resistance measurement technology Flat lighting measuring technology Full automatic 8-inch wafer prober P9002F

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

(1) Long-term business development plan

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

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

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

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

E. Accelerate domestic application of thin chips; and

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

(2) Short-term business development plan

A. Enhance HR training

B. Market development & marketing

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

II. Overview of market and production & marketing

(I) Market analysis

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

The Company primarily sells (provides) the products (services) in Taiwan. Other sales territory includes the USA, Japan, Europe and China. The main wafer foundries, fabless IC design companies and OSAT fabs are all customers of the Company.

(2) Market share

MPI specializes in design and manufacturing of semi-conductor wafer probe card for probing, which is the largest manufacturer in the relevant field and the few listed in GTSM in this field. Among the other competitors in the same trade, MPI is the one with the most complete production capacity, R&D and manufacturing ability and financial structure.

According to the 2018 global wafer probe card report published by VLSI Research Inc. in April 2019, MPI ranked as one of the Top 5 among the global probe card companies and was the only Taiwanese enterprise among the Top 10 probe card suppliers. MPI is the first leading probe card supplier in the cantilever probe card market.

In Taiwan, MPI is the leader in the probe card market. Our products include probe cards, cantilever probe cards, vertical probe cards, LCD driver IC, and high-frequency probe card. Our product quality and sale volume are deemed the indicators for other companies in the industry.

(3) Future supply & demand and growth of market

A. Demand:

The IC assembly size has become smaller, and the assembly cost becomes higher. Wafer probing test is now a very important part of the IC process. Therefore, consumption of wafer probe card and IC manufacturing volume are related to a certain degree.

Recently, functions of the consumable electronic products become more complicated and diverse. 5G communication, cloud computing, automobile/industrial application and IoT are developing. Consumers want the products to be light, slim, short, and small. Their demand for functionality increases. Domestic and foreign leading semi-conductor suppliers continue to increase capital expenditure and expand production capacity in order to take up more market share. In addition to the increase of chip production volume, the chip packaging technology aims at slim type chip, low-cost system and high performance. Therefore, the requirement for wafer probing test will become stricter. The design of the probe card is getting complicated, and this results in the requirement for the quality and volume of probe cards from the semi-conductor industry.

Taiwan owns the most complete cluster and professional division of work in the global semi-conductor industry. Fabless IC design company hires professional wafer foundries to manufacture wafers with its design. After front-end probing, packaging fabs will take over and perform cutting and packaging. Finally, the probing fab will perform the back-end probing.

IC Insights points out that the total capacity of Taiwanese wafer fabs took up 21.8% of the percentage around the world in 2018. Taiwan has been ranked the 1st place over the past 4 years. (The capacity of Taiwanese wafer fabs became the highest in the world in 2015. Taiwan continues to maintain the leading advantage.) The rankings (based on the percentage of fab capacity around the world) after Taiwan are Korea (21.3%), Japan (16.8%), USA (12.8%), China (12.5%).

According to the statistics published by the Tech News, in the revenue of the global semi-conductor packaging field, Taiwan accounts for 47% of it (1st place), growing by 2% compared to the 45% in 2017. Among the 2018 top 10 packing fabs in the world, 6 Taiwanese companies (ASE, Siliconware Precision Industries Co., Ltd., PTI, UTAC-Taiwan, King Yuan, Chipbond) are listed. Taiwan continues to maintain the leading position. In the future, semi-conductor market will keep expanding in Taiwan. This will push the growth of the probing business and increase the demand for probe cards used on probing directly.

B. Supply:

The competition in the global probe card market is highly-competitive. Each probe card supplier specializes in different products and technology, and collaborates with different customers. For example, some foreign suppliers tend to have more control in the memory products. As a leading company in Taiwan, MPI specializes in LCD driver IC and high-speed/high frequency probe cards. Most semi-conductor companies are MPI's customers who have cooperated with MPI for a long period of time. MPI establishes the foundation in Taiwan. We pay attention to the technology change in the domestic industry and try to expand sales territory to foreign countries in the hope to satisfy the market demand with our probe card products. Maintaining good customer relationship and customer satisfaction will always be the most important things MPI endeavors to execute.

MPI's manufacturing technology for the products of high pin count, fine pitch and high-speed/high-frequency has matured. We are the leading company with the established technology in the industry and provide the products including cantilever, vertical and MEMS probe cards. We are able to provide probe cards for general probing high-frequency probing. With the advantages of fine pitch and high DUT count, the wafer probing cost can be saved and the probing precision will increase. MPI will uphold the idea of technology innovation to continue putting ourselves in the R&D work of the advanced probe cards of the next generation.

There are only few wafer probe card manufacturers in Taiwan. However, with the increasing need of advanced chip application, the specification requirement will become stricter in the future. If the existing small-scale suppliers cannot breach the bottleneck, they might be eliminated under the circumstances.

(4) Competition niches

A. With the outstanding and stable technology and products we provide, we have established a stable cooperative relationship with the customers over the years.

B. We provide total solution, real-time customer service and know how application of relative fields for the customers.

C. Continuous innovation: In the ever-changing technology industry, the application of new technology and the demand for new technology need to be satisfied. In addition to the continuous investment of resources in R&D for ensuring our leading place, MPI invests a great amount of R&D budget for technology development, especially for new technology skill development. These will make sure MPI stays competitive in the industry and that technical barriers are created. For the market of advanced vertical probe cards, the Company has direct contact with the foreign IC design companies. We have established a close directly to establish partnership and invest lots of R&D resources to ensure the growth in the future.

D. Complete patent plan: We filed for 1,043 patent applications. A total of 767 letters of patent were granted to the Company. (As of the end of 2018.)

(5) Advantages and disadvantages for future development, and the countermeasures

A. Advantages

(A) The product quality and stability have been recognized by most domestic/foreign leading semi-conductor manufacturers. We have successfully entered the supply chain of international manufacturers. The Company is recognized as the best supplier by the public domestically.

(B) We possess complete and diversified R&D capacity and talents. We are able to make careful and complete plan with for the development trend in the industry in the future.

(C) The market tends to favor the high pin count, fine pitch and high-speed/high-frequency design for signal transmission. The Company is highly competitive since our products have high quality and are stable. We hope the expanding market demand will boost the Company's revenue.

(D) Complete product line: The Company started to manufacture automanual probing devices since 2001. With our core automated technology, we continue to develop various automatic applied technology. The products are designed to allow rapid replacement to meet different requirements. They are applicable to relative product testing in the semi-conductor industry. This will greatly reduce the risks caused by economic condition change of single-industry structure.

(E) Sensitive market control ability: We own the complete sale and service channels that can reflect the market conditions immediately as feedbacks to ensure our competitiveness.

B. Disadvantages

(A) Small-scale suppliers might engage in price war to survive in the industry. This will increase the risk in market price fluctuation.

(B) The growth of the traditional wafer probe card market is limited. Therefore, it is necessary to continue developing MEMS and vertical probe card technology to satisfy the need resulting from the substantial growth of the advanced packaging.

(C) Most of the precise mechanical parts of automated probing equipment are imported from abroad. The cost is high and the delivery period is long. These might cause difficulty for on-time delivery to the domestic customers.

C. Countermeasures

(A) We will upgrade the production quality of wafer probe cards and shorten the delivery term to satisfy customers' need and get a reasonable price.

(B) We will invest resources in R&D to cope with new technical challenges and ensure our leading position.

(C) We will improve the probing equipment business and perform market survey to increase the accuracy of market demand forecast. Moreover, we will establish the safety inventory amount for parts/components imported from abroad according to the market demand. Semi-finished product inventory system will be established to ensure the fulfillment of the delivery term.

(II) Important purpose and manufacturing processes of main products

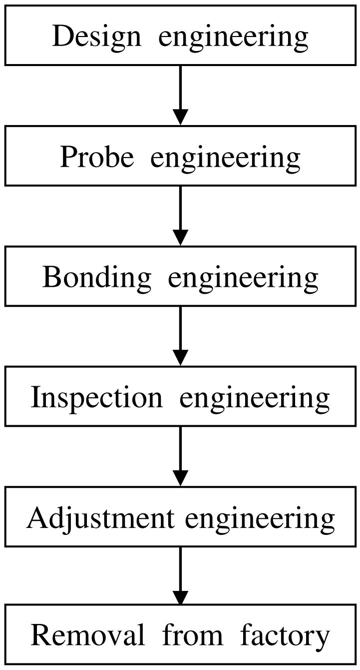
(1) Important purpose of main products:

Product or service	Main purpose or function
Wafer probe card for wafer probing	The measuring interface at the wafer probing stage is the bridge between the wafer to be tested and the probing device. It is widely used on the wafer level probing for logic components, memory components and LCD driver components.
Wafer probe card for LCD Driver IC Fina1 Test	The testing interface after packaging is the bridge of signal transmission between the LCD Driver IC to be tested, tape and the probing device.
Vertical probe card	The measuring interface at the wafer probing stage is designed for the wafer probing and need for flip-chip products.
MEMS probe card	The measuring interface at the wafer probing stage is designed for the wafer probing and need for flip-chip products.
Photoelectric semi-conductor die testing equipment	It is used to test the optical properties of the die and perform data analysis for the bin value after the photoelectric semi-conductor wafer is manufactured.
Photoelectric semi-conductor die testing and sorting equipment	It is used on the sorting of dies based on their optical properties after the photoelectric semi-conductor die is manufactured.
Photoelectric semi-conductor packaging and bonding equipment	Bonding equipment for photoelectric semi-conductor components and substrates.
Automatic AOI equipment	The equipment will sort out and mark the die with

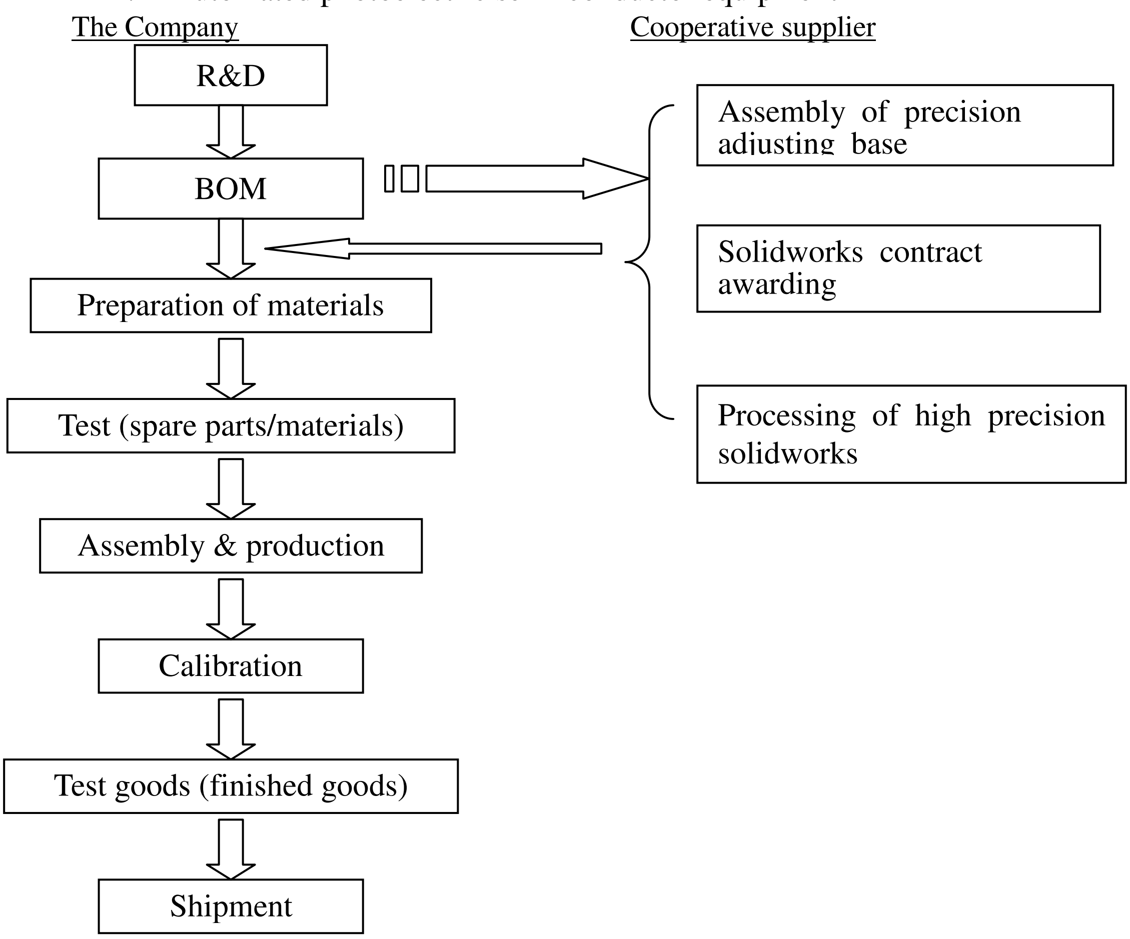
	defects by adopting AOI after the photoelectric semi-conductor testing and sorting are complete.

(2) Manufacturing process of products

A. Wafer probe card



B. Automated photoelectric semi-conductor equipment



(III) Supply of main raw materials

The Company's main products include wafer probe cards and automated photoelectric semi-conductor equipment. The raw materials of wafer probe cards include PCB, probe and tube, etc. The raw materials of automated photoelectric semi-conductor equipment include microscope, lathe, milling machine, screw rail, motor and industrial computer. The Company maintains great partnership with domestic/foreign raw material suppliers. Moreover, we have 2 or more suppliers for the key materials and parts/components to keep the procurement choice flexible and reduce the risk of concentrated procurement of raw materials.

(IV) Name list of principal suppliers and clients

(1) Name list of any suppliers that have supplied 10 percent or more of the Company's procurement in the recent two (2) years

Unit: NT$ thousands

2017				2018				As of Q1, 2019			
Name	Amount	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount	Annual net purchase ratio (%)	Relationship with the issuer	Name	Amount	Net procurement ratio as of Q1 of the current year (%)	Relationship with the issuer
Others	1,523,616	100.00%	N/A	Others	1,781,425	100.00%	N/A	Others	291,195	100.00%	N/A
Net procurement	1,523,616	100.00%		Net procurement	1,781,425	100.00%		Net procurement	291,195	100.00%	

Analysis of variations: The Company had no supplier that supplied 10 percent or more of the Company's procurements in 2017 or 2018.

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

Unit: NT$ thousands

2017				2018				As of Q1, 2019			
Name	Amount	Annual net sales ratio (%)	Relationship with the issuer	Name	Amount	Annual net sales ratio (%)	Relationship with the issuer	Name	Amount	Net sales ratio as of Q1 of the current year (%)	Relationship with the issuer
Others	4,448,454	100.00%	N/A	Others	5,386,356	100.00%	N/A	Others	1,229,404	100.00%	N/A
Net sales	4,448,454	100.00%		Net sales	5,386,356	100.00%		Net sales	1,229,404	100.00%	

Analysis of variations: The Company had no customer that we sold 10 percent or more of the Company's sales in 2017 or 2018.

(V) Production value over the last two (2) years

Quantity: probe card: PIN
Unit Quantity: Prober: set
Value: NT$ thousand

Year / Production value / Main products (or by department)	2017			2018		
	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Wafer probe card	9,600,000	8,647,103	1,437,365	12,360,000	11,252,311	1,686,130
Automated photoelectric semi-conductor equipment Automated equipment	1,494	1,462	963,715	800	711	599,958
Total	9,601,494	8,648,565	2,401,080	12,360,800	11,253,022	2,286,088

(VI) Sales value over the last two years

Quantity: probe card: PIN
Unit Quantity: Prober: set
Value: NT$ thousand

Year / Sale volume Value / Main products (or by department)	2017				2018			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer probe card	5,164,872	1,404,069	3,443,074	1,001,936	5,094,953	1,479,426	5,352,791	1,099,332
PAutomated photoelectric semi-conductor equipment Automated equipment	54	114,590	976	1,120,444	132	194,314	1,389	1,352,550
Others		189,705		617,710		28,694		1,232,040
Total		1,708,364		2,740,090	1	1,702,434		3,683,922

III. Employee information

Information about the employees employed for the recent two (2) years and as of the date on which the annual report is printed

Year		2017	2018	As of April 30, 2019
Number of employees	Indirect employees	813	875	866
	Direct employees	697	648	665
	Total	1510	1523	1531
Average age		34.7	35.3	35.5
Average years of service		6.19	6.75	7.62
Qualification (%)	Doctoral degree	0.26	0.26	0.26
	Master’s degree	16.23	15.56	15.87
	University/college	68.08	68.88	68.71
	High school	14.97	14.71	14.57
	Below high school	0.46	0.59	0.59

IV. Environment protection expenditure information

The Company has acquired the certificate for environmental management system (ISO 14001). We review the impact of the process on the environment and continue to make improvement. The Company has established a service unit responsible for managing, maintaining and improving the environmental management system. It is also responsible for the external and internal communication regarding environmental issues. The impact our products have on the environment during the manufacturing process is slight. The main pollution includes waste, air pollution and wastewater. We put emphasis on pollution prevention work to reduce the impact on the environment. MPI endeavors to the establishment of the pollution prevention equipment, hoping to decrease the effect of pollution under effective management. We perform inspections on the operations, and the employees in charge of the production line have better environmental awareness now. The Company establishes annual improvement plan and executes control on the discharge of polluted air, water and waste in the hope to prevent pollution and realize our commitment to reducing environmental impact.

The Company has acquired the certificate for energy management system (ISO50001). We learn from system operation that the main energy consumption occurs in the use of the electricity and, thus, we try to reduce the consumption of the electricity as much as possible. We set the energy performance indicator to an average annual energy saving rate of more than 1%.

(I) A permit for polluting facility establishment or a pollution discharge permit must be acquired, the pollution prevention fee must be paid or a designated unit for environmental protection must be established according to the legislations. The status of the application, payment and establishment are listed down below:

1. According to the environmental protection laws and regulations, the Company's 2nd Plant in Zhubei, Xinpu Plant and Hukou Plant have acquired the water pollution prevention permit and operation permit for stationary sources of pollution. Designated personnel for polluted water discharge (class B) and designated personnel for air pollution prevention (class A) are established.
2. The Company reports and pays the pollution prevention fee according to the environmental protection laws and regulations.

(II) The investment for pollution prevention equipment of the Company, the purpose of the Company and its potential benefits:

The pollution prevention equipment is used to process the wastewater and gas from the manufacturing process to reduce environmental pollution and comply with the environmental laws and regulations.

(III) The process of environmental pollution reduction of the Company, and the process of pollution dispute handling (if there's any) in the recent 2 years and as of the date on which the prospectus is printed shall be described: The Company did not cause any environmental pollution in the recent 2 years and as of the date on which the prospectus is printed.

(IV) Describing the losses and the total penalty/fine amount of the Company due to environmental pollution incidents occurred in the most recent two fiscal years and up to the publishing date of the prospectus, as well as disclosing the future preventive policies and possible expenses to be incurred (including possible loss if no preventive measures are taken, and the penalties and estimated damage compensation amount. Please state the reasons if losses can not be reasonably estimated): N/A.

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

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

V. Labor relations

(I) Availability and execution of employee welfare, education, training and retirement policies. Elaborate on the agreements made between employers and employees, and the protection of employees' rights:

1. Employee welfare:

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

(1) Favorable yearly salary for the promotion of the quality of life.
(2) Dragon Boat Festival and Mid-Autumn Festival bonus, annual bonus and gift certificates for the three major holidays.
(3) Employee bonus for the sharing of profits.
(4) Regular wage adjustment based on the work performance.
(5) Performance bonus based on the work performance.
(6) Besides domestic and overseas tours provided by the Company, we provide travel/book purchasing subsidies.
(7) Paid annual leaves and floating leaves that are superior than what is required in the Labor Standards Act. Days of annual leaves can be immediately used since the on-board date.
(8) The canteen established by the Company provides four free meals per day (including night snack) to take care of the health of the employees.
(9) Free health examinations are available to employees every year. We employ professional physicians to provide free health consultation for the employees at factories twice every month.
(10) Offering subsidy for housing, free parking lots for automobiles and motorcycles, fitness and aerobics rooms etc.
(11) Comfortable reading place with free books, newspapers, and magazines.
(12) Cafe and compound convenience stores ran by the factories providing staff prices and the selling of coupons
(13) Subsidies for wedding, funeral and childbirth.
(14) Comprehensive education and training
(15) Labor, health and group insurance and labor pension

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

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

Continuing education and training of employees:

Item	Number of class	Total number of person	Total hours	Total fees
1. Orientation training	4	224	1,849	0
2. Professional competency training	225	674	6,204	1,429,780
3. Supervisor's competency training	57	184	3,524	1,262,183
4. General education training	45	146	1,209	225,330
5. Self-inspiration training	34	1,597	3,800	584,314
Total	365	2,825	16,586	3,501,607

3. Retirement system and the status of its implementation:

Retirement - Applicable to those who chose the old system

The Company allocates the retirement reserve fund every month in accordance with the related regulations of the government and established the Labor Retirement Reserve Supervisory Committee to manage matters in relation to retirement.

In any of the following circumstances, the employee shall apply for voluntary retirement:

I. Where the employee ages at least 55 and worked for 15 years or more.

II. Where the employee worked for 25 years or more.

III. Where the employee ages at least 60 and worked for 10 years or more.

In any of the following circumstances, the employee shall be forced to retire:

I. Where the employee ages at least 65.

II. Where the employee is unable to perform his/ her duties due to mental incompetency or disability.

The business entity may request the central competent authority to adjust the age prescribed in Subparagraph 1 of the preceding paragraph if the specific job entails risk, requires substantial physical strength or otherwise of a special nature. However, the age shall not be reduced below 55.

The household registration data shall be used as the standard to determine the retirement age of the employee and the age shall be fully calculated since the date of birth.

The criteria for payment of employee pensions shall be as follows:

I. Two bases are given for each full year of service rendered. But for the years of service over 15 years, one base is given for each full year of service rendered. The total number of bases shall be no more than 45. For other years of service, the length of service is calculated as half year when it is less than six months and as one year when it is more than six months.

II. As set forth in Subparagraph 2 of Article 61, an additional 20% on top of the amount calculated according to the preceding subparagraph shall be given to employees forced to retire due to mental incompetency or disability incurred from the execution of their duties.

The retirement pension base shall be one month's average wage of the employee at the time when the retirement is approved. The average wage means the total wages obtained within 6 months before the date of retirement divided by 6. When calculating the average wage, wages and the number of days in the following days or periods shall be excluded from calculation:

I. The date of retirement of the employee.

II. The period of medical treatment for occupational injury.

III. Female employees receiving wages at half of the regular payment because their period of service is less than six months and they are unable to work due to maternity leave.

IV. Where, due to a natural disaster, an unexpected event, or other force majeure, the employer cannot continue business operations which results in employees are unable to work.

V. The period when the employee receiving wages at half of the regular payment or no payment due to ordinary sickness or unpaid leave.

The pensions shall be paid within 30 days from the day of retirement.

The right of a employee to claim retirement benefits shall be aborted if it is not exercised within five years from the month following the effective date of retirement.

Other related matters regarding the retirement is conducted in accordance with the employee retirement plan of the Company and the Labor Standards Act.

Retirement - Applicable to those who chose the new system

The Company allocates the labor pension every month in accordance with Labor Pension Act of the government and established the Labor Retirement Reserve Supervisory Committee to manage matters in relation to retirement.

The central competent authority shall entrust the Bureau of Labor Insurance to take charge of the revenues, expenditures and safeguard of labor pension, the imposition of late payment charges and the compulsory execution.

For employees who work for the Company after the enforcement of new labor retirement system, their seniority prior to their application to the new system shall be temporarily reserved. When the labor contract complies with each retirement regulations of the Labor Standards Act, the Company shall use the average wage at the time of terminating labor contract to calculate the severance or retirement payment for the reserved seniority in accordance with the regulations of each laws.

The amount of labor pension borne by the Company shall not be less than 6% of the employee's monthly wage.

The labor pension for an employee counts from the first date of employment to the date that the employee resigns.

The Company shall apply and report in writing to the Bureau of Labor Insurance for terminating the contribution to the pension within 7 days from the date when an employee is on leave without pay, serving in military, suspended from duties because of lawsuit or detained prior to a final judgment of the court. The labor pension shall be paid and calculated as follows:

I. Employees who begin their work or resign and are re-employed after July 1, 2005, shall be subject to the new labor retirement system. Employee who is sixty years or older (free from the restriction of the years of service) may claim for the accumulated pension in their individual accounts to which the new labor retirement systems apply from the Bureau of Labor Insurance.

II. Monthly pension payment: 1.The principal and accrued dividends from the employee's individual account of labor pension are paid in fixed installments. The amount of each installment shall be calculated based upon the life chart of annuity, average life expectancy, interest rate and other factors.

III. Lump-sum payment: The principal and accrued dividends from an employee's individual account of labor pension are claimed in lump sum at one time. The return rate generated from the utilization of employees' pension contributed in accordance with this Article shall not be less than the interest rate of a two-year fixed term deposit by local banks; in the event of any deficiency, the Treasury shall make up the shortfall.

4. Agreements between labor and management:
   The Company is a business applicable under Labor Standard Law, operates in accordance with Labor Standard Law and has a harmonious labor relation.
5. Measures to preserve the rights and interests of employees:
   The Company upholds the philosophy of sharing earnings with employees by

defining the ratio of employee bonus in the Articles of Incorporation to encourage the participation of employees in the management. Meanwhile, the Company has installed the "Opinion Mailbox" to promote the suggestion system. Any approaches for improvement or suggestions helpful for the management or system or facilities of the Company may be sent to the Mailbox. To encourage employees to put forward suggestions, the Company will grant reward subject to the circumstances to provide a communication and opinion exchange channel for employees in life and work.

6. Work environment and protection measures against the personal safety of employees:

   In order to build a safe environment, the Company assigns security guards to guard at the entrance of the Company for 24 hours a day, and installs the access control system and CCTV at various entries/exits. Parking lots are equipped with emergency call buttons. Meanwhile, the Company will inspect and maintain various facilities including the buildings, fire protection equipment, electric equipment, fountains and elevators periodically to protect the personal safety of employees.

   The Company has passed the certification of the Occupational Safety and Health Management System (OHSAS) 18001:2007. The dedicated department and personnel for the occupational safety are responsible for the planning, execution and supervision of related operations, educational training and external and internal communication. We established the Occupational Safety and Health Committee in compliance with the Occupational Safety and Health Act and regularly hold a meeting every three months to implement the occupational safety and health management of the employees and further protect the safety and health of employees. The Company has established the disaster prevention and management regulations for labor safety and health, emergent response and safety and health of contractors and has work rules of labor safety and health. Meanwhile, we conduct self-inspection and safety and health education and drills necessary for the prevention of disaster every month to increase employees' awareness of the hazards in the work environment and their emergency response capability and to ensure the efficiency of the implementation of the emergency response plan.

   For possible factors that may have impact on the safety and health of employees in the workplace, the Company arranges regular cleaning, disinfection and operating environment inspections. We provide free health examination for the employees every year, employ physicians to factories for health consultation and organize health promotion activities to provide employees with a comfortable and safe work environment.

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

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

VI. Important contract

Nature of contract	Concerned party	Duration	Contents	Restrictive clause
Lease contract	Chain-Logic International Corp.	2014/12/21~2017/12/20 The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Subletting the factory premises building at Wenshan Road, Xinpu Township, Hsinchu County	N/A
Lease contract	Non-related party	2016.1.1～2020.12.31	Lease agreement for production equipment and machine effective for 5 years	N/A
Long-term loan contract	Land Bank of Taiwan - Tunghsinchu Branch	2009.03.02~2022.03.02	Loan secured by land and building	
Long-term loan contract	Land Bank of Taiwan - Tunghsinchu Branch	2015.09.30~2020.09.30	Loan secured by land and building	
Long-term loan contract	Land Bank of Taiwan - Tunghsinchu Branch	2017.11.28~2020.11.28	Loan secured by land and building	
Agency contract	Chain-Logic International Corp.	2007/08/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing. Re-sign a new contract on January 1, 2011	Trading and payment of commission of semi-conductor equipment	N/A

Six. Overview of finance

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

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

1. Condensed balance sheet

Unit: NTD thousands

Item \ Year		Financial information in the most recent 5 years (Note 1)					Financial information up to March 31, 2019 (Note 3)
		2014	2015	2016	2017	2018	
Current assets		3,598,049	3,145,811	3,662,553	4,066,956	4,889,193	4,629,159
Real estate, plant and equipment		2,167,777	2,962,969	2,971,021	3,294,748	3,030,643	2,908,265
Intangible assets		69,274	81,467	35,923	41,424	41,575	35,855
Other assets		551,709	461,224	595,497	304,551	228,787	391,944
Total assets		6,387,417	6,651,471	7,264,994	7,707,679	8,190,198	7,965,223
Current liabilities	Before distribution	1,973,673	2,714,026	2,974,021	3,267,355	3,059,027	2,681,426
	After distribution	2,292,095	2,952,842	3,308,364	3,307,306	(Note 3)	N/A
Non-current liabilities		670,881	289,017	331,191	655,423	1,014,240	1,061,460
Total liabilities	Before distribution	2,644,554	3,003,043	3,305,212	3,922,778	4,073,267	3,742,886
	After distribution	2,962,976	3,241,859	3,639,555	3,962,729	(Note 3)	N/A
Equity attributable to the parent company		3,725,704	3,632,590	3,946,956	3,767,978	4,106,841	4,212,264
Capital stock		795,364	796,054	796,054	799,014	799,014	799,014
Capital surplus		885,012	871,572	885,735	909,204	977,255	977,141
Retained earnings	Before distribution	2,004,556	1,972,546	2,295,344	2,102,069	2,384,802	2,476,711
	After distribution	1,686,134	1,733,730	1,961,001	2,062,118	(Note 3)	N/A
Other equities		40,772	26,872	(30,177)	(42,309)	(54,230)	(40,602)
Treasury stock		0	(34,454)	0	0	0	0
Non-controlling interests		17,159	15,838	12,826	16,923	10,090	10,073
Total equity	Before distribution	3,742,863	3,648,428	3,959,782	3,784,901	4,116,931	4,222,337
	After distribution	3,424,441	3,409,612	3,625,439	3,744,950	(Note 3)	N/A

Note 1: Said information was already audited and certified by the CPA.
Note 2: Said titles are free from revaluation of assets.
Note 3: The motion for distribution of earnings in 2018 has not yet been resolved by the shareholders' meeting. Therefore, no amount after distribution is identified.

2. Condensed comprehensive income statement

Unit: NTD thousands

Item \ Year	Financial information in the most recent 5 years (Note 1)					Financial information up to March 31, 2019 (Note 3)
	2014	2015	2016	2017	2018	
Operating revenue	4,156,132	4,013,170	4,961,755	4,448,454	5,386,356	1,229,404
Gross profit	1,936,519	1,796,111	2,296,862	1,759,911	2,140,251	486,465
Operating profit or loss	557,667	319,840	685,942	179,679	323,282	87,951
Non-operating revenue and expense	41,716	39,674	(34,454)	25,151	74,336	17,166
Profit before tax	599,383	359,514	651,488	204,830	397,618	105,117
Net profit of continuing department	517,298	294,141	560,837	149,267	337,628	92,038
Loss of discontinued department	0	0	0	0	0	0
Net profit (loss)	517,298	294,141	560,837	149,267	337,628	92,038
Other comprehensive income (after tax)	11,935	(22,950)	(59,284)	(16,234)	(19,837)	13,482
Total comprehensive income	529,233	271,191	501,553	133,033	317,791	105,520
Net profit attributable to parent company	517,636	294,820	563,279	145,767	334,562	91,909
Net profit attributable to non-controlling interests	(338)	(679)	(2,442)	3,500	3,066	129
Total comprehensive income attributable to parent company	529,102	272,512	504,565	128,936	315,339	105,537
Total comprehensive income attributable to non-controlling interests	131	(1,321)	(3,012)	4,097	2,452	(17)
EPS	6.62	3.71	7.09	1.83	4.19	1.15

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

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

1. Condensed balance sheet

Unit: NTD thousands

Item \ Year		Financial information in the most recent 5 years (Note 1)				
		2014	2015	2016	2017	2018
Current assets		3,291,927	2,807,369	3,226,583	3,516,619	4,267,706
Real estate, plant and equipment		1,930,339	2,595,075	2,612,388	2,931,444	2,784,489
Intangible assets		23,490	35,739	35,293	40,955	41,237
Other assets		991,179	1,097,297	1,256,904	1,139,890	1,040,923
Total assets		6,237,543	6,535,480	7,131,168	7,628,908	8,134,355
Current liabilities	Before distribution	1,847,374	2,620,794	2,907,588	3,224,908	2,965,539
	After distribution	2,165,796	2,859,610	3,241,931	3,264,859	(Note 3)
Non-current liabilities		664,465	282,096	276,624	636,022	1,061,975
Total liabilities	Before distribution	2,511,839	2,902,890	3,184,212	3,860,930	4,027,514
	After distribution	2,830,261	3,141,706	3,518,555	3,900,881	(Note 3)
Equity attributable to the parent company		3,725,704	3,632,590	3,946,956	3,767,978	4,106,841
Capital stock		795,364	796,054	796,054	799,014	799,014
Capital surplus		885,012	871,572	885,735	909,204	977,255
Retained earnings	Before distribution	2,004,556	1,972,546	2,295,344	2,102,069	2,384,802
	After distribution	1,686,134	1,733,730	1,961,001	2,062,118	(Note 3)
Other equities		40,772	26,872	(30,177)	(42,309)	(54,230)
Treasury stock		0	(34,454)	0	0	0
Non-controlling interests		0	0	0	0	0
Total equity	Before distribution	3,725,704	3,632,590	3,946,956	3,767,978	4,106,841
	After distribution	3,407,282	3,393,774	3,612,613	3,728,027	(Note 3)

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

Note 2: Said titles are free from revaluation of assets.

Note 3: The motion for distribution of earnings in 2018 has not yet been resolved by the shareholders' meeting. Therefore, no amount after distribution is identified.

2. Condensed comprehensive income statement

Unit: NTD thousands

Item \ Year	Financial information in the most recent 5 years (Note 1)				
	2014	2015	2016	2017	2018
Operating revenue	3,968,652	3,838,093	4,422,606	3,905,162	4,704,220
Gross profit	1,776,591	1,677,564	2,154,290	1,536,466	1,887,597
Operating profit or loss	515,834	284,107	636,251	118,816	318,625
Non-operating revenue and expense	76,126	54,570	(2,636)	53,588	62,144
Profit before tax	591,960	338,677	633,615	172,404	380,769
Net profit of continuing department	517,636	294,820	563,279	145,767	334,562
Loss of discontinued department	0	0	0	0	0
Net profit (loss)	517,636	294,820	563,279	145,767	334,562
Other comprehensive income (after tax)	11,466	(22,308)	(58,714)	(16,831)	(19,223)
Total comprehensive income	529,102	272,512	504,565	128,936	315,339
Net profit attributable to parent company	517,636	294,820	563,279	145,767	334,562
Net profit attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to parent company	529,102	272,512	504,565	128,936	315,339
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
EPS	6.62	3.71	7.09	1.83	4.19

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

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

Year	Firm Name	Name of CPA	Audit opinions
2014	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2015	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Modified unqualified opinions
2016	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Unqualified opinions
2017	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Unqualified opinions
2018	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Unqualified opinions

II. Financial analysis in the most recent five years

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

Item (Note 3)	Year (Note 1)	Financial information in the most recent five (5) years				
		2014	2015	2016	2017	2018
Financial structure	Debt to assets ratio (%)	41.40	45.15	45.50	50.89	49.73
	Long-term funds to PPE ratio (%)	203.61	132.89	144.43	134.77	169.31
Solvency	Current ratio (%)	182.30	115.91	123.15	124.47	159.83
	Quick ratio (%)	88.49	50.99	54.01	51.98	72.68
	Times interest earned ratio	186.11	27.84	34.43	12.72	17.92
Utility	Receivables turnover ratio (time)	6.37	4.97	5.81	4.99	5.38
	Average cash collection days	57.30	73.44	62.82	73.14	67.84
	Inventory turnover ratio (time)	1.38	1.33	1.48	1.27	1.34
	Payables turnover ratio (time)	4.89	4.89	6.48	6.37	7.19
	Average sales days	264.49	274.43	246.62	287.40	272.39
	PPE turnover ratio (time)	2.21	1.56	1.67	1.42	1.70
	Total asset turnover ratio (time)	0.75	0.62	0.71	0.59	0.68
Profitability	ROA (%)	9.37	4.68	8.29	2.19	4.48
	ROE (%)	15.19	7.96	14.74	3.85	8.55
	Income before tax to paid-in capital ratio (%)	75.36	45.16	81.84	25.64	49.76
	Net profit margin (%)	12.45	7.33	11.30	3.36	6.27
	EPS (NT$) (Note 2)	6.62	3.71	7.09	1.83	4.19
Cash flow	Cash flow ratio (%)	21.58	-5.82	32.59	-6.92	26.36
	Cash flow adequacy ratio (%)	49.49	17.37	33.85	24.41	37.44
	Cash flow reinvestment ratio (%)	5.17	-9.89	13.45	-9.56	11.11
Leverage	Operating leverage	2.81	4.37	2.70	7.05	4.73
	Financial leverage	1.01	1.04	1.03	1.11	1.08

Please describe the causes resulting in changes in financial ratios in the most recent 2 years. (Not required, if the changes are less than 20%)

(1) The increase in long-term fund to property, plant and equipment: This is due to the increase in profitability and interests and the increase in the non-current liabilities due to the issuing of corporate bonds.
(2) Increase in current ratio and quick ratio: This is due to the increase in the cash and cash equivalents and the decrease in short-term bank loans.
(3) Increase in times interest earned ratio: This is due to the increase in the earnings before interest and tax.
(4) Increase in ROA, ROE and net profit margin: This is due to the increase in the current after-tax net income.
(5) Increase in income before tax to paid-in capital ratio: This is due to the increase in the current net income before tax.
(6) Increase in EPS: This is due to the increase in the profit attributable to parent company resulting from the increase in profitability.
(7) Increase in the ratio, adequacy ratio and reinvestment ratio of the cash flow: This is due to the increase in the current net cash inflow from operating activities.
(8) Decrease in operating leverage: This is due to the increase of net operating income and variable costs and expenses of sales was smaller than the increase in the operating income.

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

Item (Note 3)		Year (Note 1) Financial information in the most recent five (5) years 2014	2015	2016	2017	2018
Financial structure	Debt to assets ratio (%)	40.27	44.42	44.65	50.61	49.51
	Long-term funds to PPE ratio (%)	227.43	150.85	161.68	150.23	185.63
Solvency	Current ratio (%)	178.19	107.12	110.97	109.05	143.91
	Quick ratio (%)	86.51	44.71	43.14	38.31	59.03
	Times interest earned ratio	197.86	26.70	35.05	11.27	17.66
Utility	Receivables turnover ratio (time)	5.9	4.43	5.47	4.82	5.0
	Average cash collection days	61.86	82.39	66.73	75.73	73
	Inventory turnover ratio (time)	1.42	1.29	1.31	1.15	1.21
	Payables turnover ratio (time)	5.16	4.95	5.87	5.93	6.62
	Average sales days	257.04	282.95	278.63	317.39	301.65
	PPE turnover ratio (time)	2.28	1.70	1.70	1.41	1.65
	Total asset turnover ratio (time)	0.73	0.60	0.65	0.53	0.6
Profitability	ROA (%)	9.59	4.79	8.47	2.16	4.48
	ROE (%)	15.27	8.01	14.86	3.78	8.5
	Income before tax to paid-in capital ratio (%)	74.43	42.54	79.59	21.58	47.65
	Net profit margin (%)	13.04	7.68	12.74	3.73	7.11
	EPS (NT$) (Note 2)	6.62	3.71	7.09	1.83	4.19
Cash flow	Cash flow ratio (%)	13.09	-2.14	29.45	-12.73	23.16
	Cash flow adequacy ratio (%)	46.05	18.11	34.64	19.32	31.01
	Cash flow reinvestment ratio (%)	1.54	-8.03	12.06	-11.91	10.03
Leverage	Operating leverage	2.88	4.86	2.68	9.24	4.41
	Financial leverage	1.01	1.05	1.03	1.16	1.08

Please describe the causes resulting in changes in financial ratios in the most recent 2 years. (Not required, if the changes are less than 20%)

(1) The increase in long-term fund to property, plant and equipment: This is due to the increase in profitability and interests and the increase in the non-current liabilities due to the issuing of corporate bonds.
(2) Increase in current ratio and quick ratio: This is due to the increase in the cash and cash equivalents and the decrease in short-term bank loans.
(3) Increase in times interest earned ratio: This is due to the increase in the earnings before interest and tax.
(4) Increase in ROA, ROE and net profit margin: This is due to the increase in the current after-tax net income.
(5) Increase in income before tax to paid-in capital ratio: This is due to the increase in the current net income before tax.
(6) Increase in EPS: This is due to the increase in the profit attributable to parent company resulting from the increase in profitability.
(7) Increase in the ratio, adequacy ratio and reinvestment ratio of the cash flow: This is due to the increase in the current net cash inflow from operating activities.
(8) Decrease in operating leverage: This is due to the increase of net operating income and variable costs and expenses of sales was smaller than the increase in the operating income.

Equation of financial analysis:

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

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

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

1. Financial structure
   (1) Debt to assets ratio = Total liabilities / total assets.
   (2) Long-term funds to PPE ratio = (Total equity+non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = Current assets / current liabilities
   (2) Quick ratio = (Current assets-inventory-prepayment) / current liabilities
   (3) Times interest earned ratio = Earnings before interest and tax / interest expenses for the period.
3. Utility
   (1) Receivables turnover ratio (including accounts receivable and notes receivable resulting from operation) = Net sales / average balance of accounts receivable (including accounts receivable and notes receivable arising from sales) for the period.
   (2) Average cash collection days = 365 / receivables turnover ratio.
   (3) Average sales days = 365 / inventory turnover ratio.
   (4) Payables (including accounts payable and notes payable arising from sales) turnover ratio = Cost of goods sold / average balance of accounts payable (including accounts payable and notes payable arising from sales) for the period.
   (5) Average sales days = 365 / inventory turnover ratio.
   (6) PPE turnover ratio = Net sales / average net PPE.
   (7) Total asset turnover ratio = Net sales / average total assets.
4. Profitability
   (1) ROA = [Profit and loss after tax + Interest expense × (1- tax rate)] / average total assets.
   (2) ROE = Profit and loss after tax / average net shareholder's equity.
   (3) Net profit margin = Profit and loss after tax / net sales.
   (4) Earnings Per Share = (income attributable to parent company – dividends from preferred shares) / weighed average quantity of outstanding shares.
5. Cash flow
   (1) Cash flow ratio = Net cash flow from operating activities / current liabilities.
   (2) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent five years / (capital spending + increase in inventory + cash dividends) in the most recent five years.
   (3) Cash reinvestment ratio = (Net cash flow from operating activities-cash dividends) / (gross of property, plant and equipment+long-term investment+other non-current assets+working capital).
6. Leverage:
   (1) Operating leverage = (Net operating revenue-changed operating costs and expenses) / operating income.
   (2) Financial leverage = Operating income / (operating income-interest expenses).

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

1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. If there is a cash capital increase or treasury transaction, the outstanding period should be considered for weighted-average stock calculation.
3. If any additional shares were issued against retained earnings or capital surplus, the full year or half-year earnings per share must be adjusted proportionally and retroactively, regardless of when the additional stocks were issued.
4. If the preferred stock is unconvertible cumulative preferred stock, the dividend for the year (whether the dividend is paid or not) should be deducted from the net income or added to the net loss . If preference shares were non-cumulative, the preference shares dividends must be deducted from after tax net profit; no adjustment is required from after tax net loss.

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

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

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

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

III. Supervisors’ Review Report on the Financial Statement for the Most Recent Year: Please refer to Page 87 of the annual report.

IV. Financial Statement for the Most Recent Year: Please refer to Page 174~259 of the annual report.

V. Individual Financial Statement for the Most Recent Year audited and certified by the CPA: Please refer to Page 88~173 of the annual report.

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

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

I. Financial status

Comparative analysis of financial status in the most recent two (2) years

Unit: NTD thousands

Item \ Year	2018	2017	Variance	
			Amount	%
Current assets	4,889,193	4,066,956	822,237	20.22%
Real estate, plant and equipment	3,030,643	3,294,748	-264,105	-8.02%
Intangible assets	41,575	41,424	151	0.36%
Other non-current assets	228,787	304,551	-75,764	-24.88%
Total assets	8,190,198	7,707,679	482,519	6.26%
Current liabilities	3,059,027	3,267,355	-208,328	-6.38%
Non-current liabilities	1,014,240	655,423	358,817	54.75%
Total liabilities	4,073,267	3,922,778	150,489	3.84%
Share capital	799,014	799,014	0	0.00%
Capital surplus	977,255	909,204	68,051	7.48%
Retained earnings	2,384,802	2,102,069	282,733	13.45%
Other equities	(54,230)	(42,309)	-11,921	28.18%
Total equity	4,116,931	3,784,901	332,030	8.77%

(I) Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20% and the amount of change reaches NT$10,000,000)

(1) Increase in current assets: This is due to the increase in cash, cash equivalents and Inventories.

(2) Decrease in other non-current assets: This is due to the decrease in the prepayment for equipment.

(3) Increase in non-current liabilities: This is due to the issuing of corporate bonds in the current period.

(4) Decrease in other equities: This is due to the loss of conversion differences in the financial statements of overseas business entities.

(II) Future preventive policies: The finance status of the Company is good and has no material impact on the shareholders' equity.

II. Financial performance

(I) Comparative analysis of financial performances in the most recent two (2) years

Unit: NTD thousands

Item \ Year	2018	2017	Increase (decrease) amount	Change ratio (%)
Operating revenue	5,386,356	4,448,454	937,902	21.08%
Operating cost	3,246,105	2,688,543	557,562	20.74%
Gross profit	2,140,251	1,759,911	380,340	21.61%
Operating expense	1,816,969	1,580,508	236,461	14.96%
Operating profit	323,282	179,679	143,603	79.92%
Non-operating revenue and expense	74,336	25,151	49,185	195.56%
Profit before tax	397,618	204,830	192,788	94.12%

Tax expense	59,990	55,563	4,427	7.97%
Current net profit	337,628	149,267	188,361	126.19%
Other comprehensive income	(19,837)	(16,234)	-3,603	22.19%
Total comprehensive income	317,791	133,033	184,758	138.88%

1. Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%)
   (1) Increase in the operating revenue, gross profit and operating profit: The annual revenue of this period increased 21% due to appropriate cost control and the overall gross margin remained about 40% with a decrease of 2% in the operating expense ratio, resulting in the increase in the operating profit.
   (2) Increase in non-operating revenue: This is due to the increase in the gain on disposal of investments this year.
   (3) Increase in profit before tax and current net profit: This is due to the increase in the current operating revenue and the profits gained from the Company business and non-operating revenues.
2. Cause of changes of the Company's main business contents. If material changes have occurred or are expected to occur in the operational policies, market conditions, economic environment or other internal or external factors, the fact and their impact on the future financial operations of the Company and the responsive policies of the Company shall be stated: None.
3. The main factors influencing the expected sales volume in the coming year and the main factors for our company's expected continued growth or decline of our sales volume: The uncertainty resulted from the Sino-American trade war remains high but the Company still holds a optimistic attitude toward the future prosperity and the market demand since we have constant investment in the research and development to meet the needs of the customers. Therefore, we anticipate to maintain the momentum for stable growth of the Company.

(II) Analysis of changes in gross profit

Unit: NTD thousands

Gross operating profit	Variance in increase/decrease from one period to the next	Cause of variance			
		Difference of selling price	Difference of cost price	Difference of sale portfolio	Difference of quantity
Wafer probe card	184,164	(92,956)	65,032	13,910	198,177
Automated photoelectric semi-conductor equipment Automated equipment	124,142	20,436	(6,443)	(120,074)	230,224
Subtotal	308,306	(72,520)	58,589	(106,164)	428,401

Notes to analysis:

The decrease of selling price per unit was due to the decreased demand of the advanced probe cards in the market, resulting in the unfavorable difference of selling price. However, the drop in raw material price reflected on the difference of cost price is beneficial to the Company. Also, under the impact of the increase in the overall sales, the gross margin had a favorable difference of quantity due to the increase of sales volume. The improvement in the sales margin and the favorable sales volume resulted in the favorable

difference of sale portfolio. Overall, the gross margin of the wafer probe card in the current period increased NT$184,164,000 in comparison to the previous period. Due to the significant growth of sales volume in the overall equipment, the gross margin increased NT$124,142,000 in the current period in comparison to the previous period. The favorable differences of selling price and cost price generated by such increase resulted in the significant growth in the sales volume of the semi-conductor equipment, causing favorable differences of quantity and sale portfolio. Therefore, the gross margin of the equipment in the current period improved compared to the previous period.

III. Cash flow

(I) Analysis of changes in the cash flow for the most recent two (2) years:

Unit: NTD thousands

Year / Item	2018	2017	Amount of variance	Increase (decrease) ratio (%)
Operating activities	806,427	(226,113)	1,032,540	(456.65)%
Investment activities	(214,738)	(621,662)	406,924	(65.46)%
Financing activities	(134,001)	761,384	-895,385	(117.60)%
Total	457,688	(86,391)	544,079	(629.79)%
Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%) (1) The reason why the cash flow of the operating activities changed into net inflow is due to the increase in profit before tax and contract liability. (2) The decrease in net cash outflow of the investment activities is due to the decrease in the investment of the real estate, plant and equipment. (3) The reason why the cash flow of the financing activities changed into net outflow is due to the payment of bank loans.				

(II) Cash flow analysis for the most recent two (2) years:

Year / Item	2018	2017	Increase (decrease) ratio (%)
Cash flow ratio	26.36	(6.92)	(480.92)%
Cash flow adequacy ratio	37.44	24.41	53.38%
Cash flow reinvestment ratio	11.11	(9.56)	(216.21)%
Analysis and description of the changes of the increase/decrease ratio: (the change from one period to the next reaches above 20%) Notes to analysis: (1) Cash flow ratio: The cash flow of the operating activities changed from net outflow to inflow. In addition, the increase of the cash flow ratio in the current period compared to the previous period is due to the decrease in the current liabilities of this period resulted from the payment of bank loans. (2) Cash flow adequacy ratio and cash flow reinvestment ratio: This is because the growth of the net cash inflow of the operating activities is greater than the increase in the current inventories. In addition, the significant growth of the cash flow			

adequacy ratio and reinvestment ratio in comparison to the previous period is due to the decrease of cash dividend distributed in this period.

(III) Cash flow analysis for the coming year

Unit: NTD thousands

Cash balance at beginning of period ①	Estimated net cash flow from year-round operating activities ②	Estimated net cash inflow (outflow) from year-round investment and financing activities ③	Estimated cash surplus (deficit) ①+②-③	Remedy for estimated cash shortage	
				Investment plan	Financial plan
1,110,694	180,225	(306,746)	984,172	N/A	N/A

1. Analysis of changes in cash flows in current period:
   (1) Operating activities: The net cash inflow of operating activities is due to the growth of revenue and profits.
   (2) Investment activities: The net cash outflow of investment activities is due to the self-construction plan of the factory buildings.
   (3) Financing activities: The net cash inflow of financing activities is because parts of the funds for the self-construction plan is supported with loans from banks.
2. Remedy for estimated cash shortage and cash flow analysis: None.

IV. Major capital expenditure and its impact on the financial operations of the Company in the most recent year: None.

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

The Company upheld the philosophy of conservation and stability for the reinvestment policy in the most recent year to be free from great expansion.

VI. Risk issues in the recent years and as of the publication date of this annual report:

1. Impact of interest and exchange rate fluctuations and inflation on the profit and loss of the Company, and the future countermeasures:

Item	2018 (NT$ thousand)	Proportion to net operating revenue %	Proportion to income after tax %

Interest expenses	23,493	0.44	6.96
Net gains on currency exchange	25,856	0.48	7.66

(1) Impact of interest rate fluctuation on the profit and loss of the Company, and the future countermeasures:

The interest expenses of the Company were NT$23,493,000 in 2018, occupying 0.44% of the net operating revenue and 6.96% of the income after tax. The Company will keep good relationships with banks to obtain a relatively better interest rate and will pay attention to the changes in the interest rate of the financial market to timely adjust the position of funds. Therefore, we estimate that the future interest rate fluctuation has no significant impact on the overall operation of the Company.

(2) Impact of exchange rate fluctuation on the profit and loss of the Company, and the future countermeasures:

The net exchange gain of the Company was NT$25,856,000 in 2018, occupying 0.48% of the net operating revenue and 7.66% of the income after tax. The Company has a foreign exchange exposure and a great amount of foreign currency receivables due to the exported products. However, we have the demand for foreign exchange because the daily operation and expenses requires NTD for support. Therefore, the exchange rate fluctuation has significant impact on the profit and loss of the Company. We adopt the following countermeasures to avoid exchange risks.

A. We keep close contact with the foreign exchange departments of the correspondent financial organizations to continuously collect the information that may have impact on the foreign exchange market to control the trend of the exchange rate and respond to the effect brought by the fluctuation of exchange rate.

B. Besides adopting natural hedging, we also conduct purchase using the sale revenue of the same currency to avoid exchange risks. The the finance and accounting unit will pay close attention to the fluctuation of the foreign exchange market and adjust the foreign currency position depending on the global macroeconomy, price level of the exchange rate and future demand of funds to avoid the possible impact of the exchange rate fluctuation on the operating revenue and profits of the Company.

C. The Company has established the “Operating Procedures for Transaction of Financial Derivatives” and the “Procedure for the Acquisitions and Disposition of Assets” to conduct relevant foreign exchange transactions in accordance with these two procedures.

(3) Impact of inflation on the profit and loss of the Company, and the future

countermeasures:

The Company maintains good relations with our suppliers and the prices of the required raw materials remains stable without any sign of inflation. We will strive to reduce each cost in the future and focus on the changes in the prices of the raw materials to adopt countermeasures timely. We never have any adverse effect on the operation due to inflation to the date on which the annual report was printed, so the inflation has no significant impact on the Company.

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

The Company has never engaged in the high-risk, high-leverage investments, loaning of funds to others, endorsements and guarantees as well as transactions of financial derivatives. Besides all transactions are conducted in accordance with the relevant requirements and countermeasures defined under the Company's "Operating Procedures for Transactions of Financial Derivatives", "Operating Procedures for Loaning of Funds to Others", "Operating Procedures for Making Endorsement/Guarantee"; and "Operating Procedures for Acquisition or Disposition of Assets," we make announcement and reports accordint to trelated laws and regulations.

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

The R&D plans of the Company are all drafted to meet the customers' needs. In the most recent year, the Company's R&D plans have successfully developed multiple products and technologies. In the future, we will invest in the R&D and innovation and the estimate amount of investment will be NT$400 million to NT$500 million each year, occupying at least 10% of the operating revenue to respond to the rapid change in the market demand. The key factors to success of the Company's R&D reside in the recruitment, retention and training of talents to correspond to the challenges of new technology and ensure the leadership of the Company in technology.

Future R&D plans:

Name of plan	Key factors to success of R&D	Status	Expenditure to be invested in the future	Schedule for mass production
Fine-pitch vertical type probe card (50um)	Structural design ability	Design under validation	NT$150 million	2019
High speed vertical type probe card (28Gbps)	Electricity and structural design ability	Design under validation	NT$150 million	2019

Micro LED wafer level automated probing device	Micro prober technology High-precision automation technology Microcurrent circuit testing technology	Still in the process of design and planning	NT$ 70 million	2020
VCSEL wafer level burn-in system	Wafer level prober technology VCSEL photoelectric synchronization measurement technology	Design under validation	NT$80 million	2020
VCSEL die multi-probing equipment	Accumulation of customer experience High-precision equipment development technology	Design under validation	NT$20 million	2019
VCSEL AOI photoelectric inspection equipment	Accumulation of customer experience High-speed image-taking and calculation technology Precision optoelectronic components	Design under validation	NT$10 million	2019

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

   The daily operation of the Company complies with the laws and regulations of the competent authorities. We pay attention to the development trends of important policies at home and abroad and the changes in laws and regulations at all times to evaluate their impact on the Company and take appropriate measures in advance to avoid possible adverse effects resulted by the policies and changes in laws and regulations. There is no significant impact of changes in important policies and laws at home and abroad on the financial operations of the Company to the date on which the annual report is printed.

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

   In response to the changes of technology and industry and to control the changes of market from time to time, the Company accesses the industrial information by exhibitions, network, and related meetings held by industrial, trading and labor unions. We expand the business and precisely control the trend of industrial information in line with our upgrading R&D technology and outstanding competitive strength to immediately understand the market trends and grasp profitable business opportunities.

6. Impact of changes in corporate image on the corporate crisis management, and

countermeasures: Not applicable, as the Company has remarkable corporate image.

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

8. Expected benefits and potential risks from plant expansion, and countermeasures: The factories which the Company are building currently can solve the problem of insufficient space in the present factory premises and preserve a flexible space required for future operation expansion. It not only enables the Company to integrate the departments located outside at rented factory premises and effectively plan the manpower and the equipment layout space, but also enables us to have comprehensive plan on the warehousing and delivery process to effectively improve the performance of the factory management and the efficiency on communication.

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

10. Impact and risk associated with large share transfers or changes in shareholdings of directors, supervisors, or shareholders who hold more than 10% of the Company's shares, and countermeasures: None.

11. Impact and risk associated with changes in management rights, and countermeasures: None.

12. For litigious and non-litigious matters, please list major litigious, non-litigious or administrative disputes that have been resolved or are still proceeding involving the Company and/or any director, supervisor, the general manager, any person with actual responsibility for the firm and any major shareholder holding a more than 10% of the shares, and the affiliated companies. Moreover,where such a dispute could materially affect shareholders' equity or the prices of the securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report: None.

13. Other important risks, and countermeasures being or to be taken: None.

14. Key Performance Indicator (KPI):

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

Item of production and technology	2017	2018
Epoxy/Cantilever Probe Cards	47%	47%
Advanced Probe Cards	53%	53%

VII. Other important disclosures: N/A.

Eight. Special notes

I. Information on affiliate enterprises:

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

(I) Consolidated business reports of the affiliates: Please see Page 83~86 of the annual report.

(II) Consolidated financial statements of the affiliates: Please see Page 174 of the annual report.

(III) Affiliation report: N/A.

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

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

IV. Other supplementary disclosure: N/A.

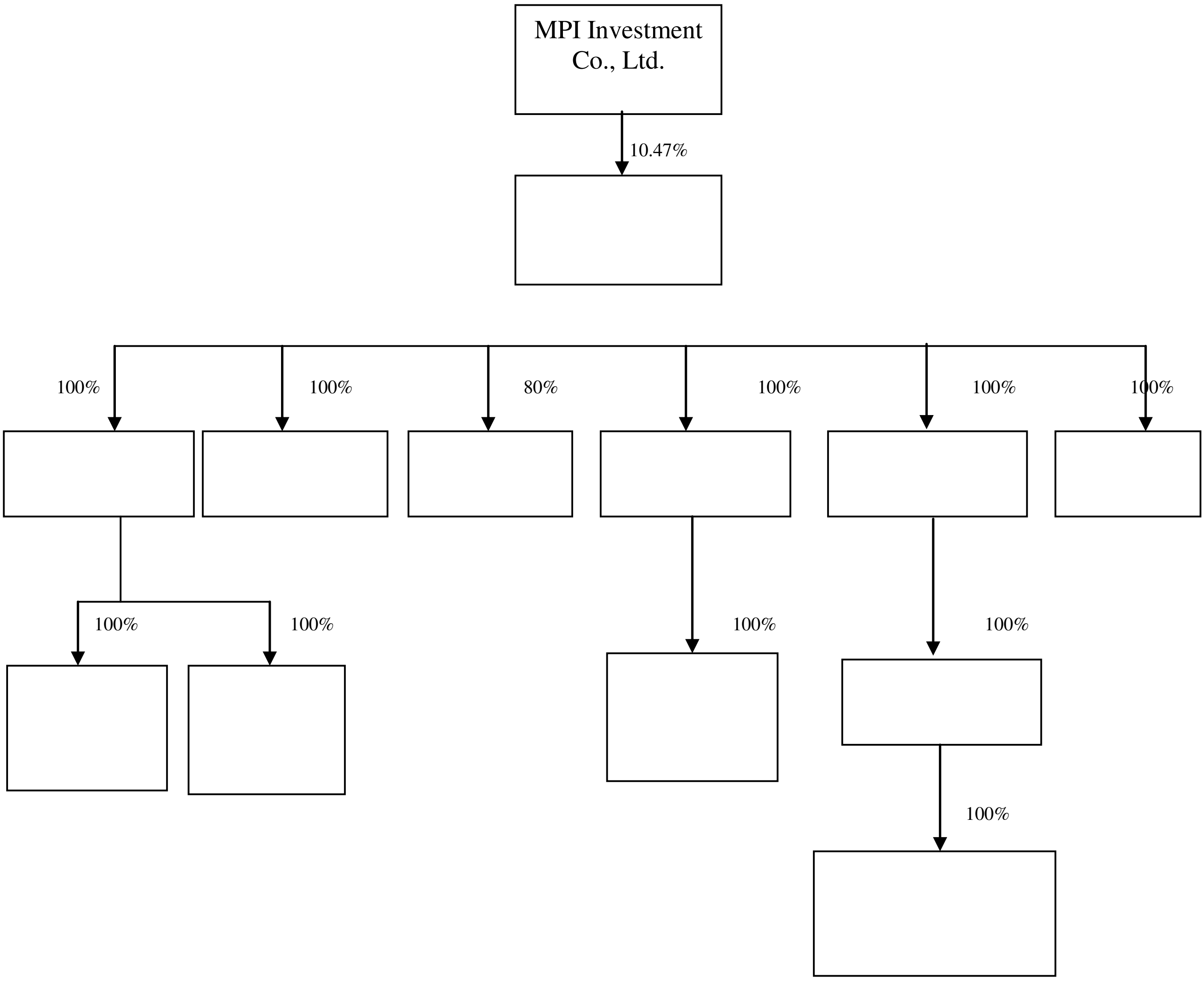
V. Any significant events materially affecting shareholders' equity or the price of securities as defined in Paragraph, Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report: N/A.

One. Overview of affiliates

I. Overview of affiliates' organization

(I) Organizational chart of the affiliates

December 31, 2018



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

(III) Entities presumed in parent-subsidiary relations according to Article 369-3 of the Company Act: None.

II. Basic information of each affiliate

December 31, 2018; Unit: NTD thousands

Name of enterprise	Date of incorporation	Address	Paid-in capital	Principal business or production lines
MPI Investment Co., Ltd.	December 29, 2000	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City	1,107	General investment
Chain-Logic International Corp.	March 1, 1994	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	50,000	Semi-conductor equipment agent
MPI TRADING CORP.	December 12, 2000	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	US$1,000	Engage in Probe Card business
MMI HOLDING CO., LTD.	August 7, 2001	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	US$18,267,987	Holding company
MEGTAS CO., LTD.	September 1, 2010	134 Gunseo-ri, Jikson-eub, Seobuk-gu,Cheonan,Chungnam, 331-811,Korea	2,500,000,000 won	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts
Allstron Corporation	March 31, 2006	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	15,500	Information software wholesale, and wholesale and retail of electronic materials, telecommunication devices and precision instruments
MPA TRADING CORP.	April 12, 2017	Vistra (Anguilla) Limited of Vistra Corporate Services Centre, Albert Lake Drive,The Valley, Anguilla, British West Indies.	US$1,250,000	Holding company
Lumitek (Changchou) Co.	January 10, 2014	No. 377, Wu Yi S. Road, China Wujin H0igh-tech Industrial Development Zone	US$16,000,000	R&D and production of LED semi-conductor

Ltd.				LED chips, spare parts of calculators, LED process equipment, and new electronic components; domestic procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.
MPI Corporation (Suzhou)	July 11, 2017	No. 13, Chun Hui Road, Suzhou Industrial Park	US$2,000,000	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.
MPI AMERICA INC.	March 29, 2017	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	1,200,000 USD	Trading of probe cards and semi-automatic probers
CHAIN-LOGIC TRADING CORP.	November 19, 2001	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	US$1,400,100	International trading
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	February 8, 2002	Suite 304, No. 500, Bing Ke Road, Shanghai Waigaoqiao Free Trade Zone, Shanghai City, Jiangsu Province	US$1,400,000	Trading

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

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

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

V. Profiles of Directors, Supervisors and Presidents of affiliates

December 31, 2018

Name of enterprise	Job title (Note 1)	Name or representative	Shares held (Note 2) (Note 3)	
			Number of shares (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
MPI Investment Co., Ltd.	Chairman Director Director Supervisor	Ko, Chang-Lin Li, Tu-Cheng Steve Chen Scott Kuo	45,133 (shares) 30,089 (shares) 10,029 (shares) 2,966 (shares)	40.76% 27.17% 9.06% 2.68%
Chain-Logic International Corp.	Name of investor Chairman Director Director Supervisor President	MPI Corporation Representative: Ko, Chang-Lin Steve Chen Scott Kuo Rose Jao Chan, Chao-Nan	5,000,000 (shares)	100.00%
MPI TRADING CORP.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	1,000 (shares)	100.00%
MMI HOLDING CO., LTD.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	18,267,987 (shares)	100.00%
MEGTAS CO.,LTD.	Name of investor Name of investor Chairman Director Director Director Supervisor	MPI Corporation LUCID DISPLAY TECHNOLOGY CO.,LTD Representative: HUAN-SHENG LIN HUAN-SHENG LIN DU-HWA HWANG JUNG-JAE CHEUN SHENG-YI CHEN	400,000 (shares) 100,000 (shares)	80.00% 20.00%
Allstron Corporation	Name of investor Chairman Director Director	MPI Corporation Representative: Scott Kuo Steve Chen Liu, Yung-Chin	15,500,000 (shares)	100.00%

	Supervisor	Rose Jao		
MPA TRADING CORP.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	1,250,000 (shares)	100.00%
Lumitek (Changchou) Co. Ltd.	Name of investor Responsible person	MMI HOLDING CO., LTD. Scott Kuo	US$16,000,000	100.00%
MPI Corporation (Suzhou)	Name of investor Responsible person	MMI HOLDING CO., LTD. Zhan, Yun-Fu	US$2,000,000	100.00%
MPI AMERICA INC.	Name of investor Responsible person	MPA TRADING CORP. Richard Dock	1,200,000 (shares)	100.00%
CHAIN-LOGIC TRADING CORP.	Name of investor Responsible person	Chain-Logic International Corp. Ko, Chang-Lin	1,400,100 (shares)	100.00%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Name of investor Responsible person	CHAIN-LOGIC TRADINGP Ko, Chang-Lin	US$1,400,000	100.00%

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

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

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

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

MPI Corporation
Supervisors' Audit Report

The Company's 2018 individual financial statement and consolidated financial statements submitted by the Board of Directors have been audited by Wu Kuei-Chen and Chen Tsai-Huang, CPAs of Nexia Sun Rise CPAs & Co. The statements was sufficient enough to present a fair view of the financial status, operating result and cash flow of the Company. We also reviewed the business report and motion for earnings allocation submitted together with the financial statements. We hereby recognize said report and statements after conducting the audit on them pursuant to Article 219 of the Company Law and Article 36 of Securities and Exchange Act.

To:

2019 General Shareholders' Meeting of MPI Corporation

MPI Corporation

Supervisor: Li, Tu-Cheng

Liu, Fang-Sheng

Tsai, Chang-Shou

March 18, 2019

Independent Auditor’s Audit Report

The Board of Directors and Shareholders

MPI Corporation

Opinion

We have audited the accompanying financial statements of MPI CORPORATION (the “Company”), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the financial statements for the year ended December 31, 2018 were as follows:

1. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (24) of Note 4 of the Individual Financial Statements. Regarding relevant disclosure, please refer to Note 9 and Statements of Major Accounting Items - Statement of Operating Revenue.

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

Audit Procedures in Response

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

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

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

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

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

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

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (14) of Note 4 of Individual Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial Statements. The Company recognize inventories amounting to NT$2,720,892 thousand and Allowance for inventories amounting to NT$253,513 thousand. The book value of the Company's inventories as December 31, 2018 was NT$2,467,379 thousand and accounted 30% of the total assets in the consolidated balance sheet.

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

Audit Procedures in Response

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

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

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

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

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

Other Matter-Making Reference to the Audits of Component Auditors

As stated in the individual financial statements (5) of Note 6, Certain investments, which were accounted for under the equity method based on the financial statements of the investees, were audited by other independent accountants. Respectively, the related shares of investment income from the subsidiaries amounted to NT$(44,820) thousand and NT$(37,967) thousand. Insofar as it related to the investments accounted for under the equity method balances of NT$ (16,961) thousand and NT$ 19,495 thousand as of December 31, 2018, December 31, 2017.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the Company’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Sun Rise CPAs & Company
Taipei, Taiwan, Republic of China
March 18, 2019

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

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

MPI CORPORATION

BALANCE SHEETS (ASSETS)

DECEMBER 31 ,2018 AND 2017

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

		December 31,2018		December 31,2017	
ASSETS	Note	Amounts	%	Amounts	%
NONCURRENT ASSETS					
Cash and cash equivalents	6(1)	$ 722,973	9	$ 297,363	4
Accounts receivable, net	6(3)	679,191	8	625,523	8
Accounts receivable -related parties, net	6(3).7	311,470	4	264,990	3
Other receivables		4,625	-	8,464	-
Other receivables -related parties	7	28,303	-	34,805	1
Income tax receivable		676	-	676	-
Inventories, net	6(4)	2,467,379	30	2,227,493	29
Prepayments		49,687	1	53,611	1
Other current assets	8	3,402	-	3,694	-
Total Current Assets		4,267,706	52	3,516,619	46
NONCURRENT ASSETS					
Investments accounted for using equity methoc	6(5)	858,533	11	915,223	12
Property, plant and equipment	6(6).7.8	2,784,489	34	2,931,444	38
Intangible assets	6(7)	41,237	1	40,955	1
Deferred income tax assets	6(18)	81,149	1	72,002	1
Other noncurrent assets	6(8)	101,241	1	152,665	2
Total Noncurrent Assets		3,866,649	48	4,112,289	54
TOTAL ASSETS		$ 8,134,355	100	$ 7,628,908	100

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

MPI CORPORATION

BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2018 AND 2017

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

		December 31,2018		December 31,2017	
LIABILITIES AND EQUITY	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(9)	$ 818,000	10	$ 1,170,000	15
Contract liabilities－current	6(16).7	854,750	11	－	-
Accounts payable		457,107	6	388,552	5
Accounts payable-related parties	7	2,972	-	8,656	-
Payables on equipment		19,530	-	82,660	1
Other payables	6(10)	625,550	8	444,972	6
Other payables-related parties	7	102,190	1	138,321	2
Income tax payable		40,709	1	-	-
Provisions	6(11)	4,859	-	3,210	-
Sales revenue received in advance	7	-	-	752,536	10
Current portion of long-term liabilities	6(13)	29,233	-	225,787	3
Other current liabilities		10,639	-	10,214	-
Total Current Liabilities		2,965,539	37	3,224,908	42
NONCURRENT LIABILITIES					
Non-current Financial liabilities at Fair Value	6(12)	9,266	-	-	-
Bonds payable	6(12)	892,843	11	-	-
Long-term loans	6(13)	39,230	-	572,909	8
Deferred income tax liabilities	6(18)	13,040	-	14,591	-
Accrued pension cost	6(14)	39,102	1	31,697	1
Credit balance of investments account for usin	6(5)	68,397	1	16,728	-
Other noncurrent liabilities		97	-	97	-
Total Other Liabilities		1,061,975	13	636,022	9
TOTAL LIABILITIES		4,027,514	50	3,860,930	51
EQUITY	6(15)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		799,014	10	799,014	11
Capital surplus		977,255	12	909,204	12
Retained earnings					
Appropriated as legal capital reserve		563,093	7	548,516	7
Special reserve		42,308	-	30,177	-
Unappropriated earnings		1,779,401	22	1,523,376	20
Total Retained Earnings		2,384,802	29	2,102,069	27
Other					
Foreign currency translation adjustments		(54,230)	(1)	(42,309)	(1)
Total others		(54,230)	(1)	(42,309)	(1)
TOTAL EQUITY		4,106,841	50	3,767,978	49
TOTAL LIABILITIES AND EQUITY		$ 8,134,355	100	$ 7,628,908	100

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

MPI CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2018 and 2017

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

Items	Note	January 1 ~ December 31,2018 Amounts	%	January 1 ~ December 31,2017 Amounts	%
OPERATING REVENUE, NET	6(16).7				
Sales revenue		$ 4,670,536	99	$ 3,902,167	100
Less: sales returns		(10,685)	-	(12,576)	-
sales discounts and allowances		(1,221)	-	(754)	-
Commission revenue		45,590	1	16,325	-
Operating Revenue, net		4,704,220	100	3,905,162	100
OPERATING COSTS	6(4).7	(2,838,717)	(60)	(2,381,221)	(61)
GROSS PROFIT		1,865,503	40	1,523,941	39
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		22,094	-	12,525	-
GROSS PROFIT, NET		1,887,597	40	1,536,466	39
OPERATING EXPENSES	7				
Selling expenses		(460,427)	(10)	(425,681)	(11)
General & administrative expenses		(236,807)	(5)	(187,508)	(5)
Research and development expenses	6(7)	(869,002)	(18)	(803,594)	(20)
Expected Credit (loss) gains		(2,736)	-	(867)	-
Operating expense, net		(1,568,972)	(33)	(1,417,650)	(36)
OPERATING INCOME		318,625	7	118,816	3
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(17)	27,351	1	(9,236)	-
Finance costs	6(17)	(22,860)	(1)	(16,779)	-
Share of profits of subsidiaries and associates	6(5)	2,420	-	12,918	-
Interest income	7	1,006	-	707	-
Rent income	7	6,635	-	6,745	-
Other non-operating revenue-other items	7	47,592	1	59,233	2
Total Non-operating Income		62,144	1	53,588	2
INCOME BEFORE INCOME TAX		380,769	8	172,404	5
INCOME TAX BENEFIT(EXPENSE)	6(18)	(46,207)	(1)	(26,637)	(1)
NET INCOME		334,562	7	145,767	4
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(7,349)	-	(2,630)	-
Share of remeasurements of defined benefit plans of subsidiaries and associates		47	-	(2,069)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(11,921)	-	(12,132)	(1)
Other comprehensive income for the year, net of income tax		(19,223)	-	(16,831)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 315,339	7	$ 128,936	3

NET INCOME(LOSS) ATTRIBUTABLE TO：	6(19)	After-tax	After-tax
Shareholers of the parent		$ 4.19	$ 1.83
Noncontrolling interests		$ 3.56	$ 1.83

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

MPI CORPORATION

STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31 ,2018 and 2017

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

Items	Capital- Common Stock	Capital Surplus	Retained Earnings: Legal Capital Reserve	Retained Earnings: Special Capital Reserve	Retained Earnings: Unappropriated Earnings	Others: Foreign Currency Translation Reserve	Total Equity
BALANCE,JANUARY,1,2017	$ 796,054	$ 885,735	$ 492,188	$ -	$ 1,803,156	$ (30,177)	$ 3,946,956
Legal capital reserve			56,328		(56,328)		－
Special capital reserve				30,177	(30,177)		－
Cash Dividends of Common Stock					(334,343)		(334,343)
Capital Reserve From Stock Warrants		(1,256)					(1,256)
Disposal of investments accounted for under the equity method							
Net Income in 2017					145,767		145,767
Other comprehensive income in 2017, net of income tax					(4,699)	(12,132)	(16,831)
Total comprehensive income in 2017	－	－	－	－	141,068	(12,132)	128,936
Issuance of stock from exercise of employee stock options	2,960	24,725					27,685
BALANCE,DECEMBER,31,2017	$ 799,014	$ 909,204	$ 548,516	$ 30, 177	$ 1,523,376	$ (42,309)	$ 3,767,978
BALANCE,JANUARY,1,2018	$ 799,014	$ 909,204	$ 548,516	$ 30,177	$ 1,523,376	$ (42,309)	$ 3,767,978
Legal capital reserve			14,577		(14,577)		－
Special reserve				12,131	(12,131)		－
Cash Dividends of Common Stock					(39,951)		(39,951)
Capital Reserve From Stock Warrants		67,683					67,683
Other changes in capital surplus		368					368
Net Income in 2018					334,562		334,562
Other comprehensive income in 2018, net of income tax					(7,302)	(11,921)	(19,223)
Total comprehensive income in 2018	－	－	－	－	327,260	(11,921)	315,339
Difference between consideration paid and carrying amount of subsidiaries acquired					(4,576)		(4,576)
BALANCE,DECEMBER,31,2018	$ 799,014	$ 977,255	$ 563,093	$ 42,308	$ 1,779,401	$ (54,230)	$ 4,106,841

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

MPI CORPORATION

STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2018 and 2017

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

Items	Jan 1 ~ Dec 31,2018	Jan 1 ~ Dec 31,2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 380,769	$ 172,404
Adjustments to reconcile net income to net		
Depreciation	331,492	287,056
Amortization	49,697	45,568
Expected credit loss(gain)	2,736	867
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	3,200	55
Interest expense	22,860	16,779
Interest revenue	(1,006)	(707)
Loss (gain) on equity-method investments	(2,420)	(12,918)
(Gain) loss on disposal of property, plant and equipment	(5,669)	2,233
Gains on disposal of investments	-	(15,557)
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(22,094)	(12,525)
(Gain) on repurchase of convertible bonds	(1,564)	-
Adjustments-exchange (Gain) loss on prepayments for equipment	(334)	2,032
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in notes receivable	-	5
Decrease (Increase) in accounts receivable	(56,402)	(83,486)
Decrease (Increase) in accounts receivable-related parties	(46,480)	(79,423)
Decrease (Increase) in other receivables	3,845	4,343
Decrease (Increase) in other receivables-related parties	6,502	(6,552)
Decrease (Increase) in inventories	(239,887)	(307,170)
Decrease (Increase) in prepayments	3,924	(1,814)
Decrease (Increase) in other current assets	317	(1)
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	102,214	-
(Decrease) Increase in accounts payable	68,555	(16,874)
(Decrease) Increase in accounts payable-related parties	(5,684)	7,909
(Decrease) Increase in other accounts payable	180,942	(157,950)
(Decrease) Increase in other accounts payable-related parties	(36,131)	52,350
(Decrease) Increase in provision of liabilities	1,649	615
(Decrease) Increase in sales revenue received in advance	-	103,742
(Decrease) Increase in other current liabilities	425	329
Decrease(Increase) in accrued pension cost	56	1,613
Cash generated from operations	741,512	2,923
Interest received	999	708
Cash dividends received	17,605	12,175
Interest (excluding capitalization of interest)	(17,290)	(6,278)
Cash dividends	(39,951)	(334,343)
Income taxes paid	(16,195)	(73,473)
Net cash Provided By Operating Activities	686,680	(398,288)
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of investments accounted for using equity method	(13,861)	(98,061)
Disposal of investments accounted for using equity method	4	18,918
Proceeds from capital return of investments accounted for using equity method	112,675	4,677
Additions to property, plant and equipment	(251,814)	(657,061)
Proceeds from sale of property, plant and equipment	10,151	1
Intangible assets	(25,960)	(29,605)
Increase in other financial assets	(25)	5,775
Decrease in other non-current assets	27,405	210,880
Net cash Provided Used In Investing Activities	(141,425)	(544,476)

(Continue)

MPI CORPORATION

STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2018 and 2017

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

Items	Jan 1 ~ Dec 31,2018	Jan 1 ~ Dec 31,2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	790,000
(decrease) in short-term loans	(352,000)	-
Issuance of corporate bonds	995,618	-
Repurchase of convertible bonds	(33,030)	(574,000)
Increase in long-term borrowings	-	548,728
Repayments of long-term loans	(730,233)	-
Net cash (Used In) Financing Activities	(119,645)	764,728
Net increase in cash and cash equivalents	425,610	(178,036)
Cash and cash equivalents at beginning of year	297,363	475,399
Cash and cash equivalents at end of year	$ 722,973	$ 297,363

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

MPI CORPORATION

Notes to parent company only financial statements

January 1 to December 31, 2018 and 2017

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

1. Company profile

(1) MPI Corporation (hereinafter referred to as the “Company”) was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company’s paid-in capital has been NT$799,014 thousand and outstanding stock has been 79,901,388 shares until December 31, 2018. 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 parent company only financial statement was passed by the Board for release on March 18, 2019.

3. Application of new standards, amendments and interpretations

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

New standards, interpretations and amendments endorsed by FSC effective from 2018 are as follows:

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
Amendments to IFRS 4, ‘Applying IFRS 9 Financial	January 1, 2018

instruments with IFRS 4 Insurance contracts'	
IFRS 9, 'Financial instruments'	January 1, 2018
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
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

A. The above standards and interpretations have no significant impact to the Company's financial condition and operating result based on the Group's assessment.

B. The Company has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the not significant effect as at January 1, 2018, please refer to Notes 12(4) B and C.

C. The Company has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Company applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The adopting of the modified transition has no significant effect as of January 1, 2018. For details of the disclosure about the first using IFRS 15 as at January 1, 2018, please refer to Notes 12(5).

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2019 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Company's financial condition and financial performance based on the Company's assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Company expects to recognise the lease contract of lessees in line with IFRS 16.

However, the Company does not intend to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), on January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by $90,988 thousand and 90,988 thousand.

(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 as endorsed by the FSC are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020
Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
Amendments to IFRS 10 and IAS 28, 'Sale or contribution of	To be determined by

assets between an investor and its associate or joint venture'	International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations are continually evaluated of impact to the Company's financial condition and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

(2) Basis for preparation

A. Basis for measurement

Except the following important items in the balance sheet, the financial statement was prepared based on the historical cost:

(1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(2) Financial assets and liabilities at fair value through other comprehensive income/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 Company'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.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Company has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard

18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(3) <u>Foreign currency</u>

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 the application of IFRS 9 foreign currency items which in the process of applying the financial instrument accounting policies (before January 1, 2018, IAS 39), financial liabilities designated as net investment hedge for foreign operations or qualified cash flow hedging, which shall be stated as other comprehensive income, any difference shall be stated as income.

B. Foreign operations

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

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

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

(4) 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; and
D. Liabilities of which the Company does not have an unconditional right to defer settlement for at least 12 months after the date of the balance sheet. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

(5) 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.

(6) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.
B. On a regular way purchase or sale basis, financial assets at fair value through profit

or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Company measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Company subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Company recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

(7) Accounts and notes receivable

A. Accounts and notes receivable entitle the Company a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(8) Impairment of financial assets

Including financial assets at amortised cost and accounts receivable or contract assets that have a significant financing component , at each reporting date, the Company recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Company recognizes the impairment provision for lifetime ECLs.

(9) Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(10) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading-if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b)They eliminate or significantly reduce a measurement or recognition inconsistency; or (c)They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Company measures the financial liabilities at fair value. All related transaction costs are recognized in profit or loss. The Company subsequently measures these inancial liabilities at fair value with any gain or loss recognised in profit or loss.

(11)Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(12) Convertible bonds payable

Convertible bonds or issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Company's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Company classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options’.

(13) Derecognition of financial liabilities

A. A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

B. Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

C. Where there has been a substantial renegotiation or modification of the terms of an existing financial liability and resulted in a significant discrepancy which is at least ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

(14) 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.

(15) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and stop arranging the depreciation.

(16) Investment in affiliates

An affiliate means an entity in which the Company has major influence over the financial and operating policies but has no control over the same. The Company 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 parent company only 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 Company's accounting policy, from the date when the Company has major influence until the date when the Company loses the major influence.

The unrealized gains from transactions between the Company and affiliates have been derecognized from the Company'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 Company'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 Company makes payment on behalf of the investee.

Where the Company forfeits its material influence over an affiliate when the Company 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.

(17) Investment in subsidiaries

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

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

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

(18) 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 Company and the amount thereof may be measured, the expenses shall be stated as a part of the book value and the relocated book value should be derecognized. The routine maintenance and repairs of property, plant and equipment shall be stated as income when incurred.

C. Depreciation

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

No depreciation of land is required.

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

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

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

(19) 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.

(20) Intangible assets

A. Goodwill

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

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

B. Software

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

C. Internally generated intangible assets—research and development expenditures

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

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

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

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

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

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

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

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

(21) Impairment on non-financial assets

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

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

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

(22) Reserve for liabilities

The reserve for liabilities shall be recognized when the Company 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 Company'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.

(23) Treasury stock

The issued stock recalled by the Company 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.

(24) Revenue recognition

A. Sales of goods

(a) The Company manufactures and sells a range of semi-conductor production process and testing equipments in the market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler’s acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Company has objective evidence that all criteria for acceptance have been satisfied.

(b) The Company’s obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

(c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Labor service

The Company provides semi-conductor production process and testing equipments proxy services. Revenue from providing services is recognized in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

C. Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

D. Incremental costs of obtaining a contract

The Company recognizes an asset (shown as 'Prepayments ') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Company expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Company recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Company expects to receive less the costs that have not been recognized as expenses.

(25) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(26) 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 Company, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

(27) Employee benefits

A. Short-term employee benefits

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

B. Pension

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

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

C. Resignation benefits

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

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

(28) 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.

(29) Income tax

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

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

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

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

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

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

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

H. If a change in tax rate is enacted or substantively enacted in an interim period, the Company recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(30) <u>Business combination</u>

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

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

(31) EPS

The Company will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Company'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 Company's potential diluted common stock includes the stock options granted to employees.

(32) Information by department

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

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

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Company's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

A. Critical judgements in applying the Company's accounting policies

(1) Revenue recognition on a net/gross basis

The Company determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Company is a principal) or to arrange for the other party to provide those goods or services (i.e. the Company is an agent) based on the transaction model and its economic substance. The Company is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Company recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Company is an agent if its performance obligation is to arrange for the provision of goods or services by another party. The Company recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

(2) Indicators that the Company controls the good or service before it is provided to a customer include the following:

(a) The Company is primarily responsible for the provision of goods or services;

(b) The Company assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(c) The Company has discretion in establishing prices for the goods or services.

B. Critical accounting estimates and assumptions

(1) Allowance for uncollectible accounts of receivable accounts

The company conducts assessment on the recoverability of account receivables on the basis of the credit quality of the customers and the collection of the accounts and the experience of uncollectible accounts in the past and estimates for the provision of doubtful accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for uncollectible accounts. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and expected credit loss in the year in which the estimation is changed. Until December 31, 2018, the book value of receivable accounts has been NT$990,661 thousand (exclusive of the allowance for uncollectible accounts, NT$10,065 thousand).

(2) Evaluation of inventory

Inventory shall be evaluated on the basis of the lower the cost and net realizable value. As such, the company must make judgment and estimate the net realizable value of the inventory on the balance sheet date. Rapid technological change compels the company to assess the amount of normal wearing out and phasing out of inventory or inventory with no market price and write off the cost of inventory from net realizable value. Until December 31, 2018, the book value of the Company’s inventories has been NT$2,467,379 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT$253,513 thousand)

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. As of December 31, 2018, the Company had deferred income tax assets amounting to NT$81,149 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. As of December 31, 2018, the Company recognized provision for liabilities amounted to NT$4,859 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company. As of December 31, 2018, the book value of accrual pension liabilities of the Company amounted to NT$39,102 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash:		
Cash on hand	$ 4,539	$ 3,424
Bank deposit:		
Foreign currency deposit	151,179	92,346
Demand deposit	549,371	201,593
Time deposits	17,884	—
Total	$ 722,973	$ 297,363

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

(2) Note receivables, net：None.

(3) Accounts receivable, net

	December 31, 2018	December 31, 2017
Accounts receivable	$ 689,184	$ 632,852
Less: Allowance for uncollectible accounts	(9,993)	(7,329)
Accounts receivable, net	$ 679,191	$ 625,523

	December 31, 2018	December 31, 2017
Accounts receivable -related party	$ 311,470	$ 264,990
Less: Allowance for uncollectible accounts	—	—
Accounts receivable -related party, net	$ 311,470	$ 264,990

	December 31, 2018	December 31, 2017
Receivable on demand (stated as other non-current assets)	$ 72	$ —
Less: Allowance for uncollectible accounts	(72)	—
Receivable on demand, net	$ —	$ —

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

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

	Group evaluation Impairment loss	Individual evaluation Impairment loss	Total
At January 1,2018 **(IAS 39)**	$ 7,329	$ -	$ 7,329
Adjustments under new standards	-	-	—
At January 1,2018 **(IFRS 9)**	7,329	-	7,329
Provision for impairment	2,736	-	2,736
Reversal of impairment	-	-	-
Write-offs during the period	-	-	-
At December 31, 2018	$ 10,065	$ -	$ 10,065
At January 1, 2017	$ 6,462	$ -	$ 6,462
Provision for impairment	867	-	867
Reversal of impairment	-	-	-
Write-offs during the period	-	-	-
At December 31, 2017	$ 7,329	$ -	$ 7,329

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

	December 31, 2018		December 31, 2017	
	Total	Impairment	Total	Impairment
Undue	$ 875,676	$ -	$800,551	$ -
Overdue for 1~90 days	115,855	8,110	94,968	6,648
Overdue for 91~180 days	4,954	743	1,258	188
Overdue for 181~360 days	3,777	944	160	40
Overdue for 1~2 years	392	196	905	453
Overdue for more than 2 years	72	72	-	-
Total	$1,000,726	$ 10,065	$897,842	$ 7,329

The above ageing analysis was based on past due date.

(4) Inventories

	December 31, 2018	December 31, 2017
Raw material	$ 644,033	$ 426,258
Supplies	131,833	119,495
Work in progress	433,566	382,275
Semi-finished goods	348,101	319,612
Finished goods	1,122,839	1,191,266

Commodity	21,674	22,753
Materials and supplies in transit	18,846	8,773
Less: Allowance for inventory devaluation and obsolescence losses	(253,513)	(242,939)
Inventory, net	$ 2,467,379	$ 2,227,493

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

	2018	2017
Cost of sold inventory	$ 2,798,650	$ 2,337,169
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	10,573	30,927
Inventory retirement loss	-	-
Other operating cost - employee remuneration	19,226	8,064
Estimated maintenance and warranty cost	10,268	5,061
Sale cost, net	$ 2,838,717	$ 2,381,221

B. Before December 31, 2018 and 2017, the Company had not pledged its inventory as collaterals.

(5) Investments accounted for using equity method (Include Credit balance of investments account for using equity method)

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

Investee	December 31, 2018 Book value	December 31, 2018 Ratio of shareholding %	December 31, 2017 Book value	December 31, 2017 Ratio of shareholding %
Subsidiaries:				
MPI TRADING CORP.	$ 62,740	100 %	$ 62,325	100 %
MMI HOLDING CO., LTD.	509,374	100 %	587,125	100 %
MEGTAS CO.,LTD.	40,265	80 %	25,255	60 %
Chain-Logic International Corp.	244,510	100 %	238,519	100 %
Won Tung Technology Co., Ltd.	—	—	4	100 %
Allstron Corporation	1,644	100 %	1,995	100 %
Affiliates:				
Total	$ 858,533		$ 915,223	
Transfer to Credit balance of investments account for using equity method				
MPA TRADING CORP.	$ 68,397	100 %	$ 16,728	100 %

A. Changes in investment under equity method:

	2018	2017
Balance, beginning	$ 915,223	$ 809,405
Increase in investment in the current period	13,861	98,061
Disposal of investments for book value	-	-
Cash dividend distributed by affiliates	(17,605)	(12,175)
Transfer of treasury stock to subsidiaries' employees	-	-
Investment income (loss) recognized under equity method	2,420	12,918
Exchange difference arising from translation of the financial statement of foreign operations	(11,921)	(12,132)
Realized (unrealized) income from downstream transactions with investees	22,094	12,525
Other comprehensive income – Actuarial income (loss) of determined welfare	47	(2,069)

Gain on disposal of investments- Lumitek Corporation	-	15,557
Proceeds from disposal of investments- Lumitek Corporation	-	(18,918)
Proceeds from disposal of investments- Won Tung Technology Co., Ltd.	(4)	-
Proceeds from capital return of investments accounted for using equity method	(112,675)	(4,677)
Difference between consideration paid and carrying amount of subsidiaries acquired- MEGTAS CO.,LTD.	(4,576)	-
Transfer to Credit balance of investments account for using equity method	51,669	16,728
Balance, ending	$ 858,533	$ 915,223

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

Refer to the consolidated financial statements of FY2017

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

Name of Affiliate	Nature of relationship with consolidated company	Principal business place/country where the company is registered	Proportion of ownership and voting right December 31, 2018	Proportion of ownership and voting right December 31, 2017	Measurement Method
Lumitek Co.,LTD	Primarily engaged in OEM service of LED dice production process; the affiliate has been dissolved on February 28, 2015. (liquidated in August 8,2017)	Taiwan	-	-	Equity method

D. Book value and share of operating result of the affiliates not important to the Company individually：None.

E. The Company recognized the income of these investees on the basis of their respective audited financial statements in proportion to the investment by the company accounted for under the equity method in 2018 and 2017.

F. The financial statements of subsidiary MEGTAS CO., LTD. in FY2018 and FY2017 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to NT$5,693 thousand and NT$5,250 thousand, respectively.

The financial statements of subsidiary MPI AMERICA INC. in FY2018 and FY2017 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to (NT$50,513) thousand and (NT$43,217) thousand, respectively.

G. The Company acquired 100% of the shares of Allstron Corporation (“Allstron”) in March 2014 and controlled the company in whole.

Goodwill Impairment Charges

Upon the discussion of the management and report to the Board of Directors on March 24 of 2017, the Company has, according to the forecasted cash flow of Allstron Probing Solution, recognized the difference between the investment cost of the original investment day and the net equity value in the goodwill impairment loss with a value of NT$45,533 thousand for the year of 2016.

H. 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. The Company 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.

I. In order to meet the need for business expansion, the Company'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.
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. The Investment been approved by Commission on MOEA had the investment approved document.

J. 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. The Investment been approved by Commission on MOEA had the investment approved document.

K. Company management board has on December 28, 2017 voted on a resolution to sell the entire shareholdings of the affiliated enterprise – MJC Microelectronics (Kunshan) Co., Ltd. of the group's subsidiary MMI Holding Co., Ltd to Japanese MJC Corporation (MJC is the parent firm of MJC Microelectronics (Kunshan) Co., Ltd.), and the two parties agree to set the total shareholding transfer transaction to the sum of RMB 18,000 thousand (at approximately NT$81,927 thousand, when calculated at the exchange rate of 4.5515 on Dec. 31, 2017), and planned to complete the liquidation proceedings in the next 12 months. The group has reclassified its investment held in MJC Microelectronics (Kunshan) Co., Ltd.'s book value amount totaling NT$71,302 thousand to under the non-liquid asset item on its combined balance sheet as of December 31, 2017.

On December 28, 2017, the Board of Directors meeting approved selling MMK (Kunshan) and sold on March 23, 2018. The distribution of surplus a total of NT$82,710 thousand was remitted. The Investment been approved by Commission on MOEA had the investment approved document. The original book value was NT$71,302 thousand. After writing off and transferring foreign currency translation reserve of financial report in the foreign operating institution, MMI HOLDING CO., LTD will recognize the disposal of investment gain NT$9,208 thousand.

L. MMI HOLDING CO., LTD., a subsidiary of the Group, transferred subsidiary MJC Microelectronics (Shanghai) Co., Ltd. completed the liquidation on August 31, 2018 and remitted the liquidation amount of NT$28,081 thousand, the recognition of the investment benefit is NT$1,733 thousand.

M. The Company invested MMI HOLDING CO., LTD., on April 25, 2018, the Board of Directors meeting approved reducing the cash capital US$2,857,000(equivalent to NT$84,006 thousand); on September 11, 2018, the Board of Directors meeting approved reducing the cash capital US$936,870(equivalent to NT$28,669 thousand).

N. On August 15, 2018, the Company passed the liquidation of WANG-TONG CORP., which was liquidated and written off on September 14, 2018, and remitted the surplus investment of NT$4 thousand.

O. In order to coordinate the corporation’s operating program and promote the efficiency of capital usage, the Group has reported to the board of directors to takeover 20% of equity on MEGTAS CO., LTD. In ₩5,000 per share on November 8, 2018. The total investment cost is NT$13,861 thousand and the date of the takeover is on October 5, 2018. Besides the company will takeover 100,000 shares, and the shareholding ratio will increase from 60% to 80%. The difference between consideration paid and carrying amount of subsidiaries acquired was NT$4,567 thousand.

P. Guarantee

As of December 31, 2018 and 2017, the company had not pledged its investment accounted for under the equity method as collaterals.

(6) Property, plant and equipment

A. The changes in the cost, depreciations and impairments of the property, plant and equipment of the Company in FY2018 and FY2017:

	Land	House and building	Machine & equipment	Furniture and fixtures	Research equipment	Other equipments	Construction in progress	Total
Cost:								
January 1, 2018	$ 770,963	$ 1,453,346	$ 857,577	$ 61,349	$ 768,172	$ 11,397	$ 57,571	$ 3,980,375
Addition	-	19,196	21,950	10,637	3,516	627	31,555	87,481
Disposition	-	-	(32,588)	(20,182)	(52,848)	(1,019)	-	(106,637)

Transfer	-	69,205	71,699	191	30,587	41	(70,583)	101,140
December 31, 2018	$ 770,963	$ 1,541,747	$ 918,638	$ 51,995	$ 749,427	$ 11,046	$ 18,543	$ 4,062,359
Cost:								
January 1, 2017	$ 763,767	$ 1,354,120	$ 672,628	$ 74,181	$ 584,772	$ 14,194	$ 42,835	$ 3,506,497
Addition	7,196	29,778	40,233	11,809	51,291	323	84,184	224,814
Disposition	-	-	(38,315)	(25,917)	(67,116)	(3,120)	-	(134,468)
Transfer	-	69,448	183,031	1,276	199,225	-	(69,448)	383,532
December 31, 2017	$ 770,963	$ 1,453,346	$ 857,577	$ 61,349	$ 768,172	$ 11,397	$ 57,571	$ 3,980,375
Depreciation and impairment:								
January 1, 2018	$ -	$ 285,663	$ 356,595	$ 33,557	$ 365,679	$ 7,437	$ -	$ 1,048,931
Depreciation	-	64,282	137,825	14,673	112,894	1,818	-	331,492
Disposition	-	-	(28,118)	(20,170)	(52,848)	(1,019)	-	(102,155)
Transfer	-	-	(398)	-	-	-	-	(398)
December 31, 2018	$ -	$ 349,945	$ 465,904	$ 28,060	$ 425,725	$ 8,236	$ -	$ 1,277,870
Depreciation and impairment:								
January 1, 2017	$ -	$ 233,235	$ 277,193	$ 43,269	$332,087	$ 8,325	$ -	$ 894,109
Depreciation	-	52,428	115,637	16,197	100,708	2,086	-	287,056
Disposition	-	-	(36,235)	(25,909)	(67,116)	(2,974)	-	(132,234)
Transfer	-	-	-	-	-	-	-	-
December 31, 2017	$ -	$ 285,663	$ 356,595	$ 33,557	$365,679	$ 7,437	$ -	$ 1,048,931
Net book value								
December 31, 2018	$ 770,963	$1,191,802	$ 452,734	$ 23,935	$ 323,702	$ 2,810	$ 18,543	$ 2,784,489
December 31, 2017	$ 770,963	$ 1,167,683	$ 500,982	$ 27,792	$ 402,493	$ 3,960	$ 57,571	$ 2,931,444

B. The Company purchased from the non-related party the land at Tai Ho Section, Zhubei City in August 2017. The total contract amount including necessary trading cost was NT$7,196 thousand. The transfer registration was completed on October 3, 2017. Factory premises would be built on the land.

C. Guarantee

For details about the secured long-term loan and facility until December 31, 2018and 2017, please see Note 8.

D. For the capitalized interest, please see Note 6(17) 2. Financial cost.

(7) Intangible assets

The cost, amortization and impairment of intangible assets of the Company in FY2018 and FY2017 are shown below:

	Computer software		Computer software
January 1, 2018	$ 40,955	**January 1, 2017**	$ 35,293
Addition	25,960	Addition	29,714
Reclassification	-	Reclassification	(109)
Amortization expenses	(25,678)	Amortization expenses	(23,943)
December 31, 2018	$ 41,237	**December 31, 2017**	$ 40,955

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2018 and 2017 were stated as the following items in the comprehensive income statement:

	2018	2017
Operating cost	$ 22,665	$ 17,888
Operating expense	27,032	27,680
Total amortization expenses	$ 49,697	$ 45,568

B. R&D expenditure

In FY2018 and FY2017, the R&D spending deriving from intangible assets internally developed amounted to NT$869,002 thousand and NT$803,594 thousand, respectively, recognized under the title of "Operating expenses –R&D expenses" in the comprehensive income statement.

(8) Other non-current assets

	December 31, 2018	December 31, 2017
prepayments for equipment	$ 50,681	$ 95,842
Refundable deposit	18,760	19,313
Deferred Charges	31,800	37,510
Total	$ 101,241	$ 152,665

The costs of Deferred Charges, amortization, and the impairment loss of the Company as of and for the ended of December 31, 2018 and 2017 were as follows:

	Deferred Charges		Deferred Charges
January 1, 2018	$ 37,510	**January 1, 2017**	$ 46,226
Addition	16,931	Addition	12,909
Reclassification	1,378	Reclassification	—
Amortization expenses	(24,019)	Amortization expenses	(21,625)
Impairment	—	Impairment	—
December 31, 2018	$ 31,800	**December 31, 2017**	$ 37,510

(9) Short-term loan

	December 31, 2018		December 31, 2017	
Nature of loan	Amount	Interest rate	Amount	Interest rate
Credit loan	$ 200,000	0.90%	$ 210,000	0.87% ~0.895%
Secured borrowings	618,000	0.89% ~0.90%	960,000	0.89% ~0.895%
Total	$ 818,000		$ 1,170,000	

1. For the information about exposure of the Company's interest rate and liquidity risks, please refer to Note 12(2).
2. Collateral for bank loan.

For bank loans secured by the Company's assets, please see Note 8.

(10) Other accounts payable

	December 31, 2018	December 31, 2017
Expenses payable	$ 548,770	$ 412,053
Employees' remuneration payable	34,144	9,323
Short-term employee benefits	33,032	19,648
Others (all less than 5%)	9,604	3,948
Total	$ 625,550	$ 444,972

(11) Reserve for liabilities

	Warranty		Warranty

Balance, January 1, 208	$	3,210	**Balance, January 1, 2017**	$	2,595
Increase (decrease)		1,649	Increase (decrease)		615
Balance, December 31, 2018	$	4,859	**Balance, December 31, 2017**	$	3,210
Current	$	4,859	Current	$	3,210
Non-current		-	Non-current		-
Balance, December 31, 2018	$	4,859	**Balance, December 31, 2017**	$	3,210

The provision for warranty liabilities of the company in 2018 and 2017 was mainly related to the sales of semiconductor production process and test equipment. The provision for warranty liabilities is estimated on the basis of historical data on warranty. The Company expected most of the liabilities would be realized in the year after the sales.

(12) Corporate bonds-payable

	December 31, 2018	December 31, 2017
Total amount of 4th domestic unsecured convertible corporate bond	$ 1,000,000	-
Total amount of 3rd domestic unsecured convertible corporate bond	-	$ 700,000
Less: Conversion amount	-	(126,000)
Less: Convertible corporate bonds expired	-	(574,000)
Less：Buy back from open market	(34,800)	-
Less: Corporate bond discount	(72,357)	-
Corporate bond payable, net	$ 892,843	$ -
Current	$ -	$ -
Non-current	892,843	-
Total	$ 892,843	$ -
Embedded financial derivatives - financial liabilities (assets)	**$ 9,266**	$ -
Elements of equity	**$ 67,683**	$ -

A. In order to repayment of bank loan, the Company issued 4th domestic unsecured convertible corporate bonds upon resolution of the board of directors on May 7, 2018, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1070325999 dated July 26, 2018. The issuance conditions are stated as following:

(a) Total issued amount: The Company issued NT$1,000,000 thousand of convertible bonds, each bond had a face value of NT$100 thousand; issued at 100.1% of the face value, a total of 10 thousand copies were issued.

(b) Duration: 5 years (August 15, 2018~ August 15, 2023)

(c) Coupon rate: 0%

(d) Duration: The day following expiration of three month after the date of issuance (November 16, 2018) until the expiry date (August 15, 2023).

(e) Conversion price and adjustment thereof:

Ⓐ The conversion price at the time of issuance shall be NT$71.50 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.

(f) Bondholders' put option:

The bondholders may exercise the put option of the convertible bonds earlier on the record date for exercise of put option, namely, August 15, 2021 and August 15, 2022, upon expiration of three years and four years after issuance of the bonds. The bondholders may ask the Company to redeem the convertible 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 three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), 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 three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), 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. As of the expiry (December 31, 2018), the 4th domestic unsecured conversion of corporate bonds without the request for conversion.

C. The Company analyzed the 4th 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:

August 15, 2018

	(Issuing date)
Total issuing amount of convertible corporate bond	$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	(6,400)
Corporate bond payable, net on the issuing date	$ 919,095

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 every month, which was stated into the "from financial assets and liabilities at fair value through profit or loss ".

The effective interest rate of the 4th unsecured convertible bonds after host contracts separation is 1.6885%.

D. 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 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) 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.

E. The 3rd domestic unsecured conversion of corporate bonds as of the expiry (November 18, 2017), the cumulative local third unsecure, convertible corporate bonds' par value requesting for conversion is at NT$126,000 thousand, with the issued shares at 1,289 thousand shares, and which also generates a capital reserve – converting the corporate bonds' conversion premium at NT$113,265 thousand. The over-the-counter trading also ceases, effective from the following business day of the expiry (November 20, 2017), with the par value of the convertible corporate bonds tallied at NT$574,000 thousand at expiry, in addition to bondholders with converting right not requesting for the conversion to be invalidated, the initially classified "capital reserve – shareholding pledging" balance at NT$27,005 thousand is reclassified as "capital reserve – invalidated shareholding pledging" item.

F. The Company analyzed the 3rd domestic unsecured convertible corporate bonds according to IFRS No.7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	November 18, 2014 (Issuing date)
Total issuing amount of convertible corporate bond	$ 700,000
Cost of convertible corporate bond	(5,203)
Elements of equity at the time of issuance - conversion option	(32,933)
Embedded financial derivatives at the time of issuance	(980)
Corporate bond payable, net on the issuing date	$ 660,884

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of every month, which was stated into the "from financial assets and liabilities at fair value through profit or loss “.

The effective interest rate of the 3rd unsecured convertible bonds after host contracts separation is 1.9183%.

G. (a) The “gain (loss) from financial assets and liabilities at fair value through profit or loss” was (NT$3,200) thousand and (NT$55) thousand in 2018 and 2017.

(b) The Company recognized interest expense of convertible bonds were NT$ 5,935 thousand and NT$ 9,787 thousand start from January to December, at 2018 and 2017.

H. Till December 31, 2018, the 4th unsecured convertible bonds in the amount of NT$34,800 thousand were repurchased by the company from open market, buy back price is NT$ 33,030 thousand that is shared to liabilities and equity with difference between book value, is recognized as Form treasury stock transaction NT$ 368 thousand, recognized in gain on repurchase of convertible bonds NT$1,564 thousand in 2018(stated as other revenue-others).

(13) Long-term Loans

Bank	Nature	Limit	Duration	December 31, 2018
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 574,000	2017/11/28~2020/11/28	$ 38,150 (Note)
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 201,100	2015/09/30~2020/09/30	- (Note)
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 163,000	2009/03/02~2022/03/02	30,313
Less: current portion				(29,233)
Total				$ 39,230
Interest rate range				1.28 %~1.42 %

(Note) The above loan has been partially repaid in advance

Bank	Nature	Limit	Duration	December 31, 2017
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 574,000	2017/11/28~2020/11/28	$ 558,055
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 201,100	2015/09/30~2020/09/30	201,000
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 163,000	2009/03/02~2022/03/02	39,641
Less: current portion				(225,787)
Total				$ 572,909
Interest rate range				1.28 %~1.445 %

A. Information on the exposure of interest risk and liquidity risks of the company is shown in Note 12 (2).

B. Collateral for bank loan.

The company pledged its assets under lien as collaterals for the security of loans from the banks. Related information is shown in Note 8.

(14) Pension Benefits

A. Defined benefit plan

(a) The Company has established the regulation for retirement with welfare in accordance with the “Labor Standards Act”, which is applicable to the years of service for full-time employees before the implementation of the “Labor Pension Act” on July 1 2005, and the employees continued to adopt the “Labor Standards Act” after the “Labor Pension Act” has come into effect. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six (6) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The company contributes at 2% of the total salary on a monthly basis to the pension fund and deposit at the special pension account under the title of the Pension Reserve Monitoring Committee at the Bank of Taiwan. As of December 2018, the balance of the pension contribution in the special account at the Bank of Taiwan amounted to NT$55,369 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	$ 94,471	$ 83,621
Fair value of planned assets	(55,369)	(51,924)
Net defined benefit liability	$ 39,102	$ 31,697

(c) Changes in the present value of defined benefit obligation:

	2018	2017
Present value of defined benefit obligation, January 1	$ 83,621	$ 74,960
Service cost in current period	5,121	5,126
Interest cost	1,296	1,274
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	3,382	2,261
Empirical adjustment	5,179	-
Benefit payment-from planned assets	(4,128)	-
Present value of defined benefit obligation, December 31	$ 94,471	$ 83,621

(d) Changes in fair value of planned assets:

	2018	2017
Fair value of planned assets, January 1	$ 51,924	$ 47,506
Interest revenue	835	840
Return (loss) on remuneration of planned assets	1,212	(369)
Contribution by employer	5,526	3,947
Benefit payment-from planned assets	(4,128)	-
Fair value of planned assets, December 31	$ 55,369	$ 51,924

(e) Total expenses recognized in comprehensive income statement:

	2018	2017
Service cost in current period	$ 5,121	$ 5,126
Interest cost of defined benefit obligation	1,296	1,274
Interest revenue from planned assets	(835)	(840)
Defined benefit cost stated into income	$ 5,582	$ 5,560

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was not impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2018 and 2017, please see the labor pension fund utilization report published by the government each year.

(g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	2018	2017
Discount rate	1.30%	1.55%
Future salary and benefit level	2.25%	2.25%

Until December 31, 2018, the weighted average duration of the pension plan has been 18.1 years.

(h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any change in the actuarial assumption may cause the amount of the determined welfare obligation of the company at significant level. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company.

(i) The variance in the estimation of discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	Discount rate		Future raise rate	
	Increase by 0.25%	**Decrease by 0.25%**	**Increase by 1.00%**	**Decrease by 1.00%**
December 31, 2018				
Effect on defined benefit obligation %	(3.58%)	3.75%	15.86%	(13.44%)
Amount of effect on defined benefit obligation %	$ (3,382)	$ 3,543	$ 14,983	$ (12,697)
December 31, 2017				
Effect on defined benefit obligation %	(3.89%)	4.08%	17.40%	(14.60%)
Amount of effect on defined benefit obligation %	$ (3,253)	$ 3,412	$ 14,550	$ (12,209)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

(j) The Company is expected to contribute NT$4,200 thousand to the Plan in the reporting period of next year.

B. Defined contribution plans

(a) With effect on July 1, 2005, the company has established the regulation for the contribution of pension fund in accordance with the "Labor Pension Act" which is applicable to employees of ROC nationality. For the employees electing to adopt the "Labor Pension Act" for retirement, the company allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the personal pension account with accumulated return payable monthly or in lump sum.

(b) In FY2018 and FY2017, the Company has recognized pension expenses amounted to NT$52,763 thousand and NT$50,623 thousand in accordance with the regulation for determination of pension allocation.

(15) EQUITY

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

	2018	**2017**
Balance, January 1	79,901,388	79,605,392
Corporate bond conversion	-	295,996

Balance, December 31	79,901,388	79,901,388

B. Capital surplus

(a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	December 31, 2018	**December 31, 2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)		
Common stock premium	$ 210,163	$ 210,163
Convertible corporate bond conversion premium	593,941	593,941
Treasury stock trading	58,604	58,236
May be used to offset a deficit only (Note2)		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	27,005	27,005
Such capital surplus may not be used for any purpose		
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	67,683	-
Total	$ 977,255	$ 909,204

(Note1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

(Note2) Such type of capital reserve pertains to bequeathing to the accepting shareholders without cash inflow or reclassification of invalidated employee shareholding pledging.

Ⓐ The conversion of 1st and 2nd non-secured domestic convertible corporate bonds already issued by the Company has been completed and generated the capital surplus-convertible corporate bond conversion premium, NT$480,676 thousand, and capital surplus-treasury stock trading, NT$8,477 thousand.

Ⓑ The Company issued the first and second Domestic unsecured convertible corporate bonds; the company recognized NT$49,759 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 thousand.

Ⓓ 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 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.

(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) 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.

(d) 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 provided special reserve NT$30,177 thousand to shareholders from earnings 2016 on June 13, 2017.

The Company provided special reserve NT$12,131 thousand to shareholders from earnings 2017 on June 12, 2018.

(e) The Company resolved to allocate the cash dividend, NT$39,951 thousand (NT$0.5 per share), to shareholders from earnings 2017 on June 12, 2018.

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.

(f) 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".

(g) For the information about remuneration to employees and remuneration to directors/supervisors, please see Note 6(20)

D. Treasury stock：None.

F. Share-based payment－employee compensation plan

As of December 31, 2018, information on outstanding ESO is shown below: None.

(16) OPERATING INCOME

A. Operating income

		2018
Revenue from contracts with customers		
Sales revenue	$	**4,658,630**
Processing Fees revenue		—
Others		
Commission revenue		**45,590**
Total	$	4,704,220

B. Contract assets and contract liability

The Company recognized the contract assets and contract liability of the revenue from contracts with customers as following:

(a) Contract assets: None.

(b) Contract liability as following:

		December 31, 2018
Contract liability-current		
Sales revenue received in advance	$	854,750
Total	$	854,750

Revenue of the contract liability recognized in the beginning:

		2018
At January 1		
Revenue recognized in this period		
Sales revenue received in advance transfer to revenue	$	485,223
Total	$	485,223

(c) The exposure related to sales revenue in the current period please see Note 12(5) B details in 2017.

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

		2018		2017
Gain (loss) from disposition of property, plant and equipment	**$**	**5,669**	**$**	**(1)**
Gain on disposition of investment		-		15,557
Gain (debt) from financial assets and liabilities at fair value through profit or loss		(3,200)		(55)
Foreign currency exchange gain (loss), net		25,412		(24,557)
Others		(530)		(180)
Total	$	27,351	$	(9,236)

For the notes to gain on disposition of investment, please refer to Note 6(5).

B. Financial cost

		2018		2017
Interest expenses				
Bank loan	$	17,895	$	9,423
Convertible corporate bond		5,935		9,787
Subtotal		23,830		19,210
Less: capitalized interest		(970)		(2,431)
Total	$	22,860	$	16,779
Capitalized interest rate		0.91%~1.88%		0.62%~1.12%

(18) Income Tax

A. The detail of income tax expenses (benefits) of the company is shown below:

	2018	2017
Income tax in current period:		
Generated in the current period	$ 56,845	$ 30,151
Overestimated (underestimated) income tax in previous year	60	-
Total income tax in the current period	56,905	30,151
Deferred income tax		
Occurrence and reversal of temporary difference	(566)	(3,514)
Effect of changes in tax rate	(10,132)	-
Total deferred income tax	(10,698)	(3,514)
Total	$ 46,207	$ 26,637

B. The Company recognized Income tax expenses in other comprehensive income are NT$ 0 start from January to December, at 2018 and 2017.

C. The Company income tax expenses recognized under the title of equity are NT$0 start from January to December, at 2018 and 2017.

D. Relations between income tax expenses (gains) and accounting profit

	2018	2017
Net profit (loss) before tax	$ 380,769	$ 172,404
Income tax on net profit before tax calculated at the domestic tax rate applicable in the place where the Company is situated	$ 76,154	$ 29,307
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(2,388)	(468)
Income tax effect on deferred income tax assets/liabilities	(566)	(3,514)
Unrecognized deferred income tax assets	-	-
Tax-free income	-	-
Maximum foreign-tax deduction	-	-
Income tax effect on investment credit	(24,362)	(12,875)
Imposition of income tax on undistributed earnings	7,441	14,077
Income tax effect under minimum tax system	-	110
Overestimated (underestimated) income tax in previous year	60	-
Effect of changes in tax rate	(10,132)	
Total	$ 46,207	$ 26,637

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2018				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 41,300	$ 9,402	-	-	$ 50,702

Unrealized exchange loss	1,736	(1,290)	-	-	446
Unrealized warranty cost	545	427	-	-	972
Unrealized loss on valuation of nonfinancial asset	7,741	1,366	-	-	9,107
Unrealized gain on inter-affiliate accounts	-	12	-	-	12
Expected Credit (loss) gains	13,754	(1,992)			11,762
Tax difference on depreciation expenses	13	2	-	-	15
Unrealized net investment income (foreign)	6,913	1,220	-	-	8,133
Total	$ 72,002	$ 9,147	-	-	$ 81,149
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (278)	$ (211)	-	-	$ (489)
Unrealized net investment income (foreign)	(10,534)	2,417	-	-	(8,117)
Recognition of pension expenses (deficit)	(3,779)	(655)	-	-	(4,434)
Total	$ (14,591)	$ 1,551	-	-	$ (13,040)

	2017				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 36,042	$ 5,258	-	-	$ 41,300
Unrealized exchange loss	2,210	(474)	-	-	1,736
Unrealized warranty cost	441	104	-	-	545
Unrealized loss on valuation of nonfinancial asset	7,741	-	-	-	7,741
Unrealized gain on inter-affiliate accounts	15,883	(2,129)	-	-	13,754
Tax difference on depreciation expenses	13	-	-	-	13
Unrealized net investment income (foreign)	-	6,913	-	-	6,913
Total	$ 62,330	$ 9,672	-	-	$ 72,002

Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (730)	$ 452	-	-	$ (278)
Unrealized net investment income (foreign)	(3,650)	(6,884)	-	-	(10,534)
Recognition of pension expenses (deficit)	(4,053)	274	-	-	(3,779)
Total	$ (8,433)	$ (6,158)	-	-	$ (14,591)

(b) Unrecognized deferred income tax assets：None.

(c) Unrecognized deferred income tax liabilities：None.

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2018 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D spending in FY2018	$ 75,513	$ —	$ 24,362	$ —	(non-deferred)
	$ 75,513	$ —	$ 24,362	$ —	

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

G Authorization of income tax:

The Company has its corporate income tax approved by the taxation authorities until 2016.

H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company's applicable income tax rate was raised from17% to 20% effective from January 1, 2018. The Company has accessed the impact of the change in income tax rate.

(19) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

	2018			2017		
	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	$ 334,562	79,901	$ 4.19	$ 145,767	79,812	$ 1.83
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 334,562	79,901		$ 145,767	79,812	
Effect of all potential diluted common stocks						
4th domestic unsecured convertible corporate bond	-	13,499		-	-	
Employee stock option exercise adjustment	-	-		-	-	
Employee stock bonus	-	649		-	137	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 145,767	94,049	$ 3.56	$ 145,767	79,949	$ 1.83

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

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

Function / Nature	2018			2017		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating expense**	**Total**
Employee benefit expense						
Salary expense (including employees' compensation)	812,780	595,352	1,408,132	697,135	502,050	1,199,185
Labor/health insurance expenses	55,669	38,928	94,597	53,763	37,392	91,155
Pension expenses	33,196	25,149	58,345	32,173	24,010	56,183
Director remuneration	—	6,002	6,002	—	—	—
Other employee benefit expenses (Note 1)	89,324	21,787	111,111	66,407	19,471	85,878
Depreciation expenses	233,203	98,289	331,492	206,126	80,930	287,056
Depletion expenses	—	—	—	—	—	—
Amortization expenses	22,665	27,032	49,697	17,888	27,680	45,568

(Note 1) The other employee benefit expenses including meal expenses, overtime pay and workers' benefits.

(Note 2) For the year ended of December 31, 2018 and 2017, The number of employees of the Company was 1,526 and 1,514, of which the number of directors who did not have concurrent employees was 3 and 4 respectively.

A. According to the Company’s existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings. For the details about capital increase, please see Note 6(15).

B. (a) The original articles of incorporation are as follows：

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.

(b)The Company has approved the motion for amendments to the Articles of Incorporation on June 12, 2018:

Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~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. The Company estimated the remuneration to employees was NT$34,144 thousand and NT$9,323 thousand, respectively, in 2018 and 2017, and the remuneration to directors/supervisors NT$9,603 thousand and NT$0. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).

D. The remuneration to employees and directors/supervisors 2017 resolved to be allocated at the shareholders’ meeting on June 12, 2018 were NT$9,323 thousand and NT$0 thousand, respectively, identical with that recognized in the financial statement 2017, 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 2018.

E. 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 remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2017.

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:

	2018	2017
Purchase of property, plant and equipment	$ 188,684	$ 610,379
Add: Payables for equipment, beginning	82,660	129,342
Less: Payables for equipment, ending	(19,530)	(82,660)
Cash paid in current period	$ 251,814	$ 657,061

B. Financing activities not affecting cash flow:

	2018	2017
Conversion of corporate bond conversion into capital stock	$ –	$ 2,960

7. Transactions with related parties

(1) Relations between parent company and subsidiary

The Company's subsidiaries are stated as follows:

		Owner's equity (shareholding %)	
	Place of incorporation	December 31, 2018	December 31, 2017
Chain-Logic International Corp.	Taiwan	100%	100%
Won Tung Technology Co., Ltd.	Taiwan	—	100%
Allstron Corporation	Taiwan	100%	100%
MPI TRADING CORP.	Samoa	100%	100%
MMI HOLDING CO.,LTD.	Samoa	100%	100%
MPA TRADING CORP.	Anguilla	100%	100%
CHAIN-LOGIC TRADING CORP.	Mauritius	100%	100%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Mainland China	100%	100%
Lumitek (Changchou) Co. Ltd.	Mainland China	100%	100%
MEGTAS CO.,LTD.	Korea	80%	60%
MPI AMERICA INC.	USA	100%	100%

(2) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(3) The names and relationship of related parties

Names of related parties	Relationship with the Company
CHAIN-LOGIC INTERNATIONAL CORP. (CLIC)	Subsidiary
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Subsidiary- a subsidiary of CLIC
WANG-TONG CORP.	Subsidiary

MEGTAS CO.,LTD. (MEGTAS)	Subsidiary
MPI TRADING CORP. (MTC)	Subsidiary
Lumitek (Changchou) Co. Ltd.(LUMITC)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI (SUZHOU) CORPORATION (MPS)	Subsidiary- a subsidiary of MMI HOLDING CO., LTD
MPI AMERICA INC. (MPA)	Subsidiary- a subsidiary of MPA TRADING CORP.
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. (MEK)	The Company's director – a subsidiary of MJC
Mjc Microelectronics (Shanghai) Co., Ltd. (MMS)	Associates (liquidated in August 31, 2018)
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD (MET)	Associates –a subsidiary of MMS (liquidated in December 27, 2017)
MMK (Kunshan)	Associates (Disposed in March , 2018)
Lumitek Co.,LTD	Associates (liquidated in August 8, 2017)

(4) Important transactions with related parties

A. Operating revenue

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

Type	2018	2017
Sale of products:		
-Affiliates	$ -	$ 34,109
-Essential related party		
(Director of the original Company)		
MJC	-	13,213
MEC	31	252,891
-Subsidiary		
CLIC	28,694	18,483
LUMITC	5,306	64,255
MPS	75,467	4,159
MPA	421,834	119,117
Others	1,703	41,784
Sale of labor services:		
-Essential related party		
(Director of the original Company)		
MJC	45,590	16,004
MEC	-	320
Total	$ 578,625	$ 564,335

The price of the Company's sale to related parties was not significantly different from the Company's general selling price.

B. Purchase

The Company's purchase values to related parties are stated as follows:

Type	2018	2017
Affiliates	$ -	$ 195
-Essential related party		
(Director of the original Company)		
MJC	-	3,932
Subsidiary		
CLIC	9,732	6,218
MPA	-	406
Total	$ 9,732	$ 10,751

The price of the Company's purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Accounts receivable-related parties

The Company's accounts receivable-related parties are stated as following:

Title	Type	December 31, 2018	December 31, 2017
Accounts receivable	-Essential related party (Director of the original Company) MEC	$ -	758
Accounts receivable	Subsidiary		
	CLIC	14,427	4,291
	LUMITC	64,617	118,048
	MPS	41,457	4,126
	MPA	190,159	111,349
	Others	810	26,418
Accounts receivable		311,470	264,990
Less: Loss allowance		-	-
Accounts receivable, net		$ 311,470	$ 264,990
Other accounts receivable	Subsidiary		
	CLIC	$ 1,055	$ 1,296
	LUMITC	12,318	27,228
	MPS	14,930	1,652
	Total	$ 28,303	$ 30,176

D. Accounts payable-related parties

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

Title	Type	December 31, 2018	December 31, 2017
Accounts payable	Essential related party(Director of the original Company)	$ -	3,673
Accounts payable	Subsidiary-CLIC	2,972	4,983
Other accounts payable	Essential related party(Director of the original Company)		
	MEC	-	4,865
	Others	-	10

Other accounts payable	Subsidiary		
	CLIC	99,759	122,700
	MPS	2,431	2,519
	Others	-	8,227
Total		$ 105,162	$ 146,977

E. Prepayment：None.

F. Exchange of property

a. Acquisition of property, plant, and equipment

Type	Nature	2018	2017
Subsidiary			
CLIC	R&D equipment	$ -	$ 200
CLIC	Office equipments	$ -	$ 18

b. Disposition of property, plant, and equipment:

2018：

Related parties	Nature	Cost	Accumulated depreciation	Net book value	Sales price	Gain (loss) on disposal
Subsidiaries-MPS	Machinery equipment	$ 24,949	$ (19,816)	$ 5,133	$ 9,494	$ 4,361

2017：None.

G. Loan to others (stated as other receivable accounts-related party)

2018:

Type	Maximum balance	Balance ending	Interest rate %	Interest revenue
Subsidiary-Megtas	$ 4,629	$ -	4.99%	$ 52

2017:

Type	Maximum balance	Balance ending	Interest rate %	Interest revenue
Subsidiary-Megtas	$ 4,629	$ 4,629	4.99%	$ 172

H. Purchase of labor services from related parties

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

Type	2018	2017
Promotion-expenditure in commission:		
-Affiliates	$ -	$ 2,306
-Essential related party (Director of the original Company)		
MEC	-	4,901
Others	-	202
-Subsidiary		
CLIC	55,025	72,323
MPS	23,852	2,595
Others	-	6,492
Total	$ 78,877	$ 88,819

I. Others

a. Payment on behalf of others (stated as other current assets): N/A

b. Advance sale receipts

Type	December 31, 2018	December 31, 2017
Essential related party Director of the original Company)		
MEC	$ 265	$ 265
Subsidiary		
CLIC	2,777	22
MPA	5,485	-
Total	$ 8,527	$ 287

c. Temporary receipts (stated as other current liabilities): None.

d. Manufacturing expenses (stated as operating cost)

Type	Nature	2018	2017
Affiliates	Processing expenses	$ -	$ 50
Subsidiary			
CLIC	Miscellaneous purchases	$ -	$ 373
CLIC	Other expenses	$ -	$ 481
MPS	Other expenses	$ 1,672	$ -
Others	Consumables	$ -	$ 136

e. Selling expenses

Type	Nature	2018	2017
Essential related party (Director of the original Company)			
MJC		$ -	$ 46
Affiliates	Other expenses	$ -	$ 3,663
Subsidiary			
CLIC	Other expenses	$ 1,088	$ 597
MPS	Other expenses	$ 154	$ -
Others	Other expenses	$ -	$ 106
MPA	Advertising Expenses	$ 121	$ -

f. Management expenses

Type	Nature	2018	2017
Subsidiary-Others	Other expenses	$ -	$ 50
Subsidiary	Dormitory fees paid by employees	$ (37)	$ (38)

g. Research expense

Type	Nature	2018	2017
Subsidiary			
CLIC	Miscellaneous purchases	$ -	$ 49
CLIC	Other expenses	$ -	$ 11
Others	Other expenses	$ -	$ 76

h. Lease

The Company’s lease revenue from related parties is stated as follows:

Type	2018	2017
Subsidiary-CLIC	$ 3,823	$ 3,844
Affiliates	$ -	$ 45

The main contents of lease contract:

Type	Subject matter	Duration of lease	Mode of collection
Subsidiary	Sublet the factory premises building and parking lots at Wenshan Road, Xinpu Township, Hsinchu County	2014/12/21~2017/12/20, Renewed automatically upon expiration	NT$242 thousand per month (before tax) The rent of parking lots was calculated subject to the actual service condition on a monthly basis.
Subsidiary	Jiaren St., Zhubei City, Hsinchu County (Employee dormitory)	2005/12/01~2006/11/30, Renewed automatically upon expiration	Settled based on the actual number of persons on a monthly basis.
Subsidiary	Rent the branch company office at Luchu, Kaohsiung City	2008/04/18~2009/04/17, Renewed automatically upon expiration	NT$10 thousand per month (before tax)
Affiliates	Sublet the factory premises building at Wenshan Road, Xinpu Township, Hsinchu County	2014/11/01~2017/10/31	Since September 1, 2016, NT $ 6 thousand per(excluded VAT)； To count for actual parking space per month.

i.Other revenue

Type	2018	2017
-Essential related party (Director of the original Company)		
MJC	$ -	$ 171
MEC	-	373
Affiliates	-	46
Subsidiary		
CLIC	534	925
LUMITC	15,001	37,039
MPS	7,696	1,829
MPA	2,712	1,453
Others	-	177
Total	$ 25,943	$ 42,013

j. Information about remuneration to the management

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

	2018	2017
Salary and other short-term employee benefits	$ 9,581	$ 14,067
Resignation benefits	-	-
Retirement benefits	-	-
Other long-term benefits	-	-
Total	$ 9,581	$ 14,067

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

8. Pledged assets

The following assets have been provided to the Company as the collaterals for bank loans, import business tax and sale commitment. The book value thereof is stated as follows:

	December 31, 2018	December 31, 2017
Land	$ 770,963	$ 763,767
Building	857,912	884,374
Pledged time deposit (stated as other current assets)	2,719	2,694
Total	$ 1,631,594	$ 1,650,835

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: None.

(2) Commitment:

A. Balance of unused letter of credit issued by the Company, guarantee money paid and service charges: None.

B. The Company's significant long-term rent:

(a) The Company rented the land lots in Tainan Science Park from Southern Taiwan Science Park Administration for construction of Luchu 1st Plant and 2nd Plant. According to the lease contract, the lease of the land shall persist for no more than 20 years, and the lease shall expire on December 31, 2024. Upon expiration of the lease, both parties may enter into a new contract; otherwise, the contract shall terminate naturally and the Company is prohibited from claiming the continuance of lease or irregular lease with any excuse. In the case of land price re-set by the government pursuant to laws, the rent shall be adjusted and collected based on the re-set land price.

(b) The Company rented the land at Taiho Section, Zhubei City, Hsinchu Country from a non-related party for parking lots. The lease shall expire on May 14, 2022. The Company shall surrender the land to the lessor upon expiration of termination of the lease contract.

(c) The Company rented the land and the construction at Zhonghe Street, Zhubei City, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on August 31, 2019. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

(d) The Company rented the land and the construction at Guangfu Rd, Hukou Township, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on September 30, 2021. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

The income expenses for said two lots of long-term operating leased land were stated as NT$16,001 thousand and NT$15,647 thousand in 2018 and 2017.

The future payable rent for important long-term operating lease is stated as follows:

	December 31, 2018
Less than one year	$ 14,653
One year to five years	33,457
More than five years	4,683
Total	$ 52,793

D. The outstanding amount under the purchase orders signed for the Company's purchase of equipment is stated as following:

	December 31, 2018	December 31, 2017
Purchase of property, plant and equipment	$ 2,012	$ 30,724

10. Significant disaster loss: None.

11. Significant subsequent events: None.

12. Others

(1) Capital management

The Company's capital management objective is intended to protect the Company's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Company manages and adjusts the capital structure subject to the economic condition. The Company might adjust the stock dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Company controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Company maintained the same strategy in 2018 as that in 2017, dedicated to maintaining the debt/equity ratio less than 70%~120%. The Company's debt ratios on December 31, 2018 and December 31, 2017 are stated as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 4,027,514	$ 3,860,930
Total net worth	4,106,841	3,767,978
Debt/equity ratio	98%	102%

(2) Financial instruments by category

A. The financial instruments of the Company are stated as follows:

(a) Financial assets: Including financial assets measured at fair value through profit, cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid and other financial assets.

(b) Financial liabilities: Including financial liabilities measured at fair value through profit, short-term loans, notes payable, accounts payable, other payables, bonds payable(including current portion), long-term borrowings(including current portion), guarantee deposits received and other financial liabilities.

B. Risk management policies

(a) The Company's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.

(b) The Company has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Company shall strictly comply with the requirements related to financial risk management defined by the Company.

C. Significant financial risks and degrees of financial risks

(a) Market risk

The Company's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Company operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets.

The Company's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Company did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Company's income and equity. The Company's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen, Euro and RMB.

The Company's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or Won). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

	December 31, 2018			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 22,219	30.668	$ 681,426
	NTD/JPY	$ 4,819	0.2781	$ 1,340
	NTD/EUR	$ 28	35.481	$ 992
	NTD/RMB	$ 28,530	4.4507	$ 126,976
	NTD/KRW	$ 5,255	0.02775	$ 145
	NTD/HKD	$ 15	3.863	$ 59
	NTD/SGD	$ 12	22.355	$ 276
	NTD/MYR	$ 5	7.112	$ 36
	NTD/THB	$ 2	0.9186	$ 2
	NTD/CHF	$ 1	30.98	$ 41
	NTD/PHP	$ 15	0.5771	$ 9
	NTD/INR	$ 9	0.4348	$ 4
	NTD/GBP	$ 1	38.73	$ 41
Financial liabilities	NTD/USD	$ 2,340	30.758	$ 71,997
	NTD/JPY	$ 40,610	0.2801	$ 11,375
	NTD/EUR	$ 553	37.736	$ 20,896
	NTD/RMB	$ 520	4.675	$ 2,430
	NTD/SGD	$ 1	22.567	$ 27

	December 31, 2017			
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	$ 16,447	29.74	$ 489,135
	NTD/JPY	$ 3,182	0.26388	$ 840
	NTD/EUR	$ 24	35.599	$ 866
	NTD/RMB	$ 26,303	4.5267	$ 119,066
	NTD/KRW	$ 3,345	0.02812	$ 94
	NTD/HKD	$ 8	3.662	$ 31
	NTD/SGD	$ 6	22.275	$ 133
	NTD/MYR	$ 7	6.277	$ 43
	NTD/THB	$ 3	0.8091	$ 2
	NTD/CHF	$ 1	29.78	$ 40
Financial liabilities	NTD/USD	$ 1,657	29.83	$ 49,423
	NTD/JPY	$ 59,396	0.2664	$ 15,820
	NTD/EUR	$ 403	35.799	$ 14,445
	NTD/RMB	$ 1,231	4.555	$ 5,607
	NTD/SGD	$ 10	22.37	$ 234

In consideration of the Company’s multiple functional currency types, the information about exchange gain or loss for currency is disclosed by summarization. The foreign currency exchange gain (loss) (including the realized and unrealized) was NT$25,412 thousand and (NT$24,557) thousand until December 31, 2018 and 2017.

Ⓑ Cash flow and fair value interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Company’s interest rate risk arises primarily from the loan with floating interest rate.

The Company maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

Ⓒ Pricing risk

Due to the fact that in the investment held by the Company indicated in the individual balance sheet, the Company did not hold the financial assets including equity instruments. Therefore, the Company did not suffer significant pricing risk.

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Company did not sign any product contract which did not apply net settlement.

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2018 and 2017 are stated as following:

December 31, 2018

Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-21,136 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-2,216 thousand

December 31, 2017

Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-15,742 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 4,922 thousand

(b) Credit risk

Ⓐ Credit risk refers to the risk of financial loss to the Company arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

Ⓑ The Company set up the management of credit risk by Company perspective. According to the loan policy expressly defined internally in the Company, each business dept. Within the Company 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 Company also applied some credit enhancement instruments (e.g.

advance sale receipts) in a timely manner to reduce customers' credit risk.

Ⓒ For the year ended December 31, 2018 and 2017, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.

Ⓓ The Company's Finance Dept. Manages the credit risk over the deposits in banks and other financial instruments according to the Company's policy. The Company's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.

Ⓔ Guarantee

According to the Company's policy, the Company may only make financial guarantee for the subsidiaries wholly owned by the Company. Before December 31, 2018 and December 31, 2017, the Company has never made any endorsements/guarantees.

Ⓕ The Company adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

Ⓖ The Company in line with credit risk management procedure, when the counterparty of transaction has financial difficulties, business accidents, restrictions on the acceptance of orders due to legal restrictions, refunds of company bills and any factors (such as fires, earthquakes and natural disasters). A default is considered to have occurred in the event that the possibility of recovering the receivable is very low, the default has occurred.

Ⓗ The Company classifies customer's notes receivable, accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, collaterals, credit risk on trade and customer types. The Company applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

Ⓘ The Company wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Company will continue executing the recourse procedures to secure their rights.

Ⓙ The Company used the foreseeable of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance of notes receivable and accounts receivable. The Company use provision matrix to estimate expected credit loss under the provision matrix basis. The provision matrix basis based on historical default rates observed during the lifetime of accounts receivable to adjust. On each reporting day, the Company updated the observed historical default rates and analyzed changes. On December 31, 2018, the Company expected credit loss rate during the lifetime is stated as follow:

	Notes Receivable	**Accounts Receivable**					
	dishonoured check	Without past due	1~90 days	91 to 180 days	181 to 360 days	1 to 2 years	More than 2 year
Expected loss rate	100%	0%	7%	15%	25%	50%	100%

Ⓚ The Company grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of loss allowances provided for the Company's impairment on receivable accounts and account age analysis on loans, please see Note 6(3).

(c) Liquidity risk

Ⓐ The liquidity risk arises when the Company fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.

Ⓑ The Company will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Company will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Company's loan totaled NT$1,936,656 thousand on December 31, 2018.

Ⓒ The following table refers to the non-derivative financial liabilities and Companyed subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Company did not hold derivative financial liabilities.

	December 31, 2018			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 818,000	$ -	$ -	$ 818,000
Payable accounts (including related party)	460,079	-	-	460,079
Other payable accounts (including related party)	747,270	-	-	747,270
Corporate bond payable	-	-	892,843	892,843
Long-term loan (including the current portion)	29,233	29,233	9,997	68,463
Total	$2,054,582	$ 29,233	$ 902,840	$2,986,655

	December 31, 2017			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 1,170,000	$ -	$ -	$ 1,170,000
Payable accounts (including related party)	397,208	-	-	397,208
Other payable accounts (including related party)	665,953	-	-	665,953
Long-term loan (including the current portion)	225,787	225,787	347,122	798,696
Total	$ 2,458,948	$ 225,787	$ 347,122	$ 3,031,857

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Amarket is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Ⓑ Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company’s investment in corporate bonds is included in Level 2.

Ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

Ⓐ Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, Pledged Deposit, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2018			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets	–	–	–	–
Financial liabilities	–	–	–	–
Bonds payable (including current portion)	$ 894,843	–	$ 892,843	–

	December 31, 2017			
		Fair value		
	Book value	Level 1	Level 2	Level3
Financial assets	–	–	–	–
Financial liabilities	–	–	–	–

Ⓑ The methods and assumptions of fair value estimate are as follows:

Corporate bond payable: The cash flow expected to be paid is measured by the present value discounted of the market interest rate on the balance sheet date.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

Ⓐ The Company measured at fair value by level on the basis of the assets and liabilities:

	December 31, 2018			
		Fair value		
	Book value	**Level** 1	**Level** 2	**Level** 3
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss－non-current convertible bonds option	–	–	–	–
Non-recurring fair value measurements	–	–	–	–
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss－non-current convertible bonds option	$ 9,266	–	$ 9,266	–

	December 31, 2017			
		Fair value		
	Book value	Level 1	**Level** 2	**Level** 3
Assets				
Recurring fair value measurements	–	–	–	–

Liabilities				
Recurring fair value measurements	—	—	—	—

Ⓑ The methods and assumptions of fair value estimate are as follows:

Convertible bonds option

Valuation techniques and inputs applied for Level 2 fair value measurement

Financial instruments	Instruments and inputs
Convertible bonds option	Binomial tree valuation model： Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

D. There were no transfer between **Level** 1 and **Level** 2 for the year ended December 31, 2018 and 2017.

(4)Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a part to the financial instrument contract.

(A) Financial assets

The Company'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.

Ⓐ 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”.

Ⓑ 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.

Ⓒ Impairment of 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.

Ⓓ Derecognition of financial assets

The Company 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

Ⓐ 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 Company's assets less its liabilities. The equity instruments issued by the Company should be recognized based on the payment of acquisition less the direct issuing cost.

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

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

Upon the initial recognition, the elements of compound financial instrument liability is measured based on the cost amortized under effective interest method. It is 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.

Ⓑ 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.

Ⓒ 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.

Ⓓ Derecognition of financial liabilities

The Company will derecognize financial liabilities upon performance, cancellation or expiration of contractual obligations.

Ⓔ 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 Company 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.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, 2018 IFRS 9, were as follows:

The Company assessed no conversion difference.

C. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9 are as follows:

The Company assessed no conversion difference.

(5)Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

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 Company 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 Company is entitled to collect dividends, the related dividend revenue shall be recognized.

B. The revenue recognized by using above accounting policies for the year ended December 31, 2017 are as follows:

		2017
Sales revenue	$	3,888,837
Commission revenue		16,325
Total	$	3,905,162

C. If the Company continues to apply the above accounting policies in the period from January to December in 2018, the impact on the current balance sheet and the Comprehensive income statement form line item will be:

The Company assessed no conversion difference.

13. Disclosures of Notes

(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall also disclose the information about important transactions:

No.	Contents	2018
1	Loans to others:	Attached table 1
2	Endorsement/guarantees made for others:	N/A
3	Marketable securities-ending	N/A
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 2
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 3
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	N/A

Attached table 1: Loans to others

No. (Note 1)	Lender	Borrower	Account titles	Related party	Maximum balance in current period (Note 2)	Balance, ending	Drawdown (Note 3)	Interest rate range	Nature of loans to others	Amount of transaction	Reasons necessary for offering short-term loans	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 5)	Limit of total loans (Note 5)
													Name	Value		
0	The Company	MEGTAS CO.,LTD.	Other receivable accounts-related party	Yes	$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$4,634 thousand. The Contract term is from March 28, 2017 to March 28, 2018. The subsidiary MEGTAS CO., LTD. had repaid the loan of NT$ 4,634 thousand on March 23, 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 tp 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

Seller/ buyer	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Extension of loan Duration	Unit price	Duration of loan	Balance	Percentage in total accounts/notes receivable (payable)	
The Company	MPI AMERICA INC.	The Company's subsidiaries	Sale	$ 421,834	9 %	same as that applicable to the general customer	–	–	Receivable accounts $ 190,159	19%	

Attached Table 3: Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital

Name of company stated into receivable accounts	Trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Allowance for bad debt
					Amount	Treatment		
MPI Corporation	MPI AMERICA INC.	The Company's subsidiaries	Receivable accounts $ 190,159	2.7982	–	–	$ 71,637	–

(2) <u>Information about investees</u>

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Company may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) in 2018 is stated as follows:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 62,740	$(1,504)	$(1,504)	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 573,502	$ 686,177	18,267,987 (Note6)	100%	$ 509,374	$ 28,929	$ 24,894	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	$ 53,767	$ 39,906	400,000	80% (Note8)	$ 40,265	$ 8,759	$ 5,728	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%	$ 244,510	$ 21,119	$ 24,152	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	—	—	—	—	—	Subsidiary of MPI Corporation (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%	$ 1,644	$ (351)	$ (351)	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	$ 37,881	1,250,000	100%	$ (68,397)	$ (50,499)	$ (50,499)	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%	$ 60,269	$ 6,249	—	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	$ 36,366	1,200,000	100%	$ (57,227)	$ (50,513)	—	Subsidiary of MPA TRADING CORP. (Note 5)

Note 1: Except MEGTAS CO., LTD. and MPI AMERICA INC., which were audited by other external auditors commissioned by it instead of the Company's external auditors. The others were audited by CPA of the parent company.

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 Company's subsidiary, MMI HOLDING CO., LTD., increased capital by US$2,000,000 (equivalent to NT$60,180 thousand) in September 2017.Reducingthe cash capital US$2,857,000(equivalent to NT$84,006 thousand) in April 2018 and reducing the cash capital US$936,870(equivalent to NT$28,669 thousand) in September 2018. So far, the Company has invested a total of US$18,267,987 in the subsidiary, MMI HOLDING CO., LTD., totaling 18,267,987 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 Company 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 Company'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 Company 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 Company invested MPI America

Inc. via the Company'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 Company invested MMI HOLDING CO., LTD., on April 25, 2018, the Board of Directors meeting approved reducing the cash capital US$2,857,000(equivalent to NT$84,006 thousand); on September 11, 2018, the Board of Directors meeting approved reducing the cash capital US$936,870(equivalent to NT$28,669 thousand)

The Company 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 Company 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：On August 15, 2018, the Company passed the liquidation of WANG-TONG CORP., which was liquidated and written off on September 14, 2018, and remitted the surplus investment of NT$4 thousand.

Note 8：In order to coordinate the corporation's operating program and promote the efficiency of capital usage, the Company has reported to the board of directors to takeover 20% of equity on MEGTAS CO., LTD. in₩ 5,000 per share on November 8, 2018. The total investment cost is 13,861 thousand and the date of the takeover is on October 5, 2018. Besides the company will takeover 100,000 shares, and the shareholding ratio will increase from 60% to 80%. The difference between consideration paid and carrying amount of subsidiaries acquired was NT$4,567 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)	$ 6,231	100 %	$ 6,231	$ 55,000	$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)	–	$ 539	–	$ 151	– (Note 5)	$40,273
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,960,000 ($ 57,423)	–	USD 1,960,000 (57,423)	–	–	–	–	– (Note4)	–
Lumitek (Changzhou) Co. Ltd.	R&D and production of LED semi-conductor LED chips, spare	USD 16,000,000 ($ 502,470)	(Note 2)	USD 16,000,000 ($ 502,470)	–	–	USD 16,000,000 ($ 502,470)	$ 11,464	100 %	$ 11,464	$ 495,268	

	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.										
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,	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)	$ 8,462	100 %	$ 8,462	$ 56,583	－

	commissioned agency and import/export of electronic materials, electronic components, electronic products, LED process equipment, mechanical equipment and spare parts.										

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP.

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 3: Except the financial statement of Mjc Microelectronics (Shanghai) Co., Ltd., and MMK (Kunshan), which were audited by other external auditors commissioned by it instead of the Company's external auditors. The others were audited by CPA of the parent company.

Note 4: On December 28, 2017, the Board of Directors meeting approved selling MMK (Kunshan) and sold on March 23, 2018. The distribution of surplus a total of NT$82,710 thousand was remitted. MMI HOLDING CO., LTD obtained recover payment a total of NT$9,208 thousand. So far, Investment Commission of the Ministry of Economic Affairs has approved this.

Note 5: On May 25, 2017, the Board of Directors approved the liquidation of the transfer investment company MJC Microelectronics (Shanghai) Co., Ltd, which was completed on August 31, 2018. The distribution of surplus a total of NT$28,080 thousand was remitted. MMI HOLDING CO., LTD obtained recover payment a total of NT$1,733 thousand. So far, Investment Commission of the Ministry of Economic Affairs has approved this.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 19,400,000 (NTD 609,567)	USD 20,810,272.42 (NTD 654,652)	NTD 2,470,159

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

(a) 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 at US$1,800,000(equivalent to NT$54,111 thousand) is still in total of US$1,644,142.42(equivalent to NT$49,434 thousand) that could not be offset the investment amount.

(b) MJC Microelectronics(Kunshan) Co., Ltd. was transferred to Japanese MJC Corporation in March, 2018, and the transfer amount of US$2,857,000 (equivalent to NT$84,006 thousand) was used to deduct the mainland investment quota in April, 2018.

(c) MJC Microelectronics (Shanghai) Co., Ltd. was liquidated in August, 2018, and in September, 2018, the liquidation amount of US$936,870 (equivalent to NT$28,669 thousand) was used to deduct the accumulated amount of investment in Mainland China.

C. Important transactions:

For the important transactions of the Company with the investees in Mainland China, direct or indirect, in 2018 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

14. Information by department

Please see the consolidated financial statements 2018.

Statement of Declaration

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2018 (from Jan. 1, 2018 to Dec. 31, 2018) pursuant to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those to be included into the consolidated financial statement of the parent company and subsidiaries pursuant to the IAS No. 27. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statement of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statement of affiliated enterprises separately.

Declared by:

Company name: **MPI Corporation**

Chairman: Ko, Chang-Lin

March 18, 2019

Independent Auditor's Audit Report

The Board of Directors and Shareholders

MPI Corporation

Opinion

We have audited the accompanying consolidated financial statements of **MPI CORPORATION** (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters on the consolidated financial statements for the year ended December 31, 2018 were as follows:

I. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (25) of Note 4 of the Consolidated Financial Statements.

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

Audit Procedures in Response

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

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

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

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

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

(5) Implemented the detail test, where transactions of sales revenue before and after the financial statements within a specified period have been sampled to carry out the cut-off test and verify relevant certificates. Changes to the inventory in account books and transferred sales costs have

been recorded during an appropriate period of period to evaluate the correctness of the period of recognizing the revenue, ensure if there is any abnormal revenue journal voucher, and understand if there is any grave refund or return after the period.

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (16) of Note 4 of Consolidated Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial Statements. The Group recognize inventories amounting to NT$2,810,763 thousand and Allowance for inventories amounting to NT$255,711 thousand. The book value of the Group's inventories as December 31, 2018 was NT$2,555,052 thousand and accounted 31% of the total assets in the consolidated balance sheet.

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

Audit Procedures in Response

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

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

(2) Understood MPI Group's inventory management procedures, reviewed it's annul inventory plan,

and participated in its annual inventory check to evaluate the management's judgement and control efficiency of outdated inventories.

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

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

Other Matter-Making Reference to the Audits of Component Auditors

Information on the subsidiaries of MPI Corporation included in the aforementioned statements covering the period of 2018 and 2017. And the information on direct investment as disclosed in note 13 is valuated as audited by other public accountants. Said subsidiaries' total assets of are NT$191,134 thousand and NT$149,613 thousand or accounted for 2.33% and 1.94% of the consolidated total assets as of December 31, 2018 and 2017, respectively. As of January 1 to December 31, 2018 and 2017, had net operating revenue amounted to NT$556,498 thousand and NT$181,678 thousand, or accounted for 10.33% and 4.08% of the consolidated net operating revenue, respectively.

Other Matter

We have also audited the parent Group only financial statements of MPI CORPORATION as of and for the years ended December 31, 2018 and 2017 on which we have issued an unqualified opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the

Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Sun Rise CPAs & Company
Taipei, Taiwan, Republic of China

March 18, 2019

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

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (ASSETS)

DECEMBER 31 ,2018 AND 2017

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

		December 31,2018			December 31,2017		
ASSETS	Note		Amounts	%		Amounts	%
CURRENT LIABILITIES							
Cash and cash equivalents	6(1)	$	1,110,694	14	$	656,829	9
Current financial assets at amortised cost	6(2)		49,313	1		-	-
Notes receivable, net	6(3)		100,753	1		6,995	-
Accounts receivable, net	6(3)		945,429	12		947,622	12
Accounts receivable -related parties, net	6(3).7		-	-		758	-
Other receivables			6,038	-		9,303	-
Income tax receivable			676	-		814	-
Inventories, net	6(4)		2,555,052	31		2,274,469	30
Prepayments			110,690	1		94,101	1
Non-current assets held for sale	6(5)		-	-		71,302	1
Other current assets	8		10,548	-		4,763	-
Total Current Assets			4,889,193	60		4,066,956	53
NONCURRENT ASSETS							
Investments accounted for using equity method	6(5)		-	-		29,999	-
Property, plant and equipment	6(6).7.8		3,030,643	37		3,294,748	43
Intangible assets	6(7)		41,575	-		41,424	-
Deferred income tax assets	6(18)		93,708	1		72,726	1
Other noncurrent assets	6(8)		135,079	2		201,826	3
Total Noncurrent Assets			3,301,005	40		3,640,723	47
TOTAL ASSETS		$	8,190,198	100	$	7,707,679	100

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2018 AND 2017

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

		December 31,2018		December 31,2017	
LIABILITIES AND EQUITY	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(9)	$ 818,000	10	$ 1,170,000	15
Contract liabilities－current	6(16).7	940,903	12	-	-
Notes payable		6,097	-	-	-
Accounts payable		478,605	6	414,918	5
Accounts payable-related parties	7	-	-	3,673	-
Payables on equipment		22,722	-	87,846	1
Other payables	6(10)	679,283	8	496,645	7
Other payables-related parties	7	-	-	4,875	-
Income tax payable		49,516	1	10,110	-
Provisions	6(11)	4,859	-	3,210	-
Sales revenue received in advance	7	-	-	797,292	10
Current portion of long-term liabilities	6(13)	29,233	-	225,787	3
Lease obligations payable－current	6(6)	15,883	-	16,229	-
Other current liabilities		13,926	-	36,770	1
Total Current Liabilities		3,059,027	37	3,267,355	42
NONCURRENT LIABILITIES					
Non-current Financial liabilities at Fair Value through Profit or Loss	6(12)	9,266	-	-	-
Bonds payable	6(12)	892,843	11	-	
Long-term loans	6(13)	39,230	1	572,909	8
Deferred income tax liabilities	6(18)	14,166	-	14,591	-
Lease obligations payable－noncurrent	6(6)	15,883	-	32,459	-
Accrued pension cost	6(14)	42,527	1	35,257	1
Other noncurrent liabilities		325	-	207	-
Total Other Liabilities		1,014,240	13	655,423	9
TOTAL LIABILITIES		4,073,267	50	3,922,778	51
EQUITY	6(15)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		799,014	10	799,014	10
Capital surplus		977,255	12	909,204	12
Retained earnings					
Appropriated as legal capital reserve		563,093	7	548,516	7
Special reserve		42,308	-	30,177	-
Unappropriated earnings		1,779,401	22	1,523,376	20
Total Retained Earnings		2,384,802	29	2,102,069	27
Other					
Foreign currency translation adjustments		(54,230)	(1)	(42,309)	-
Total others		(54,230)	(1)	(42,309)	-
Equity attributable to shareholders of the parent		4,106,841	50	3,767,978	49
NONCONTROLLING INTERESTS		10,090	-	16,923	-
TOTAL EQUITY		4,116,931	50	3,784,901	49
TOTAL LIABILITIES AND EQUITY		$ 8,190,198	100	$ 7,707,679	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 December 31, 2018 and 2017

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

Items	Note	January 1 ~ December 31,2018 Amounts	%	January 1 ~ December 31,2017 Amounts	%
OPERATING REVENUE, NET	6(16).7				
Sales revenue		$ 5,037,372	93	$ 4,078,376	92
Less: sales returns		(10,401)	-	(15,136)	(1)
sales discounts and allowances		(12,428)	-	(1,117)	-
Commission revenue		52,576	1	28,638	1
Processing Fees revenue		319,237	6	357,693	8
Operating Revenue, net		5,386,356	100	4,448,454	100
OPERATING COSTS	6(4).7	(3,246,105)	(60)	(2,688,543)	(60)
GROSS PROFIT		2,140,251	40	1,759,911	40
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		-	-	276	-
GROSS PROFIT, NET		2,140,251	40	1,760,187	40
OPERATING EXPENSES	7				
Selling expenses		(609,772)	(11)	(493,155)	(12)
General & administrative expenses		(322,447)	(6)	(284,549)	(6)
Research and development expenses	6(7)	(885,934)	(17)	(803,458)	(18)
Expected Credit (loss) gains	6(3)	1,184	-	654	-
Operating expense, net		(1,816,969)	(34)	(1,580,508)	(36)
OPERATING INCOME		323,282	6	179,679	4
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(17)	63,486	1	(8,752)	-
Finance costs	6(17)	(23,493)	-	(17,474)	-
Share of profits of subsidiaries and associates	6(5)	151	-	9,782	-
Interest income	7	2,844	-	1,831	-
Rent income	7	2,813	-	2,902	-
Other non-operating revenue-other items	7	28,535	-	36,862	1
Total Non-operating Income		74,336	1	25,151	1
INCOME BEFORE INCOME TAX		397,618	7	204,830	5
INCOME TAX BENEFIT(EXPENSE)	6(18)	(59,990)	(1)	(55,563)	(2)
NET INCOME		337,628	6	149,267	3
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(7,303)	-	(4,699)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(12,534)	-	(11,535)	-
Other comprehensive income for the year, net of income tax		(19,837)	-	(16,234)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 317,791	6	$ 133,033	3
NET INCOME(LOSS) ATTRIBUTABLE TO：					
Shareholers of the parent		$ 334,562	6	$ 145,767	3
Noncontrolling interests		3,066	-	3,500	-
		$ 337,628	6	$ 149,267	3
TOTAL COMPREHENSIVE INCOME(LOSS)					
Shareholers of the parent		$ 315,339	6	$ 128,936	3
Noncontrolling interests		2,452	-	4,097	-
		$ 317,791	6	$ 133,033	3
		After-tax		After-tax	
EARNINGS PER COMMON SHARE(NTD)	6(19)				
Basic earnings per share		$ 4.19		$ 1.83	
Diluted earnings per share		$ 3.56		$ 1.83	

(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 December 31, 2018 and 2017

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

Items	Capital- Common Stock	Capital Surplus	Retained Earnings Legal Capital Reserve	Retained Earnings Special Capital Reserve	Retained Earnings Unappropriated Earnings	Others Foreign Currency Translation Reserve	Total	controlling Interests	Total Equity
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)		(334,343)
Capital reserve from stock warrants		(1,256)					(1,256)		(1,256)
Net Income in 2017					145,767		145,767	3,500	149,267
Other comprehensive income in 2017, net of income tax					(4,699)	(12,132)	(16,831)	597	(16,234)
Total comprehensive income in 2017	-	-	-	-	141,068	(12,132)	128,936	4,097	133,033
Issuance of stock from exercise of employee stock options	2,960	24,725					27,685		27,685
BALANCE,DECEMBER,31,2017	$ 799,014	$ 909,204	$ 548,516	$ 30,177	$ 1,523,376	$ (42,309)	$ 3,767,978	$ 16,923	$ 3,784,901
BALANCE,JANUARY,1,2018	$ 799,014	$ 909,204	$ 548,516	$ 30,177	$ 1,523,376	$ (42,309)	$ 3,767,978	$ 16,923	$ 3,784,901
Legal capital reserve			14,577		(14,577)		-		-
Special reserve				12,131	(12,131)		-		-
Cash dividends of common stock					(39,951)		(39,951)		(39,951)
Capital reserve from stock warrants		67,683					67,683		67,683
Other changes in capital surplus		368					368		368
Net Income in 2018					334,562		334,562	3,066	337,628
Other comprehensive income in 2018, net of income tax					(7,302)	(11,921)	(19,223)	(614)	(19,837)
Total comprehensive income in 2018	-	-	-	-	327,260	(11,921)	315,339	2,452	317,791
Difference between consideration paid and carrying amount of subsidiaries acquired					(4,576)		(4,576)		(4,576)
Changes in percentage of ownership interest in subsidiaries								(9,285)	(9,285)
BALANCE,DECEMBER,31,2018	$ 799,014	$ 977,255	$ 563,093	$ 42,308	$ 1,779,401	$ (54,230)	$ 4,106,841	$ 10,090	$ 4,116,931

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2018 and 2017

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

Items	Jan 1 ~ Dec 31,2018	Jan 1 ~ Dec 31,2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 397,618	$ 204,830
Adjustments to reconcile net income to net		
Depreciation	476,374	417,423
Amortization	65,911	59,265
Expected credit loss(gain)	1,184	654
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	3,200	55
Interest expense	23,493	17,474
Interest revenue	(2,844)	(1,831)
Loss (gain) on equity-method investments	(151)	(9,782)
(Gain) loss on disposal of property, plant and equipment	(30,664)	2,246
Gains on disposal of investments	-	(1,870)
Loss (gain) on disposal of equity-method investments	(10,941)	(15,557)
(Realized) Unrealized gross profit on sales to subsidiaries and associates	-	(276)
(Gain) on repurchase of convertible bonds	(1,564)	-
Adjustments-exchange (Gain) loss on prepayments for equipment	(334)	2,032
Net changes in operating assets and liabilities		
Net changes in operating assets		
Decrease (Increase) in notes receivable	(93,757)	11,006
Decrease (Increase) in accounts receivable	1,107	(174,656)
Decrease (Increase) in accounts receivable-related parties	758	36,303
Decrease (Increase) in other receivables	3,271	5,639
Decrease (Increase) in inventories	(280,583)	(319,783)
Decrease (Increase) in prepayments	(16,589)	7,569
Decrease (Increase) in other current assets	344	1,066
Net changes in operating liabilities		
(Decrease) Increase in contract liabilities	143,612	-
(Decrease) Increase in notes payable	6,097	-
(Decrease) Increase in accounts payable	63,686	(10,856)
(Decrease) Increase in accounts payable-related parties	(3,673)	3,581
(Decrease) Increase in other accounts payable	183,002	(144,423)
(Decrease) Increase in other accounts payable-related parties	(4,875)	4,533
(Decrease) Increase in provision of liabilities	1,649	615
(Decrease) Increase in sales revenue received in advance	-	100,425
(Decrease) Increase in other current liabilities	(22,843)	10,744
Decrease(Increase) in accrued pension cost	(33)	1,487
Cash generated from operations	902,455	207,913
Interest received	2,838	1,833
Cash dividends received	861	554
Interest (excluding capitalization of interest)	(17,922)	(6,973)
Cash dividends	(39,951)	(334,343)
Income taxes paid	(41,854)	(95,097)
Net cash Provided By Operating Activities	806,427	(226,113)

(Continue)

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2018 and 2017

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

Items	Jan 1 ~ Dec 31,2018	Jan 1 ~ Dec 31,2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Financial asset measured at amortised cost	(49,313)	-
Proceeds from disposal of equity-method investments	111,442	18,918
Proceeds from disposal of Subsidiary Company	-	1,870
Proceeds from disposal of financial assets measured at cost	(318,359)	(814,894)
Proceeds from sale of property, plant and equipment	47,666	18
Intangible assets	(25,996)	(29,605)
Increase in other financial assets	(6,130)	-
Decrease in other non-current assets	-	5,766
Decrease in other non-current assets	25,952	196,265
Net Cash Provided Used In Investing Activities	(214,738)	(621,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	-	785,949
(decrease) in short-term loans	(352,000)	-
Issuance of corporate bonds	995,618	-
Repurchase of convertible bonds	(33,030)	(574,000)
Increase in long-term borrowings	-	548,728
Repayments of long-term loans	(730,233)	-
Payment of partial acquisition of interests in subsidiaries	(13,861)	-
Increase in other nocurrent liabilities	119	110
Increase (decrease) in noncontrolling interests	(614)	597
Net cash (Used In) Financing Activities	(134,001)	761,384
Effects of exchange rate change on cash	(3,823)	(6,007)
Net increase in cash and cash equivalents	453,865	(92,398)
Cash and cash equivalents at beginning of year	656,829	749,227
Cash and cash equivalents at end of year	$ 1,110,694	$ 656,829

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

MPI CORPORATION and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2018 AND 2017

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

1. Company profile

(1) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT$799,014 thousand and outstanding stock has been 79,901,388 shares until December 31, 2018. Upon resolution of the special shareholders' meeting on December 28, 2006, the Company raised the authorized capital as NT$1,000,000,000, divided into 100,000,000 shares at par value of NT$10 per share. The board of directors is authorized to issue the stock in lots. NT$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.

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

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

2. Date and procedure for ratification of financial report

The consolidated financial statements have been approved and released by the Board of Directors on March 18, 2019.

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 2018 are as follows:

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
Amendments to IFRS 4, '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
Amendments to IFRS 15, 'Clarifications to IFRS 15 Revenue from contracts with customers'	January 1, 2018
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018
IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
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

A. The above standards and interpretations have no significant impact to the Group's financial condition and operating result based on the Group's assessment.

B. The Group has elected not to restate prior period financial statements using the modified retrospective approach under IFRS 9. For details of the not significant effect as at January 1, 2018, please refer to Notes 12(4) B and C.

C. The Group has elected not to restate prior period financial statements and recognised the cumulative effect of initial application as retained earnings at January 1, 2018, using the modified retrospective approach under IFRS 15. The Group applied retrospectively IFRS 15 only to incomplete contracts as of January 1, 2018, by adopting an optional transition expedient. The adopting of the modified transition has no significant effect as of January 1, 2018. For details of the disclosure about the first using IFRS 15 as at January 1, 2018, please refer to Notes 12(5).

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

New standards, interpretations and amendments endorsed by the FSC effective from 2019 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 9, 'Prepayment features with negative compensation'	January 1, 2019
IFRS 16, 'Leases'	January 1, 2019
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Amendments to IAS 28, 'Long-term interests in associates and joint ventures'	January 1, 2019
IFRIC 23, 'Uncertainty over income tax treatments'	January 1, 2019
Annual improvements to IFRSs 2015-2017 cycle	January 1, 2019

Except for the following, the above standards and interpretations have no significant impact to the Group's financial condition and financial performance based on the Group's assessment.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognise a 'right-of-use asset' and a lease liability (except for those leases with terms of 12 months or less and leases of low-value assets). The accounting stays the same for lessors, which is to classify their leases as either finance leases or operating leases and account for those two types of leases differently. IFRS 16 only requires enhanced disclosures to be provided by lessors.

The Group expects to recognise the lease contract of lessees in line with IFRS 16. However, the Group does not intends not to restate the financial statements of prior period (collectively referred herein as the "modified retrospective approach"), on January 1, 2019, it is expected that 'right-of-use asset' and lease liability will be increased by NT$134,961 thousand and NT$134,961 thousand.

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IAS 1 and IAS 8, 'Disclosure Initiative-Definition of Material'	January 1, 2020

Amendments to IFRS 3, 'Definition of a business'	January 1, 2020
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 International Accounting Standards Board
IFRS 17, 'Insurance contracts'	January 1, 2021

The above standards and interpretations are continually evaluated of impact to the Group's financial condition and financial performance based on the Group's assessment. The quantitative impact will be disclosed when the assessment is complete.

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and IFRSs recognized by FSC to disclose all of the necessary to be disclosed in the annual consolidated financial statements.

(2) Basis for preparation

A. Basis for measurement

Except the following important items in the balance sheet, the consolidated financial statement was prepared based on the historical cost:

(1) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

(2) Financial assets and liabilities at fair value through other comprehensive income/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.

C. In adopting IFRS 9 and IFRS 15 effective January 1, 2018, the Group has elected to apply modified retrospective approach whereby the cumulative impact of the adoption was recognized as retained earnings or other equity as of January 1, 2018 and the financial statements for the year ended December 31, 2017 was not restated. The financial statements for the year ended December 31, 2017 were prepared in compliance with International Accounting Standard 39 ('IAS 39'), International Accounting Standard 11 ('IAS 11'), International Accounting Standard 18 ('IAS 18') and related financial reporting interpretations. Please refer to Notes 12(4) and (5) for details of significant accounting policies and details of significant accounts.

(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
			2018.12.31	2017.12.31	
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%	Established in March 1 ,1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	Established in December 22, 2000.
MPI	MMI HOLDING CO., LTD.(Samoa)	Investment activities	100%	100%	Established in August 7, 2002. (Note **1**)(Note **4**) (Note **6**)
MPI	MEGTAS CO., LTD	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	80%	60%	Established in September 1, 2010.(Note **8**)
MPI	WANG-TONG CORP.	Maintenance, purchase, sales, research and development of computers and peripheral equipment;	-	100%	Established in December 22, 2010. The Company dismissed in August 15, 2018 and **liquidated** in September 14, 2018. (Note **7**)
MPI	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	Established in March 31, 2006. The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
MPI	MPA TRADING CORP.	Investment activities	100%	100%	Established in April 12, 2017. (Note **2**)
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)	International trading business	100%	100%	Established in November 19, 2001.
CHAIN-LOGIC TRADING CORP.	CHAIN LOGIC （SHANGHAI) INTERNATIONAL CORP.	International trading	100%	100%	Established in February 8, 2002.
MMI HOLDING CO., LTD.	LEDA-ONE (Shenzhen) CORPORATION	development of computers and peripheral equipment	-	-	Established in May 7, 2010. (Note **4**)
MMI HOLDING CO., LTD.	Lumitek (ChangZhou) Co.,Ltd.	Selling and manufacturing of high-tech industry such as LED.	100%	100%	Established in January 10, 2014.
MMI HOLDING CO., LTD.	MPI (Suzhou) CORPORATION	Selling and manufacturing of high-tech industry such as LED.	100%	100%	Established in July 11, 2017. (Note **5**)
MPA TRADING CORP.	MPI AMERICA INC.	Selling Probe Card and Test Equipment	100%	100%	Established in March 29, 2017. (Note **3**)

(Note1) 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.

(Note2) 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.

(Note3) 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, the Investment been approved by Commission on MOEA had the investment approved document.

(Note4) 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. The Investment been approved by Commission on MOEA had the investment approved document. MMI HOLDING CO., LTD. resolved to reduce the cash capital US$155,857.58(equivalent to NT$4,677 thousand) by the Board of Directors meeting in May 25, 2017.

(Note5) 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) in September 2017. The Investment been approved by Commission on MOEA had the investment approved document.

(Note6) The Group invested MMI HOLDING CO., LTD. resolved to reduce the cash capital US$2,857,000(equivalent to NT$84,006 thousand) by the Board of Directors meeting in April 25, 2018 and reduce the cash capital US$936,870(equivalent to NT$28,669 thousand) in September 11, 2018.

(Note7) On August 15, 2018, the Group passed the liquidation of WANG-TONG CORP., which was liquidated and written off on September 14, 2018, and remitted the surplus investment of NT$4 thousand.

(Note8) In order to coordinate the corporation's operating program and promote the efficiency of capital usage, the Group has reported to the board of directors to takeover 20% of equity on MEGTAS CO., LTD. In ₩5,000 per share on November 8, 2018. The total investment cost is NT$13,861 thousand and the date of the takeover is on October 5, 2018. Besides the company will takeover 100,000 shares, and the shareholding ratio will increase from 60% to 80%. The difference between consideration paid and carrying amount of subsidiaries acquired was NT$4,567 thousand.

These subsidiary's financial statements were audited by CPA. the period of these subsidiary's financial statements were the same with parent company and their profit and loss were recognized according to the proportion of shares held.
The financial statements 2018 and 2017 of said subsidiary, MEGTAS CO., LTD., were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were NT$5,693 thousand and NT$5,250 thousand.

The financial statements 2018 and 2017 of said subsidiary, MPI AMERICA INC. were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were (NT$50,513) thousand and (NT$43,217) thousand.

C. Subsidiaries not included into the consolidated financial statements: N/A.
D. Different adjustment and treatment by subsidiaries in the accounting period: N/A.
E. Nature and scope of the important restrictions on enterprise's acquisition or use of the group's assets and solvency: N/A.
F. Subsidiaries over which the Group holds important non-controlling equity: N/A.

(4) Foreign currency

A. Foreign currency transactions

The foreign currency exchange shall be stated at the functional currency translated at the exchange rate prevailing on the date of transaction. The monetary items denominated in the foreign currency on the reporting date shall be stated at the functional currency translated at the exchange rate on the same day. The exchange gain or loss refers to the difference between the amounts upon adjustment of the valid interest, payment on the same period based on the amortized cost denominated in the functional currency, the amount translated from the amortized cost denominated in foreign currency at the exchange rate on the reporting date. The non-monetary items at fair value denominated in foreign currency shall be stated at the functional currency re-translated at the exchange rate prevailing on the same date of fair value measurement, while the non-monetary items at historical cost denominated in foreign currency shall be stated at the functional currency translated at the exchange rate on the date of transaction. Other than the foreign currency exchange difference generated from the translation of the application of IFRS 9 foreign currency items which in the process of applying the financial instrument accounting policies (before January 1, 2018, IAS 39), 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 assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortized cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognizes the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognizes the gain or loss in profit or loss.

D. The Group recognizes the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8)Financial assets at amortised cost

A. Financial assets at amortised cost are those that meet all of the following criteria:

(a) The objective of the Group's business model is achieved by collecting contractual cash flows.

(b) The assets' contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortised cost are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs.Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group's time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. The short-term accounts and notes receivable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(10) Impairment of financial assets

Including financial assets at amortised cost and accounts receivable or contract assets that have a significant financing component , at each reporting date, the Group recognizes the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognizes the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognizes the impairment provision for lifetime ECLs.

(11) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Financial liabilities at fair value through profit or loss

A. Financial liabilities are classified in this category of held for trading-if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorised as financial liabilities held for trading unless they are designated as hedges, or financial liabilities at fair value through profit or loss. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss at initial recognition:

(a) Hybrid (combined) contracts; or

(b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

(c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these inancial liabilities at fair value with any gain or loss recognised in profit or loss.

(13) Notes and accounts payable

A. Accounts payable are liabilities for purchases of raw materials, goods or services and notes payable are those resulting from operating and non-operating activities.

B. The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(14) Convertible bonds payable

Convertible bonds or issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group’s common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'.

B. The host contracts of bonds or are initially recognized at fair value. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortized in profit or loss as an adjustment to 'finance costs' over the period of circulation using the effective interest method.

C. The embedded conversion options which meet the definition of an equity instrument are initially recognized in 'capital surplus—share options' at the residual amount of total issue price less the amount of financial assets or financial liabilities at fair value through profit or loss and bonds payable as stated above. Conversion options are not subsequently remeasured.

D. Any transaction costs directly attributable to the issuance are allocated to each liability or equity component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and 'financial assets or financial liabilities at fair value through profit or loss') shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and 'capital surplus—share options'.

(15) <u>Derecognition of financial liabilities</u>

A. A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

B. Where there has been a renegotiation or modification of the terms of an existing financial liability and resulted in an insignificant discrepancy which is less than ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

C. Where there has been a substantial renegotiation or modification of the terms of an existing financial liability and resulted in a significant discrepancy which is at least ten percent of the estimated cash flows, the carrying amount of the liability is recalculated based on the modified cash flows discounted at the original effective interest rate. The gain or loss arising from the carrying amount after modification less the initial recognition of the financial liability is recognized in profit or loss.

(16) 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.

(17) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and stop arranging the depreciation.

(18) 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.

(19) 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:

Item	Useful years
House and building	
Plant and dormitory	20-50
Clean room	20
Electrical and mechanical facilities	20
Others	10-20
Machine & equipment	5-13

Transportation equipment	4-6
Furniture and fixtures	3-10
Research equipment	2-13
Other equipments	3-9
Leased assets	5

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

(20) 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.

(a) A finance lease is recognised as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(b) The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are allocated to each period over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(c) Property, plant and equipment held under finance leases are depreciated over their estimated useful lives. If there is no reasonable certainty that the Group will obtain ownership at the end of the lease, the asset shall be depreciated over the shorter of the lease term and its useful life.

(21) Intangible assets

A. Goodwill

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

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

B. Software

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

C. Internally generated intangible assets—research and development expenditures

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

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

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

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

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

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

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

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

(22) 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.

(23) 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.

(24) 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.

(25) Revenue recognition

A. Sales of goods

(a) The Group manufactures and sells a range of semi-conductor production process and testing equipments in the market. Sales are recognized when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognized as a provision.

(c) A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Labor service

The Group provides semi-conductor production process and testing equipments proxy services. Revenue from providing services is recognized in the accounting period in which the services are rendered. The customer pays at the time specified in the payment schedule. If the services rendered exceed the payment, a contract asset is recognized. If the payments exceed the services rendered, a contract liability is recognized.

C. Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

D. Incremental costs of obtaining a contract

The Group recognizes an asset (shown as 'Prepayments ') the incremental costs (mainly comprised of sales commissions) of obtaining a contract with a customer if the Group expects to recover those costs. The recognized asset is amortized on a systematic basis that is consistent with the transfers to the customer of the goods or services to which the asset relates. The Group recognizes an impairment loss to the extent that the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive less the costs that have not been recognized as expenses.

(26) Borrowings

Borrowings comprise long-term and short-term bank borrowings. Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(27) 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.

(28) Employee benefits

A. Short-term employee benefits

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

B. Pension

(a) Defined contribution plan

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

(b) Defined benefit plan

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

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

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

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

C. Resignation benefits

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

D. Remuneration to employee and directors/supervisors

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

(29) 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.

(30) 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 income tax. 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.

H. If a change in tax rate is enacted or substantively enacted in an interim period, the Group recognizes the effect of the change immediately in the interim period in which the change occurs. The effect of the change on items recognized outside profit or loss is recognized in other comprehensive income or equity while the effect of the change on items recognized in profit or loss is recognized in profit or loss.

(31) <u>Business combination</u>

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

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

(32) 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.

(33) 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 preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

A. Critical judgements in applying the Group's accounting policies

Revenue recognition on a net/gross basis

(1) The Group determines whether the nature of its performance obligation is to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for the other party to provide those goods or services (i.e. the Group is an agent) based on the transaction model and its economic substance. The Group is a principal if it controls a promised good or service before it transfers the good or service to a customer. The Group recognises revenue at gross amount of consideration to which it expects to be entitled in exchange for those goods or services transferred. The Group is an agent if its performance obligation is to arrange for the

provision of goods or services by another party. The Group recognises revenue at the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services.

(2) Indicators that the Group controls the good or service before it is provided to a customer include the following:

(a) The Group is primarily responsible for the provision of goods or services;

(b) The Group assumes the inventory risk before transferring the specified goods or services to the customer or after transferring control of the goods or services to the customer.

(c) The Group has discretion in establishing prices for the goods or services.

B. Critical accounting estimates and assumptions

(1) Allowance for uncollectible of receivable accounts

The Group evaluates and estimates the collectible receivable accounts and allowance for uncollectible accounts according to the loan quality and collection of debt from customers and based on the past experience in collecting allowance for uncollectible accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for uncollectible accounts. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and expected credit loss in the year in which the estimation is changed. Until December 31, 2018, the book value of receivable accounts has been NT$1,046,182 thousand (exclusive of the allowance for uncollectible accounts, NT$14,100 thousand).

(2) Evaluation of inventory

The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Group has to decide the net realizable present value of the inventory on the balance sheet date based on judgment and estimation. Due to the rapid transformation of technology, the Group evaluates the value of inventories after excluding the torn and worn, out-of-fashion or unmarketable ones on the balance sheet date, and offset the cost of inventories against net realizable value. Until December 31, 2018, the book value of the Group’s inventories has been NT$2,555,052 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT$255,711 thousand).

(3) Realizability of deferred income tax assets

Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. Until December 31, 2018, the deferred income tax assets recognized by the Group have been NT$93,708 thousand.

(4) Recognition of revenue

In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonableness of estimation is also reviewed periodically. Until December 31, 2018, the reserve for liabilities recognized by the Group have been NT$4,859 thousand.

(5) Calculation of net defined benefit liability

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and growth of future salary. Any changes in the actuarial hypotheses might affect the value of the Group's defined benefit obligation materially. As of December 31, 2018, the book value of accrual pension liabilities of the Group amounted to NT$42,527 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash:		
Cash on hand	$ 5,352	$ 4,363
Cash in banks:		
Checking deposits	10	10
Demand deposits	1,063,911	625,881
Time deposits	41,421	26,575
Total	$ 1,110,694	$ 656,829

The bank deposits provided by the Group as collateral have been re-stated as other current assets. Please see Note 8.

(2) Financial assets at amortised cost-current

	December 31, 2018	December 31, 2017
Financial products	$ 49,313	$ -

A. The Group recognized interest revenue of financial assets at amortised cost were NT$ 0 start from January to December 31, at 2018 and 2017.

B. As at December 31, 2018, without taking into account any collateral held or other credit enhancements, the maximum exposure to credit risk in respect of the amount that best represents the financial assets at amortised cost held by the Group was NT$49,313 thousand, respectively.

C. The Group's financial assets at amortised cost were not been provided as collateral on

December 31, 2018.

D. Information relating to credit risk of financial assets at amortised cost is provided in Note 12(2).

(3)A. Note receivables, net

	December 31, 2018	December 31, 2017
Notes receivable	$ 100,753	$ 6,995
Less: Allowance for uncollectible accounts	-	-
Notes receivable, net	$ 100,753	$ 6,995

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

b. The ageing analysis of notes receivable is stated as follows:

	December 31, 2018		December 31, 2017	
	Total	impairment	Total	impairment
Neither past due nor impaired	$ 100,753	$ -	$ 6,995	$ -
1~90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 360 days	-	-	-	-
361 to 720 days	-	-	-	-
Over721 days	-	-	-	-
Total	$ 100,753	$ -	$ 6,995	$ -

The above ageing analysis was based on account day.

B.Accounts receivable, net

	December 31, 2018	December 31, 2017
Accounts receivable	$ 956,693	$ 956,974
Less: Allowance for uncollectible accounts	(11,264)	(9,352)
Accounts receivable, net	$ 945,429	$ 947,622

	December 31, 2018	December 31, 2017
Accounts receivable-related parties	$ -	$ 758
Less: Allowance for uncollectible accounts	-	-
Accounts receivable-related parties, net	$ -	$ 758

Overdue receivable	December 31, 2018	December 31, 2017
Less: Allowance for uncollectible accounts	$ 2,836	$ 3,729
Overdue receivable, net	(2,836)	(3,729)
Accounts receivable	$ -	$ -

A. The Group's receivable accounts were incurred for business and never been provided as collateral.

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

	Group provision	Individual provision	Total
At January 1,2018 **(IAS 39)**	$ 13,014	$ 67	$ 13,081
Adjustments under new standards	-	-	-

At January 1,2018 **(IFRS 9)**	13,014	67	13,081
Provision for impairment	1,184	-	1,184
Reversal of impairment	-	-	-
Write-offs during the period	-	(67)	(67)
Unwinding of discount and premium	(98)	-	(98)
At December 31, 2018	$ 14,100	$ -	$ 14,100
At January 1,2017	$ 12,708	$ 149	$ 12,857
Provision for impairment	676	(22)	654
Reversal of impairment	-	-	-
Write-offs during the period	(322)	(60)	(382)
Unwinding of discount and premium	(48)	-	(48)
At December 31, 2017	$ 13,014	$ 67	$ 13,081

C. The ageing analysis of accounts receivable is stated as follows:

	December 31, 2018		**December 31, 2017**	
	Total	impairment	Total	impairment
Neither past due nor impaired	$ 818,783	$ -	$ 844,947	$ -
1~90 days	125,908	8,814	105,909	7,414
91 to 180 days	6,656	998	2,997	449
181 to 360 days	4,885	1,221	1,802	450
361 to 720 days	461	231	2,077	1,039
Over721 days	2,836	2,836	3,729	3,729
Total	$ 959,529	$ 14,100	$ 961,461	$ 13,081

The above ageing analysis was based on past due date.

(4) Inventories

	December 31, 2018	**December 31, 2017**
Raw materials	$ 668,630	$ 428,647
Supplies	131,999	119,794
Work-in-process	436,246	384,103
Semi-finished goods	348,101	319,612
Finished goods	1,130,483	1,197,903
Merchandise	76,197	60,950
Materials and supplies in transit	19,107	8,773
Less：Allowance to reduce inventory to market	(255,711)	(245,313)
Inventories, net	$ 2,555,052	$ 2,274,469

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

	2018	**2017**
Cost of inventories sold	$ 3,215,122	$ 2,640,387
Loss on market price decline inventories (gain from price recovery)	1,489	35,019
Loss on obsolescence of inventory	-	12
Other operating costs- employees' bonus	19,226	8,064
Estimated warranty liabilities	10,268	5,061
Operating Cost	$ 3,246,105	$ 2,688,543

B. As of December 31, 2018 and 2017, the inventory was not pledged as collateral.

(5) Investments accounted for using equity method (Include Re-stated as Non-current assets

held for sale)

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

Names of Investee company	December 31, 2018 Amounts	December 31, 2017 Amounts
Associates：		
MJC Microelectronics Shanghai Co.,Ltd.	$ -	$ 29,999
Total	$ -	$ 29,999
Transfer to re-stated as Non-current assets held for sale		
MMK (Kunshan)	$ -	$ 71,302

A. Changes in investment under equity method:

	2018	2017
Balance , beginning	$ 29,999	$ 96,221
Cash dividend	(861)	(554)
Investment income under equity method	151	9,782
Cumulative translation adjustments	175	(1,063)
Unrealized Gross Profit	-	276
Loss (gain) on disposal of equity -method investments- Lumitek Corporation	-	15,557
Proceeds from disposal of investments - Lumitek Corporation	-	(18,918)
Loss (gain) on disposal of equity -method investments- MMS electronics tech. (Shanghai) co., ltd	1,733	-
Loss from disposal of investments- MMS electronics tech. (Shanghai) co., ltd	(28,081)	-
Transfer to non-current asset held for sale	(3,116)	-
Transfer to Non-current assets (or disposal groups) held for sale - MMK (Kunshan)	-	(71,302)
Balance , ending	$ -	$ 29,999

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 December 31, 2018	Shareholding ratio December 31, 2017	Methods of measurement
MJC Microelectronics Shanghai Co.,Ltd.	To develop the Market of China. Close in Aug.31, 2018.	China	-	40%	Equity method
MJC Microelectronics Kunshan Co.,Ltd.	To develop the Market of China.	China	-	40%	Equity method
Lumitek Corporation	To dismiss in Feb.28,2015 and close in Aug.8,2017.	Taiwan	-	-	Equity method

C. Book value and share of operating result of the affiliates not important to the Group individually

The financial information about the Group's affiliates under equity method not important the Company individually is summarized as following. Said financial information refers to the figures included into the Group's consolidated financial statements:

	December 31, 2018	December 31, 2017
The carrying amount of the Group's individually immaterial associates	$ -	$ 29,999

	2018	2017
Profit or loss for the period from continuing operations	$ 151	$ 9,782
Loss for the period from discontinued operations	-	-
Other comprehensive income- net of tax	-	-
Total comprehensive income	$ 151	$ 9,782

D. For the year of 2018, apart from MJC Microelectronics Shanghai Co.,Ltd. that has already liquidated (the Group has recognized the share of affiliated enterprise with the equity methods according to the invested Group's non-CPA audited financial statements, and the Group's management believes that no major adjustment will be made to the said statements even after a CPA audit).

As of December 31, 2017, the financial statements of investments accounted for using equity method were consolidated and measure based on their financial statements audited by the auditors for the same years.

E. As of December 31, 2018 and 2017, the Investments accounted for using equity method were not pledged as collateral.

F. Lumitek Co.,LTD ,which was assessed under equity method by the group, was liquidated on August 8, 2017, and on August 23, 2017, after the shareholders' meeting of Lumitek Co.,LTD passed the resolution of the remaining property distribution, the Group obtained recover payment a total of NT$18,918 thousand.

G. (a) Company management board has on December 28, 2017 voted on a resolution to sell the entire shareholdings of the affiliated enterprise – MJC Microelectronics (Kunshan) Co., Ltd. of the group's subsidiary MMI Holding Co., Ltd to Japanese MJC Corporation (MJC is the parent firm of MJC Microelectronics (Kunshan) Co., Ltd.), and the two parties agree to set the total shareholding transfer transaction to the sum of RMB18,000 thousand (at approximately NT$81,927 thousand, when calculated at the exchange rate of 4.5515 on Dec. 31, 2017), and planned to complete the liquidation proceedings in the next 12 months. The group has reclassified its investment held in MJC Microelectronics (Kunshan) Co., Ltd.'s book value amount totaling NT$71,302 thousand to under the non-current asset held for sale item on its combined balance sheet as of Dec. 31, 2017.

(b) On March 23, 2108, MMI HOLDING CO., LTD., a subsidiary of the Group, received a sum of NT$82,710 thousand for the sale of the affiliated enterprise – MJC Microelectronics (Kunshan) Co., Ltd.. The Investment been approved by Commission on MOEA had the investment approved document. The original book value was NT$71,302 thousand. After writing off and transferring foreign currency translation reserve of financial report in the foreign operating institution, MMI HOLDING CO., LTD will recognize the disposal of investment gain NT$9,208 thousand.

H. MMI HOLDING CO., LTD., a subsidiary of the Group, transferred subsidiary MJC Microelectronics (Shanghai) Co., Ltd. completed the liquidation on August 31, 2018 and remitted the liquidation amount of NT$28,081 thousand (after deducting the income tax expense of NT$651 thousand), the recognition of the investment benefit is NT$1,733 thousand and the Investment been approved by Commission on MOEA had the investment approved document.

(6) <u>Property, plant and equipment</u>

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, 2018	$ 770,963	$ 1,510,102	$ 1,399,554	$ 2,573	$ 78,136	$ 767,263	$ 50,295	$ 81,147	$ 57,571	$ 4,717,604
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-
Additions	-	19,196	68,048	-	11,609	3,867	834	-	31,556	135,110
Disposals	-	(28,213)	(32,807)	-	(21,317)	(52,848)	(1,064)	-	-	(136,249)
Reclassifications	-	69,205	71,699	-	191	30,587	41	-	(70,584)	101,139
effect of movements in exchange rate	-	(907)	(12,865)	(55)	11	3	(763)	(1,732)	-	(16,308)
At December 31, 2018	$ 770,963	$ 1,569,383	$ 1,493,629	$ 2,518	$ 68,630	$ 748,872	$ 49,343	$ 79,415	$ 18,543	$ 4,801,296
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 business combination	-	-	-	-	-	-	-	-	-	-
Additions	7,196	30,004	162,543	-	21,064	51,610	1,420	-	84,183	358,020
Disposals	-	-	(38,315)	-	(26,735)	(67,116)	(3,119)	(1,460)	-	(136,745)
Reclassifications	-	76,989	183,030	-	1,276	199,225	-	-	(69,448)	391,072
effect of movements in exchange rate	-	(567)	(5,312)	(27)	(94)	23	12	(878)	-	(6,843)
At December 31, 2017	$ 770,963	$ 1,510,102	$ 1,399,554	$ 2,573	$ 78,136	$ 767,263	$ 50,295	$ 81,147	$ 57,571	$ 4,717,604
Accumulated depreciation and impairment：										
At January 1, 2018	$ -	$ 302,221	$ 647,830	$ 2,144	$ 41,194	$ 365,676	$ 31,332	$ 32,459	$ -	$ 1,422,856
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-
Additions	-	66,667	253,030	424	17,580	112,895	9,722	16,056	-	476,374
Disposals	-	(15,976)	(28,168)	-	(21,210)	(52,848)	(1,047)	-	-	(119,249)
Reclassifications	-	-	(398)	-	-	-	-	-	-	(398)
effect of movements in exchange rate	-	(206)	(7,257)	(50)	(24)	3	(530)	(866)	-	(8,930)
At December 31, 2018	$ -	$ 352,706	$ 865,037	$ 2,518	$ 37,540	$ 425,726	$ 39,477	$ 47,649	$ -	$ 1,770,653
Accumulated depreciation and impairment：										
At January 1, 2017	$ -	$ 247,350	$ 470,078	$ 1,517	$ 50,072	$ 332,061	$ 23,304	$ 16,697	$ -	$ 1,141,079
Acquisition through business combination	-	-	-	-	-	-	-	-	-	-
Additions	-	55,035	215,921	647	17,742	100,708	10,859	16,511	-	417,423
Disposals	-	-	(36,235)	-	(26,697)	(67,116)	(2,974)	(486)	-	(133,508)
Reclassifications	-	-	-	-	-	-	-	-	-	-
effect of movements in exchange rate	-	(164)	(1,934)	(20)	77	23	143	(263)	-	(2,138)
At December 31, 2017	$ -	$ 302,221	$ 647,830	$ 2,144	$ 41,194	$ 365,676	$ 31,332	$ 32,459	$ -	$ 1,422,856
Book value										
At December 31, 2018	$ 770,963	$ 1,216,677	$ 628,592	$ -	$ 31,090	$ 323,146	$ 9,866	$ 31,766	$ 18,543	$ 3,030,643
At December 31, 2017	$ 770,963	$ 1,207,881	$ 751,724	$ 429	$ 36,942	$ 401,587	$ 18,963	$ 48,688	$ 57,571	$ 3,294,748

B. The Group to non-related party purchased pre-sale housing in 2015, the sale of a total of RMB 1,642 thousand (equivalent to NT$8,202 thousand). And settled transfer in January 2017. On May 8, 2017, the proof of property was acquired.

C. The Company purchased from the non-related party the land at Tai Ho Section, Zhubei City in August 2017. The total contract amount including necessary trading cost was NT$7,196 thousand. The transfer registration was completed on October 3, 2017. Factory premises would be built on the land.

D. The Group sold the building in Dalian Road, Yangpu District, Shanghai, to the non-related party in November, 2018. The sale of a total of RMB9,227 thousand (equivalent to NT$41,702 thousand), the disposal of benefits was RMB6,512 thousand (equivalent to NT$29,433 thousand) after deducting the book value and land appreciation, and the transfer procedures were completed in November 2018.

E. About Leased assets as follows：

(a) Leased assets, net：

	2018		2017	
Cost				
Machinery	$	81,147	$	82,025
Less：Accumulated depreciation		(48,515)		(32,722)
effect of movements in exchange rate		(866)		(615)
Leased assets, Net.	$	31,766	$	48,688

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

Ⓐ The group has in January 2016 signed a leasing contract with a non-stakeholder for a five-year production equipment server contract, and the two parties collectively agree to collaborate by means of professional task-sharing to achieve the integrated operating yield, where the group is to lease/purchase the servers in response to its production capacity requirements, and the two parties consent to set the leasing period to span from January 1, 2016 to December 31, 2020.

Ⓑ Prior to the leasing expiry, the two parties shall negotiate and finalize the servers' final transfer price, provided the two parties collectively agree that the initial transfer price is not to fall below RMB366 thousand, and which effective September 1, 2017 has been amended to not lower than RMB360 thousand, where the group completing remitting the negotiated payment as the tradeoff for purchasing the leased servers, the servers' ownership would be transferred to the ownership of the group.

Ⓒ The group has in August 2017 returned 6 units of the leased assets, where initially each server's monthly lease is at RMB366 thousand (including the VAT), and the two parties have entered into an agreement to revamp to, effective September 1, 2017, each server's monthly lease at RMB360 thousand (including the VAT), and the reset remains the same as the initial contract.

(c) Future payments for Payables on leased were as follows：

	Total	Financing Expenses	Present Value
Current			
Up to 1 years	$ 16,508	$ 625	$ 15,883
Non-current			
1 to 5 years	16,508	625	15,883
Total	$ 33,016	$ 1,250	$ 31,766

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

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

(7) Intangible assets

The costs of intangible assets, amortization, and the impairment loss of the Group as of and for the ended of December 31, 2018 and 2017 were as follows:

2018	**Goodwill**	**Computer software**	**Total**
January 1, 2018	$ -	$ 41,424	$ 41,424
Addition	-	25,996	25,996
Reclassification	-	-	-
Amortization expenses	-	(25,837)	(25,837)
Impairment	-	-	-
Exchange difference, net	-	(8)	(8)
December 31, 2018	$ -	$ 41,575	$ 41,575

2017	**Goodwill**	**Computer software**	**Total**
January 1, 2017	$ -	$ 35,923	$ 35,923
Addition	-	29,714	29,714
Reclassification	-	(109)	(109)
Amortization expenses	-	(24,097)	(24,097)
Impairment	-	-	-
Exchange difference, net	-	(7)	(7)
December 31, 2017	$ -	$ 41,424	$ 41,424

	Goodwill	
	December 31, 2018	**December 31, 2017**
Cost	$ 45,533	$ 45,533
Accumulated impairment	(45,533)	(45,533)
Net book value	$ -	$ -

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2018 and 2017, respectively, were stated as the following items in the comprehensive income statement:

	2018	**2017**

Operating cost	$ 32,776	$ 26,650
Operating expense	33,135	32,615
Total amortization expenses	$ 65,911	$ 59,265

B. R&D expenditure

In FY2018 and FY2017, the R&D spending deriving from intangible assets internally developed amounted to NT$885,934 thousand and NT$803,458 thousand, respectively, recognized under the title of "Operating expenses –R&D expenses" in the comprehensive income statement.

C. Goodwill Impairment Charges

Upon the discussion of the management and report to the Board of Directors on March 24 of 2017, the Group has, according to the forecasted cash flow of Allstron Probing Solution, recognized the difference between the investment cost of the original investment day and the net equity value in the goodwill impairment loss with a value of NT$45,533 thousand for the year of 2016.

(8) Other non-current assets

	December 31, 2018	December 31, 2017
prepayments for equipment	$ 51,399	$ 95,842
Refundable deposit	23,820	25,000
Deferred Charges	59,860	80,984
Total	$ 135,079	$ 201,826

The costs of Deferred Charges, amortization, and the impairment loss of the Group as of and for the ended of December 31, 2018 and 2017 were as follows:

	Deferred Charges		Deferred Charges
January 1, 2018	$ 80,984	**January 1, 2017**	$ 84,029
Addition	18,292	Addition	32,518
Reclassification	-	Reclassification	-
Amortization expenses	(40,074)	Amortization expenses	(35,168)
Reclassifications	1,378	Reclassifications	-
Impairment	-	Impairment	-
Exchange difference, net	(720)	Exchange difference, net	(395)
December **31, 2018**	$ 59,860	December **31, 2017**	$ 80,984

(9) Short-term loan

	December 31, 2018		December 31, 2017	
Nature	Amounts	Interest rates	Amounts	Interest rates
Credit loan	$ 200,000	0.90%	$ 210,000	0.87% ~0.895%
Secured borrowings	618,000	0.89% ~0.90%	960,000	0.89% ~0.895%
Total	$ 818,000		$ 1,170,000	

A. For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note 12(2).

B. Collateral for bank loan.

For bank loans secured by the Group's assets, please see Note 8.

(10) Other payable accounts

	December 31, 2018	December 31, 2017
Payable expenses	$ 594,077	$ 460,896
Payable employees' remuneration	35,644	9,673
Short-term employee benefits	-	-
Others	49,562	26,076
Total	$ 679,283	$ 496,645

(11) Reserve for liabilities

	Warranty		Warranty
At January 1, 2018	$ 3,210	At January 1, 2017	$ 2,595
Provision made/(Payment)	1,649	Provision made/(Payment)	615
At December 31, 2018	$ 4,859	At December 31, 2017	$ 3,210
Current	$ 4,859	Current	$ 3,210
Non-current	-	Non-current	-
At December 31, 2018	$ 4,859	At December 31, 2017	$ 3,210

The Group's reserve for warranty and liabilities in 2018 and 2017 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranty and liabilities was estimated based on the historical warranty information. The Group expects that the liabilities would be mostly incurred in the following year of the sale.

(12) Corporate bonds-payable

	December 31, 2018	December 31, 2017
4th domestic unsecured convertible bonds	$ 1,000,000	$ -
3rd domestic unsecured convertible bonds	-	700,000
Bonds transferred to common stock	-	(126,000)
Less：Convertible corporate bonds repayment due	-	(574,000)
Less：Buy back from open market	(34,800)	-
Less：Discount of bonds payable	(72,357)	-
Corporate bonds-payable, net	$ 892,843	$ -
Current	$ -	$ -
Non-current	892,843	-
Total	$ 892,843	$ -
Embedded derivative- Financial (Assets) liability	$ 9,266	$ -
Equity element	$ 67,683	$ -

A. In order to repayment of bank loan, the Company issued 4th domestic unsecured convertible corporate bonds upon resolution of the board of directors on May 7, 2018, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No.

1070325999 dated July 26, 2018. The issuance conditions are stated as following:

(a) Total issued amount: The Company issued NT$1,000,000 thousand of convertible bonds, each bond had a face value of NT$100 thousand ; issued at 100.1% of the face value, a total of 10 thousand copies were issued.

(b) Duration: 5 years (August 15, 2018~ August 15, 2023)

(c) Coupon rate: 0%

(d) Duration: The day following expiration of three month after the date of issuance (November 16, 2018) until the expiry date (August 15, 2023).

(e) Conversion price and adjustment thereof:

Ⓐ The conversion price at the time of issuance shall be NT$71.50 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.

(f) Bondholders' put option:

The bondholders may exercise the put option of the convertible bonds earlier on the record date for exercise of put option, namely, August 15, 2021 and August 15, 2022, upon expiration of three years and four years after issuance of the bonds. The bondholders may ask the Company to redeem the convertible 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 three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), 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 three month upon offering of the bonds (November 16, 2018) until 40 days prior to expiration of the duration (July 6, 2023), 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. As of the expiry (December 31, 2018), the 4th domestic unsecured conversion of corporate bonds without the request for conversion.

C. The Company analyzed the 4th 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:

	August 15, 2018 **(Issuing date)**
Total issuing amount of convertible corporate bond	$ 1,001,000
Cost of convertible corporate bond	(5,381)
Elements of equity at the time of issuance - conversion option	(70,124)
Embedded financial derivatives at the time of issuance	(6,400)
Corporate bond payable, net on the issuing date	$ 919,095

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 every month, which was stated into the "from financial assets and liabilities at fair value through profit or loss ".

The effective interest rate of the 4th unsecured convertible bonds after host contracts separation is 1.6885%.

D. 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 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) 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.

E. The 3rd domestic unsecured conversion of corporate bonds as of the expiry (November 18, 2017), the cumulative local third unsecure, convertible corporate bonds' par value requesting for conversion is at NT$126,000 thousand, with the issued shares at 1,289 thousand shares, and which also generates a capital reserve – converting the corporate bonds' conversion premium at NT$113,265 thousand. The over-the-counter trading also ceases, effective from the following business day of the expiry (November 20, 2017), with the par value of the convertible corporate bonds tallied at NT$574,000 thousand at expiry, in addition to bondholders with converting right not requesting for the conversion to be invalidated, the initially classified "capital reserve – shareholding pledging" balance at NT$27,005 thousand is reclassified as "capital reserve – invalidated shareholding pledging" item.

F. The Company analyzed the 3rd domestic unsecured convertible corporate bonds according to IFRS No.7 and identified the bonds as the compound financial instruments. Therefore, the Company separated the conversion option from liabilities and stated it into equity and liability respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	November 18, 2014 (Issuing date)
Total issuing amount of convertible corporate bond	$ 700,000
Cost of convertible corporate bond	(5,203)

Elements of equity at the time of issuance - conversion option		(32,933)
Embedded financial derivatives at the time of issuance		(980)
Corporate bond payable, net on the issuing date	$	660,884

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of every month, which was stated into the "from financial assets and liabilities at fair value through profit or loss ".

The effective interest rate of the 3rd unsecured convertible bonds after host contracts separation is 1.9183%.

G. (a) Financial assets and liabilities profit(loss) measured at fair value through profit or loss of the Group as of and for the ended of December 31, 2018 and 2017 were NT$(3,200) thousand and NT$(55) thousand.

(b) The Group recognized interest expense of convertible bonds were NT$ 5,935 thousand and NT$ 9,787 thousand start from January to December 31, at 2018 and 2017.

H. Till December 31, 2018, the 4th unsecured convertible bonds in the amount of NT$34,800 thousand were repurchased by the company from open market, buy back price is NT$ 33,030 thousand that is shared to liabilities and equity with difference between book value, is recognized as Form treasury stock transaction NT$ 368 thousand, recognized in gain on repurchase of convertible bonds NT$1,564 thousand in 2018 (stated as other revenue-others).

(13)Long-term Loans

Lender	Nature	Amount	Period	December 31, 2018
Land Bank –East Shichu Branch	Secured bank borrowings	$ 600,000	2017.11.28~2020.11.28	$ 38,150 (Note)
Land Bank –East Shichu Branch	Secured bank borrowings	$ 201,100	2015.09.30~2020.09.30	- (Note)
Land Bank –East Shichu Branch	Secured bank borrowings	$ 163,000	2009.03.02~2022.03.02	30,313
Less: Long-term Loans payable-current portion				(29,233)
Long-term Loans, net				$ 39,230
Interest rates for long-term loans				1.28 %~1.42%

(Note) The above loan has been partially repaid in advance

Lender	Nature	Amount	Period	December 31, 2017
Land Bank –East Shichu Branch	Secured bank borrowings	$ 600,000	2017.11.28~2020.11.28	$ 558,055
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	39,641

Less: Long-term Loans payable-current portion		(225,787)
Long-term Loans, net	$	572,909
Interest rates for long-term loans		1.28 %~1.445%

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) <u>Pension Benefits</u>

A. Defined benefit plan

(a) The Company and its domestic subsidiaries have instituted regulations for the defined pension plan under the "Labor Standards Law" applicable to the years of services of employees before July 1, 2005, which is the day that the new "Labor Pension Act" came into full force, and the following years of services of employees who choose to continue applying the Labor Standard Law upon enforcement of the Labor Pension Act. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The Company and its domestic subsidiaries contribute 2% of the total salaries of the employees to the special pension fund account with Bank of Taiwan supervised by the Employee Pension Fund Reserve Supervisory Committee. Until the end of December 31, 2018, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was NT$64,752 thousand.

(b) The amount recognized in the balance sheet is stated as following:

	December 31, 2018		December 31, 2017	
Present value of defined benefit obligation	$	107,279	$	96,029
Fair value of planned assets		(64,752)		(60,772)
Net defined benefit liability	$	42,527	$	35,257

(c) Changes in the present value of defined benefit obligation:

	2018		2017	
Present value of defined benefit obligation, January 1	$	96,029	$	85,151
Service cost in current period		5,158		5,164
Interest cost		1,489		1,448
Actuarial loss/gain				
Benefit payment-from planned assets		(4,128)		-
Actuarial loss (gain) from changes of financial hypotheses		3,821		2,245
Empirical adjustment		4,910		2,021
Present value of defined benefit obligation, December 31	$	107,279	$	96,029

(d) Changes in fair value of planned assets:

	2018	2017
Fair value of planned assets, January 1	$ 60,772	$ 56,080
Interest revenue	974	988
Return (loss) on remuneration of planned assets	1,428	(432)
Contribution by employer	5,706	4,136
Benefit payment-from planned assets	(4,128)	-
Fair value of planned assets, December 31	$ 64,752	$ 60,772

(e) Total expenses recognized in comprehensive income statement:

	2018	2017
Service cost in current period	$ 5,158	$ 5,164
Interest cost of defined benefit obligation	1,489	1,448
Interest revenue from planned assets	(974)	(988)
Defined benefit cost stated into income	$ 5,673	$ 5,624

(f) The Bank of Taiwan was commissioned to manage the Fund of the Company's and its domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Any deficits thereof shall be made up by the national treasury upon approval of the competent authority. As the Company was not entitled to participate in operation and management of the Fund, it was impossible for the Company to disclose the classification of fair value of the planned assets in accordance with Paragraph 142 of Article 19 of IAS. For the fair value of the total assets under the Fund on December 31, 2018 and 2017, please see the labor pension fund utilization report published by the government each year.

(g) Actuarial hypotheses about pension are summarized as following: (expressed under weighted average method)

	2018	2017
Discount rate	1.30%	1.55%
Future salary and benefit level	2.25%~2.75%	2.25%~2.75%

Until December 31, 2018, the weighted average duration of the pension plan has been 14.6~18.1 years.

(h) Analysis of sensitivity

In the calculation of the determined welfare obligation, the Group must make use of judgment and estimate to determine relevant actuarial assumption on the reporting date, including the discount rate and update of future salary. Any changes in the actuarial hypotheses might materially affect the value of the Group's defined benefit obligation materially.

(i) The variance in the estimation of the Group's discount rate and future salary level increase rate from the management will affect the book value of pension benefit obligation in the following manners:

	Discount rate		**Future raise rate**	
	Increase by 0.25%	**Decrease by 0.25%**	**Increase by 1.00%**	**Decrease by 1.00%**
December 31, 2018				
Effect on defined benefit obligation %	(3.43%) ~(3.58%)	3.56% ~3.75%	14.87% ~15.86%	(12.88%) ~(13.44%)
Amount of effect on defined benefit obligation	$ (3,821)	$ 3,999	$ 16,888	$ (14,347)
December 31, 2017				
Effect on defined benefit obligation %	(3.67%) ~ (3.89%)	3.84% ~4.08%	16.15% ~17.40%	(13.83%) ~ (14.60%)
Amount of effect on defined benefit obligation	$ (3,708)	$ 3,888	$ 16,554	$ (13,925)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

(j) Expected contributions to the defined benefit pension plans of the Group for the next annual reporting period as at December 31, 2018 is NT$4,380 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$61,095 thousand and NT$58,726 thousand in 2018 and

2017.

(15) EQUITY

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

	2018	2017
Balance , beginning	79,901,388	79,605,392
Convertible Bonds Transferred To Common Stock	-	295,996
Balance , ending	79,901,388	79,901,388

Capital surplus

B. (a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company’s capital surplus:

	December 31, 2018	December 31, 2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (Note1)		
Common stock premium	$ 210,163	$ 210,163
Convertible corporate bond conversion premium	593,941	593,941
Treasury Stock Transactions	58,604	58,236
May be used to offset a deficit only (Note2)		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	27,005	27,005
Such capital surplus may not be used for any purpose		
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (Elements of equity of convertible corporate bonds)	67,683	-
Total	$ 977,255	$ 909,204

(Note1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital.

(Note2) Such type of capital reserve pertains to bequeathing to the accepting shareholders without cash inflow or reclassification of invalidated employee shareholding pledging.

Ⓐ 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 last time Domestic unsecured convertible corporate bonds; The company recognized NT$49,759 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 thousand.

Ⓓ 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 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.

(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) 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.

(d) 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 provided special reserve NT$30,177 thousand to shareholders from earnings 2016 on June 13, 2017.

The Company provided special reserve NT$12,131 thousand to shareholders from earnings 2017 on June 12, 2018.

(e) The Company resolved to allocate the cash dividend, NT$39,951 thousand (NT$0.5 per share) by the Board of Directors meeting from earnings 2017 on June 12, 2018.

The Company resolved to allocate the cash dividend, NT$334,343 thousand (NT$4.2 per share) by the Board of Directors meeting from earnings 2016 on June 13, 2017.

(f) 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".

(g) For the information about remuneration to employees and remuneration to directors/supervisors, please see Note 6(20).

D. Treasury stock：None.

F. Share-based payment－employee compensation plan

As of December 31, 2018, information on outstanding ESO is shown below:None.

(16) OPERATING INCOME

A. Operating income

	2018
Revenue from contracts with customers	
Sales revenue	$ 5,014,543
Processing Fees revenue	319,237
Others	
Commission revenue	52,576
Total	$ 5,386,356

B. Contract assets and contract liability

The Group recognized the contract assets and contract liability of the revenue from contracts with customers as following:

(a) Contract assets: None.

(b) Contract liability as following:

	December 31, 2018
Contract liability-current	
Sales revenue received in advance	$ 940,903
Total	$ 940,903

Revenue of the contract liability recognized in the beginning:

	2018
At January 1	
Revenue recognized in this period	
Sales revenue received in advance transfer to revenue	$ 515,709
Total	$ 515,709

(c) The exposure related to sales revenue in the current period please see Note 12(5) B details for the year ended December 31, 2017.

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	2018	2017
Gains (losses) on disposal of property, plant and equipment	$ 30,725	$ (13)
Disposal of investment income under equity method	10,941	17,427
Net gains (losses) on financial liabilities at fair value through loss	(3,200)	(55)
Net currency exchange gains (losses)	25,856	(25,780)
Others	(836)	(331)
Total	$ 63,486	$ (8,752)

The instructions related to disposal of investment income please see Note 6 (5) details.

B. Financial cost

	2018	2017
Interest expense		
Bank borrowings	$ 17,896	$ 9,470
The convertible bonds	5,935	9,787
Interest of Financial Leasing	632	648
subtotal	24,463	19,905
Less: capitalisation of qualifying assets	(970)	(2,431)
Total	$ 23,493	$ 17,474
Capitalized interest rate	0.91%~1.88%	0.62%~1.12%

(18) Income Tax

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

	2018	2017
Current tax:		

Current tax on profits for the period	$ 80,868	$ 58,517
Adjustments in respect of prior years	658	851
Total current tax	81,526	59,368
Deferred tax:		
Origination and reversal of temporary differences	(11,277)	(3,805)
Impact of change in tax rate	(10,259)	-
Total deferred tax	(21,536)	(3,805)
Income tax expense	$ 59,990	$ 55,563

B. The Group recognized Income tax expenses in other comprehensive income are NT$ 0 start from January to December, at 2018 and 2017.

C. The income tax expenses recognized under the title of equity are NT$0 start from January to December, at 2018 and 2017.

D. Relations between income tax expenses (gains) and accounting profit

	2018	2017
Net profit (loss) before tax	$ 397,618	$ 204,380
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated	$ 79,523	$ 34,821
Tax rate difference effect in foreign jurisdiction	21,011	17,009
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(2,814)	5,158
Income tax effect on deferred income tax assets/liabilities	(11,277)	(3,805)
Changes of foreign exchange rate of deferred income tax assets/liabilities	-	-
Unrecognized deferred income tax assets	69	116
Tax-free income	-	-
Maximum foreign-tax deduction	-	-
Income tax effect on investment credit	(24,362)	(12,875)
Imposition of 10% income tax on undistributed earnings	7,441	14,178
Income tax effect under minimum tax system	-	110
Overestimated (underestimated) income tax in previous year	658	851
Impact of change in tax rate	(10,259)	-
Total	$ 59,990	$ 55,563

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	2018				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 41,703	$ 9,439			$ 51,142
Unrealized net investment income (foreign)	7,018	1,115			8,133
Unrealized exchange loss	1,740	(1,289)			451
Unrealized warranty cost	546	426			972
Expected credit loss	7,741	1,366			9,107
Impairment loss	10	2			12
Unrealized gain on	13,754	(1,992)			11,762

inter-affiliate accounts					
Tax difference on depreciation expenses	13	12,046		$ (129)	11,930
Recognition of pension expenses (excess)	133	6			139
employee services and benefits amortized by year	68	(8)			60
Loss carry forwards	-	-			-
Total	$ 72,726	$ 21,111		$ (129)	$ 93,708
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (278)	$ (211)			$ (489)
Unrealized net investment income (foreign)	(10,534)	1,291			(9,243)
Recognition of pension expenses (deficit)	(3,779)	(655)			(4,434)
Total	$ (14,591)	$ 425			$ (14,166)

	2017				
	January1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 36,369	$ 5,334			$ 41,703
Unrealized net investment income (foreign)	-	7,018			7,018
Unrealized exchange loss	2,210	(470)			1,740
Unrealized warranty cost	441	105			546
Expected credit loss	7,741	-			7,741
Impairment loss	1	9			10
Unrealized gain on inter-affiliate accounts	15,980	(2,226)			13,754
Tax difference on depreciation expenses	13	-			13
Recognition of pension expenses (excess)	155	(22)			133
employee services and benefits amortized by year	-	68			68
Loss carry forwards	2,712	**(2,712)**			-
Total	$ 65,622	$ 7,104			$ 72,726
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (757)	$ 479			$ (278)
Unrealized net investment income (foreign)	(6,482)	(4,052)			(10,534)
Recognition of pension expenses (deficit)	(4,053)	274			(3,779)
Total	$ (11,292)	$ (3,299)			$ (14,591)

(b) Unrecognized deferred income tax assets

	December 31, 2018	**December 31, 2017**

Loss carry forwards	$ -	$ 84
Investment credit	-	-
Amount of unrecognized deferred income tax assets	$ -	$ 84

According to the Income Tax Act, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the local collection authority-in-charge from the current income. Said items were not recognized as deferred income tax assets, because it is still uncertain whether said companies are not likely to have sufficient taxable income to cover the temporary difference.

(c) Unrecognized deferred income tax liabilities

	December 31, 2018	December 31, 2017
Taxable temporary difference	$ -	$ -
Amount of unrecognized deferred income tax liabilities	$ -	$ -

F. The investment credit tax on deferred income tax assets which has been recognizedby the Company before December 31, 2018 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D expenditure (projected) in 2018	$ 75,513	$ -	$ 24,362	$ -	(non-deferred)
	$ 75,513	$ -	$ 24,362	$ -	

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

G. Authorization of income tax:

The status of authorization of the Group's tax return in the territories of Taiwan:

	Year
MPI Corporation	2016
Chain-Logic International Corp.	2016
Allstron Corp	2016

H. Under the amendments to the Income Tax Act which was promulgated by the President of the Republic of China in February 7, 2018, the Company's applicable income tax rate was raised from 17% to 20% effective from January 1, 2018. The Group has accessed the impact of the change in income tax rate.

(19) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

	2018			2017		
	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	$ 334,562	79,901	$ 4.19	$ 145,767	79,812	$ 1.83
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 334,562	79,901		$ 145,767	79,812	
Effect of all potential diluted common stocks (Note)						
4th domestic unsecured convertible corporate bond	-	13,500		-	-	
Employee stock bonus	-	649		-	137	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 334,562	94,050	$ 3.56	$ 145,767	79,949	$ 1.83

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

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

Function / Nature	2018			2017		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Wages and salaries	848,931	719,361	1,568,292	732,343	617,851	1,350,194
Labor and health insurance expense	57,746	50,401	108,147	56,293	45,302	101,595
Pension costs	37,446	29,322	66,768	37,331	27,019	64,350
Director remuneration	-	6,002	6,002	-	-	-
Other personnel expense	93,060	29,125	122,185	70,301	25,141	95,442
Depreciation	362,128	114,246	476,374	329,710	87,713	417,423
Amortization	32,776	33,135	65,911	26,650	32,615	59,265

(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. (a) The original articles of incorporation are as follows：

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.

(b)The Company has approved the motion for amendments to the Articles of Incorporation on June 12, 2018:

Where the Company retains income before tax after the account settlement, it shall allocate 0.1%~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. The Company estimated the remuneration to employees was NT$34,144 thousand and NT$9,323 thousand, respectively, in 2018 and 2017, and the remuneration to directors/supervisors NT$9,603 thousand and NT$0 thousand. Said values were stated into salary expenses. The values were estimated based on the earnings gained until the current period (this year).

D. The remuneration to employees and directors/supervisors 2017 resolved to be allocated at the shareholders' meeting on June 12, 2018 were NT$9,323 thousand and NT$0 thousand, respectively, identical with that recognized in the financial statement 2017, 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 2018.

E. 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 remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2017.

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:

	2018	2017
Purchase of fixed assets	$ 236,313	$ 750,153
Add: opening balance of payable on equipment	87,846	134,487
Add: opening balance of lease obligations payable	48,688	66,788
Less: ending balance of payable on equipment	(22,722)	(87,846)
Less: ending balance of lease obligations payable	(31,766)	(48,688)
Cash paid during the period	$ 318,359	$ 814,894

B. Financing activities not affecting cash flow:

	2018	2017
Convertible bonds being converted to capital stocks	$ -	$ 2,960

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

Names of related parties	Relationship with the Company
MICRONICS JAPAN CO.,LTD.(MJC)	The Company's director, after reelected at shareholders' meeting on June 13, 2017 Now is the parent company of associates
MJC Electronics Corporation(MEC)	The Company's director – a subsidiary of MJC
MEK CO., LTD.(MEK)	The Company's director – a subsidiary of MJC
Mjc Microelectronics (Shanghai) Co., Ltd. (MMS)	Associates(Liquidated in August 31, 2018)
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD (MET)	Associates –a subsidiary of MMS (Liquidated in December 27, 2017)
MJC Microelectronics Kunshan Co.,Ltd. (MMK)	Associates(Disposed in March , 2018)
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:

Type	2018	2017
Sale of products:		
-Affiliates	$ -	$ 34,109
-Essential related party		
(Director of the original Company)		
MEC	31	252,891
MJC	-	13,213
Sale of labor services:		
-The Company's director		
MJC	45,590	26,002
MEC	-	320
Total	$ 45,621	$ 326,535

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	2018	2017
-Affiliates	$ -	$ 980
-Essential related party		
(Director of the original Company)		
MJC	-	3,932
Total	$ -	$ 4,912

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. Accounts receivable -related parties

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

Title	Type	December 31,2018	December 31, 2017
Accounts receivable	-Essential related party (Director of the original Company)-MEC	-	758
subtotal		-	758
Less: Loss allowance		-	-
Total		$ -	$ 758

D. Accounts payable -related parties

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

Title	Type	December 31, 2018	December 31, 2017
Accounts payable	-Essential related party (Director of the original Company)-MJC	-	3,673
Other payables	-Essential related party (Director of the original Company)-MEC	-	4,865

		2018	2017
	-Essential related party (Director of the original Company)-Others	-	10
Total		$ -	$ 8,548

E. Exchange of property

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

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

(c)Sell long-term investments to related parties for using equity method:

Names of related parties	Investee company	2018		
		Sales	Book value	Gain on sell of investments
-Essential related party(Director of the original Company)-MJC	MMK	$ 82,710	$ 71,302	$ 11,408

From January to December 31, at 2017: None.

F. Financing from related party (stated as other accounts payable -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	2018	2017
Promotion-expenditure in commission:		
-Affiliates	$ -	$ 2,307
-Essential related party(Director of the original Company)		
MEC	-	4,901
Others	-	202
Total	$ -	$ 7,410

H. Others

(a) Payment on behalf of others (stated as other current assets): None.

(b) Advance Receipts

Type	2018	2017
-Essential related party (Director of the original Company)- MEC	$ 265	$ 265

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

Type	2018	2017

-Essential related party (Director of the original Company)-MJC	$ -	$ 23,137

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

(d) Manufacturing expenses (stated as operating cost)

Type	Nature	2018	2017
Affiliates	Manufacturing Overhead-outsourced	$ -	$ 50

(e) Selling expenses

Type	Nature	2018	2017
Affiliates	Others	$ 206	$ 3,663
-Essential related party (Director of the original Company)-MJC	Repair and maintenance	$ -	$ 46

(f) Management expenses：None.

(g) Research and development expense：None.

(h) Lease

Type	2018	2017
Affiliates	$ -	$ 45

The main contents of lease contract:

Objective	Lease period	Collection Term
Wenshan Rd., Xinpu Township, Hsinchu County	2014.11.01-2017.10.31	Since September 1, 2016, NT $ 6 thousand per (excluded VAT).

(i) Other revenue

Type	2018	2017
-Essential related party (Director of the original Company)		
MJC	$ -	$ 171
MEC	-	373
Affiliates	-	46
Total	$ -	$ 590

(3) Information about remuneration to the management

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

	2018	2017
Salary and other short-term employee benefits	$ 9,581	$ 14,067
Resignation benefits	-	-
Retirement benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-

Total	$ 9,581	$ 14,067

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, sale commitment and notes payable. The book value thereof is stated as follows:

	December 31, 2018	December 31, 2017
Land	$ 770,963	$ 763,767
Buildings	857,912	884,374
Pledged bank deposit (stated as other current assets)	9,675	3,546
Total	$ 1,638,550	$ 1,651,687

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: None.

(2) Commitment:

A. Balance of unused letter of credit issued by the Group, guarantee money paid and service charges: None.

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. 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 expire on 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 period was extended until August 31, 2019.

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.

(f) The Group rented the land and the construction at located on the Site from a non-related party for business. The lease shall be effective from May 1, 2017 to April 30, 2022.

(g) The group rented the construction at Jiangsu Suzhou Industrial Park from a non-related party for business. The lease shall expire on May 31, 2022. Upon expiration of the lease, the group should notify landlord whether renewal in writing six months ago at maturity.

The income expenses for said two lots of long-term operating leased were stated as NT$23,897 thousand and NT$19,559 thousand in 2018 and 2017 The future payable rent for important long-term operating lease is stated as follows:

	December 31, 2018
Less than one year	$ 22,609
One year to five years	49,183
More than five years	4,683
Total	$ 76,475

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

	December 31, 2018	December 31, 2017
Purchases of property, plant and equipment	$ 2,012	$ 30,724

10. Significant disaster loss: N/A.

11. Significant subsequent events: N/A.

12. Others

(1) Capital 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 2018 as that in 2017, dedicated to maintaining the debt/equity ratio less than 70%~120%. The Company's debt ratios on December 31, 2018, and 2017 are stated as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 4,073,267	$ 3,922,778
Total net worth	4,116,931	3,784,901
Debt/equity ratio	99%	104%

(2) Financial instruments by category

A. The financial instruments of the group are stated as follows:

(a) Financial assets: Including financial assets measured at fair value through profit, financial assets at amortised cost, cash and cash equivalents, notes receivable, accounts receivable, other receivables, guarantee deposits paid and other financial assets.

(b) Financial liabilities: Including financial liabilities measured at fair value through profit, short-term loans, notes payable, accounts payable, other payables, bonds payable(including current portion), long-term borrowings(including current portion), guarantee deposits received and other financial liabilities.

B. Risk management policies

(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.

C. Significant financial risks and degrees of financial risks

(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 operates internationally and is exposed to exchange rate risk arising from the transactions of the Company and its subsidiaries used in various functional currency, primarily with respect to the USD and RMB. Exchange rate risk arises from future commercial transactions and recognized assets.

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, Euro and RMB.

The Group's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or Won). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

	December 31,2018					
	Currency unit		Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)		Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	$	24,789	30.684	$	760,645
	NTD/JPY	$	6,382	0.27810	$	1,774
	NTD/EUR	$	648	35.109	$	22,778
	NTD/RMB	$	30,177	4.4511	$	134,323
	NTD/KRW	$	5,255	0.02775	$	145
	NTD/HKD	$	15	3.863	$	59
	NTD/SGD	$	12	22.355	$	276
	NTD/MYR	$	5	7.112	$	36
	NTD/THB	$	2	0.9186	$	2
	NTD/CHF	$	1	30.98	$	41
	NTD/GBP	$	1	38.73	$	41
	NTD/INR	$	9	0.4348	$	4
	NTD/PHP	$	15	0.5771	$	9
Financial liabilities	NTD/USD	$	3,442	30.786	$	105,987
	NTD/JPY	$	40,610	0.2801	$	11,374
	NTD/EUR	$	554	37.732	$	20,924
	NTD/RMB	$	519	4.675	$	2,430
	NTD/SGD	$	1	22.567	$	27

	December 31, 2017					
	Currency unit		Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)		Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	$	19,827	29.808	$	591,009
	NTD/JPY	$	7,184	0.26414	$	1,898
	NTD/EUR	$	136	35.599	$	4,858
	NTD/RMB	$	33,742	4.5338	$	152,979
	NTD/KRW	$	3,345	0.02812	$	94
	NTD/HKD	$	8	3.662	$	31
	NTD/SGD	$	6	22.275	$	133
	NTD/MYR	$	7	6.277	$	43
	NTD/THB	$	3	0.8091	$	2
	NTD/CHF	$	1	29.78	$	40
Financial liabilities	NTD/USD	$	3,273	29.83	$	97,632
	NTD/JPY	$	59,396	0.2664	$	15,820
	NTD/EUR	$	512	35.799	$	18,317
	NTD/RMB	$	3,947	4.581	$	18,131
	NTD/SGD	$	10	22.37	$	234

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$25,856 thousand and (NT$25,780) thousand in 2018 and 2017.

Ⓑ Cash flow and fair value 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, 2018 and 2017 is stated as following:

December 31,2018

Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-23,379 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/-2,216 thousand

December 31, 2017

Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-18,029 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 4,933 thousand

(b) Credit risk

Ⓐ Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. The main factor is that counterparties could not repay in full the accounts receivable based on the agreed terms, and the contract cash flows of debt instruments stated at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income.

Ⓑ The group set up the management of credit risk by group perspective. According to the loan policy expressly defined internally in the Group, each business dept. Within the Group shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Group also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.

Ⓒ For the year ended December 31, 2018 and 2017, 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'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, 2018 and 2017, the Group has never made any endorsements/guarantees.

Ⓕ The Group adopts following assumptions under IFRS 9 to assess whether there has been a significant increase in credit risk on that instrument since initial recognition:

If the contract payments were past due based on the terms, there has been a significant increase in credit risk on that instrument since initial recognition.

Ⓖ The Group in line with credit risk management procedure, when the counterparty of transaction has financial difficulties, business accidents, restrictions on the acceptance of orders due to legal restrictions, refunds of company bills and any factors (such as fires, earthquakes and natural disasters). A default is considered to have occurred in the event that the possibility of recovering the receivable is very low, the default has occurred.

Ⓗ The Group classifies customer's notes receivable, accounts receivable, contract assets and rents receivable in accordance with geographic area, product types, credit rating of customer, collaterals, credit risk on trade and customer types. The Group applies the modified approach using provision matrix to estimate expected credit loss under the provision matrix basis.

Ⓘ The Group wrote-off the financial assets, which cannot be reasonably expected to be recovered, after initiating recourse procedures. However, the Group will continue executing the recourse procedures to secure their rights.

Ⓙ The Group used the foreseeable of Taiwan Institute of Economic Research boom observation report to adjust historical and timely information to assess the loss allowance of notes receivable and accounts receivable. The group use provision matrix to estimate expected credit loss under the provision matrix basis. The provision matrix basis based on historical default rates observed during the lifetime of accounts receivable to adjust. On each reporting day, the Group updated the observed historical default rates and analyzed changes. On December 31, 2018, the group expected credit loss rate during the lifetime is stated as follow:

	Notes Receivable	**Accounts Receivable**					
	dishonoured check	Without past due	1~90 days	91 to 180 days	181 to 360 days	1 to 2 years	More than 2 year
Expected loss rate	100%	0%	7%	15%	25%	50%	100%

Ⓚ 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 loss allowances provided for the Group's impairment on receivable accounts and account age analysis on loans, please see Note 6(3).

(c) Liquidity risk

Ⓐ The liquidity risk arises when the Group fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Group managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Group's goodwill.

Ⓑ The Group's will call the management meeting periodically to assist

Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Group will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Group's loan totaled NT$1,936,656 thousand on December 31, 2018.

Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Group did not hold derivative financial liabilities.

	December 31,2018			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 818,000	$ -	$ -	$ 818,000
Payable accounts (including related party)	484,702	-	-	484,702
Other payable accounts (including related party)	702,005	-	-	702,005
Long-term loan (including the current portion)	29,233	29,233	9,997	68,463
Corporate bond payable	-	-	892,843	892,843
Rent payable	15,883	15,883	-	31,766
Total	$ 2,049,823	$ 45,116	$ 902,840	$ 2,997,779

	December 31, 2017			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 1,170,000	$ -	$ -	$ 1,170,000
Payable accounts (including related party)	418,591	-	-	418,591
Other payable accounts (including related party)	589,366	-	-	589,366
Long-term loan (including the current portion)	225,787	225,787	347,122	798,696
Rent payable	16,229	16,229	16,230	48,688
Total	$ 2,419,973	$ 242,016	$ 363,352	$ 3,025,341

(3) Fair value information

A. The different levels that the inputs to valuation techniques are used to measure fair value of financial and non-financial instruments have been defined as follows:

Ⓐ Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Amarket is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Ⓑ Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Group's investment in financial products and corporate bonds is included in Level 2.

Ⓒ Level 3: Unobservable inputs for the asset or liability.

B. Financial instruments not measured at fair value

Ⓐ Except for those listed in the table below, the carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, Pledged Deposit, short-term borrowings, notes payable, accounts payable and other payables are approximate to their fair values.

	December 31, 2018			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Financial assets	-	-	-	-
Financial liabilities				
Bonds payable (including current portion)	$ 892,843	-	$ 892,843	-

	December 31, 2017			
		Fair value		
	Book value	Level 1	Level 2	Level3
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-

ⒷThe methods and assumptions of fair value estimate are as follows:

Corporate bond payable: The cash flow expected to be paid is measured by the present value discounted of the market interest rate on the balance sheet date.

C. The related information of financial and non-financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities are as follows:

ⒶThe Group measured at fair value by level on the basis of the assets and liabilities:

	December 31, 2018			
		Fair value		
	Book value	**Level** 1	**Level** 2	**Level** 3
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss－non-current convertible bonds option	-	-	-	-
Non-recurring fair value measurements	-	-	-	-
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss－non-current convertible bonds option	$ 9,266	-	$ 9,266	-

	December 31, 2017			
		Fair value		
	Book value	Level 1	**Level** 2	**Level** 3

Assets				
Recurring fair value measurements	-	-	-	-
Non-recurring fair value measurements				
Non-current assets held for sale	$ 71,302	-	$ 81,927	-
Liabilities				
Recurring fair value measurements	-	-	-	-

Ⓑ The methods and assumptions of fair value estimate are as follows:

Convertible bonds option

Valuation techniques and inputs applied for Level 2 fair value measurement

Financial instruments	Instruments and inputs
Convertible bonds option	Binomial tree valuation model： Evaluated by the observable of duration, conversion price, volatility, risk-free interest rate, risk discount rate, and liquidity risk at the balance sheet date.

Non-current assets held for sale

① Company management board has on December 28, 2017 voted on a resolution to sell the entire shareholdings of the affiliated enterprise – MJC Microelectronics (Kunshan) Co., Ltd. of the group’s subsidiary MMI Holding Co., Ltd to Japanese MJC Corporation (MJC is the parent firm of MJC Microelectronics (Kunshan) Co., Ltd.), and the two parties agree to set the total shareholding transfer transaction to the sum of RMB18,000 thousand(at approximately NT$81,927 thousand), and planned to complete the liquidation proceedings in the next 12 months. The group has reclassified its investment held in MJC Microelectronics (Kunshan) Co., Ltd.’s book value amount totaling NT$71,302 thousand to under the non-current asset held for sale item on its combined balance sheet as of Dec. 31, 2017.

② When the Group assessing non-standard and low-complexity financial instruments, the non-current assets held for sale of the Group adopts valuation technique that is widely used by market participants, for example, income approach. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

③ The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Group’s financial and non-financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Group’s management policies and relevant control procedures relating to the valuation.

Models used for fair value measurement, management believe adjustment to valuation is necessary in order to reasonably represent the fair value of financial and non-financial instruments at the consolidated balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

D. There were no transfer between **Level** 1 and **Level** 2 for the year ended December 31, 2018 and 2017.

(4) Effects on initial application of IFRS 9 and information on application of IAS 39 in 2017

A. Summary of significant accounting policies adopted in 2017

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.

Ⓐ 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".

Ⓑ 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.

Ⓒ Impairment of 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.

Ⓓ 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

Ⓐ 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.

Ⓑ 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.

Ⓒ 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.

Ⓓ Derecognition of financial liabilities

The Group will derecognize financial liabilities upon performance, cancellation or expiration of contractual obligations.

Ⓔ 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.

B. The reconciliations of carrying amount of financial assets transfered from December 31, 2017, IAS 39, to January 1, 2018 IFRS 9, were as follows:

The Group assessed no conversion difference.

C. The reconciliation of allowance for impairment and provision from December 31, 2017, as these are impaired under IAS 39, to January 1, 2018, as these are expected to be impaired under IFRS 9 are as follows:

The Group assessed no conversion difference.

(5) Effects of initial application of IFRS 15 and information on application of IAS 11 and IAS 18 in 2017

A. The significant accounting policies applied on revenue recognition for the year ended December 31, 2017 are set out below.

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.

B. The revenue recognised by using above accounting policies for the year ended December 31, 2017, is as follows:

	2017
Sales revenue	$ 4,062,123
Processing Fees revenue	357,693
Commission revenue	28,638
Total	$ 4,448,454

C. If the Group continues to apply the above accounting policies in the period from 2018, the impact on the current balance sheet and the Comprehensive income statement form line item will be:

The Group assessed no conversion difference.

13. Disclosures of Notes

(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall also disclose the information about important transactions:

No.	Contents	January~December 2018
1	Loans to others	Attached table 1
2	Endorsement/guarantees made for others	N/A
3	Marketable securities-ending	Attached table 2
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.	N/A
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 uncollectible accounts	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	–	–	4.99%	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$4,634 thousand. The Contract term is from March 28, 2017 to March 28, 2018. The subsidiary MEGTAS CO., LTD. had repaid the loan of NT$ 4,634 thousand on March 23, 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 tp 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:

Investing Company	Marketable Securities Type and Name	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2018 Units/Shares (Thousands)	Carrying Value	Percentage of Ownership	Fair Value	Note
	Financial products：							
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	BOC Huizeng-A Plan (USD) 2018 NO.275	–	(Note 1)	–	$ 4,603	–	$4,603	–
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	CCB Qianyuan-Zhong xiang baoben RMB Financial products 2018 NO.239	–	(Note 1)	–	44,710	–	44,710	–

(Note 1)Account item type：Financial assets at amortised cost-current

(Note 2) The amount in this table relates to foreign currency , which is the exchange rate at the financial reporting date. (USD：TWD =1：30.7075；RMB：USD =1：6.86815)convert to TWD.

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

a. 2018

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	$ 28,694	Note 4	1%
				Receivable accounts	$ 14,427	Note 6	-
				Advance sale receipts	$ 2,777	Note 4	-
				Other receivable accounts	$ 1,055	Note 8	-
				Rent revenue	$ 3,823	Note 7	-
				Administrative and general expenses – other expenses, less	$ 37	Note 7	-
				Other gains (losses)	$ 529	Note 4	-
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$ 1,703	Note 4	-
				Receivable accounts	$ 811	Note 6	-
0	MPI Corporation	MEGTAS CO.,LTG	1	Interest revenue	$ 52	Note 9	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sale revenue	$ 5,306	Note 4	-
				Receivable accounts	$ 64,617	Note 6	1%
				Other gains (losses)	$ 15,001	Note 4	-
				Other receivable accounts	$ 12,317	Note 8	-

0	MPI Corporation	MPI AMERICA INC.	1	Sale revenue Receivable accounts Advance sale receipts Others revenue	$ $ $ $	421,834 190,159 5,485 2,712	Note 4 Note 6 Note 4 Note 4	8% 2% - -
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sale revenue Receivable accounts Other receivable accounts Other gains (losses)	$ $ $ $	75,467 41,457 14,930 6,631	Note 4 Note 6 Note 8 Note 4	1% 1% - -
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue Receivable accounts Revenue from commission Receivable Commission Other receivable accounts	$ $ $ $ $	10,820 3,961 55,025 98,658 111	Note 4 Note 6 Note 5 Note 6 Note 8	- - 1% 1% -
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$	25	Note 4	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue Receivable accounts Advance sale receipts	$ $ $	402 93 27	Note 4 Note 6 Note 4	- - -
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission Receivable Commission	$ $	3,267 1	Note 5 Note 6	- -
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	3	Sale revenue Receivable accounts	$ $	6,819 4,077	Note 4 Note 6	- -
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	$	1,142	Note 4	-
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI (SUZHOU) CORPORATION	3	Sale revenue	$	854	Note 4	-
3	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue Receivable accounts	$ $	6,887 563	Note 4 Note 6	- -
3	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue Receivable accounts	$ $	63 9	Note 4 Note 6	- -
3	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sales revenue Receivable accounts	$ $	1,524 588	Note 4 Note 6	- -

4	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Sale revenue - maintenance	$ 1,451	Note 5	-
				Receivable Commission	$ 2,426	Note 6	-
				Revenue from commission	$ 22,786	Note 5	-
4	MPI (SUZHOU) CORPORATION	Chain-Logic International Corp.	3	Sales revenue	$ 5,949	Note 4	-
4	MPI (SUZHOU) CORPORATION	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue	$ 35	Note 4	-
				Sale revenue - maintenance	$ 20,855	Note 4	-
4	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	$ 70	Note 4	-
5	MPI AMERICA INC.	MPI Corporation	2	Others revenue	$ 121	Note 4	-
6	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Sale revenue - others	$ 284	Note 4	-
				Sale revenue - maintenance	$ 385	Note 4	-
				Receivable accounts	$ 257	Note 6	-
				Other receivable accounts	$ 366	Note 8	-

b. 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	$ 18,483	Note 4	-
				Receivable accounts	$ 4,291	Note 6	-
				Advance sale receipts	$ 22	Note 4	-
				Other receivable accounts	$ 1,296	Note 8	-
				Rent revenue	$ 3,844	Note 7	-
				Administrative and general expenses – other expenses, less	$ 38	Note 7	-
				Other gains (losses)	$ 925	Note 4	-
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$ 41,150	Note 4	1%
				Receivable accounts	$ 26,418	Note 6	-
				Other gains (losses)	$ 177	Note 4	-
0	MPI Corporation	MEGTAS CO.,LTD.	1	Other receivable accounts	$ 4,629	Note 9	-
				Interest revenue	$ 172	Note 9	-
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sale revenue	$ 64,255	Note 4	1%
				Receivable accounts	$ 118,048	Note 6	2%

				Other gains (losses)	$ 37,039	Note 4	1%
				Other receivable accounts	$ 27,228	Note8	-
0	MPI Corporation	MPI TRADING CORP.	1	Sale revenue	$ 634	Note 4	-
0	MPI Corporation	MPI America Inc	1	Sale revenue	$ 119,117	Note 4	3%
				Receivable accounts	$ 111,349	Note 6	1%
				Others revenue	$ 1,453	Note 4	-
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sale revenue	$ 4,159	Note 4	-
				Receivable accounts	$ 4,126	Note 6	-
				Other receivable accounts	$ 1,651	Note 9	-
				Other gains (losses)	$ 1,829	Note 4	-
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue	$ 7,928	Note 4	-
				Receivable accounts	$ 10,696	Note 6	-
				Revenue from commission	$ 72,323	Note 5	2%
				Receivable commission	$ 116,335	Note 6	2%
				Other receivable accounts	$ 652	Note 9	-
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$ 7,190	Note 4	-
				Receivable accounts	$ 3,130	Note 6	-
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	$ 1,056	Note 4	-
				Receivable accounts	$ 369	Note 6	-
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	$ 2,371	Note 5	-
1	Chain-Logic International Corp.	MPI (SUZHOU) CORPORATION	2	Sale revenue	$ 803	Note 4	-
				Receivable accounts	$ 795	Note 6	-
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Revenue from commission	$ 6,022	Note 5	-
				Revenue from repair and maintenance	$ 104	Note 4	-
				Receivable accounts	$ 8,637	Note 6	-
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	$ 106	Note 4	-
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI (SUZHOU) CORPORATION	3	Sale revenue	$ 9,773	Note 4	-
				Receivable accounts	$ 11,373	Note 6	-
				Other receivable accounts	$ 1,325	Note 8	-
3	MEGTAS	MPI Corporation	2	Sale revenue	$ 217	Note 4	-

	CO.,LTD.			Receivable accounts	$ 36	Note 6	-
3	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue Receivable accounts	$ 10,323 $ 377	Note 4 Note 6	- -
3	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue	$ 1,038	Note 4	-
3	MEGTAS CO.,LTD.	MPI (SUZHOU) CORPORATION	3	Sale revenue Receivable accounts	$ 79 $ 78	Note 4 Note 6	- -
4	Lumitek (Changchou) Co. Ltd.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue - maintenance Receivable accounts	$ 344 $ 235	Note 4 Note 6	- -
4	Lumitek (Changchou) Co. Ltd.	MPI (SUZHOU) CORPORATION	3	Other receivable accounts	$ 4,942	Note 8	-
5	WANG-TONG CORP.	MPI Corporation	2	Sales revenue	$ 50	Note 4	-
6	MPI AMERICA INC.	MPI Corporation	2	Sales revenue	$ 416	Note 4	-
7	MPI (SUZHOU) CORPORATION	MPI Corporation	2	Revenue from commission Receivable accounts	$ 2,424 $ 2,520	Note 5 Note 6	- -
7	MPI (SUZHOU) CORPORATION	Lumitek (Changchou) Co. Ltd.	3	Sale revenue Receivable accounts	$ 103 $ 120	Note 4 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 Dec.31. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the years ended on Dec 31.

Note 4: Processed under the general trading conditions and price.

Note 5: Based on the price agreed by both parties.

Note 6: O/A 30~180 days, same as that applicable to the general customers or suppliers.

Note 7: Based on the rent agreed by both parties.

Note 8: Out-of-pocket expenses of the general expenditure.

Note 9: Financing.

(2) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Group may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) for the year ended December 31, 2018 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%	$ 62,740	$(1,504)	$(1,504)	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 573,502	$ 686,177	18,267,987 (Note6)	100%	$ 509,374	$ 28,929	$ 24,894	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	$ 53,767	$ 39,906	400,000	80% (Note8)	$ 40,265	$ 8,759	$ 5,728	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%	$ 244,510	$ 21,119	$ 24,152	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	$ -	$ -	$ -	$ -	$ -	Subsidiary of MPI Corporation (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%	$ 1,644	$ (351)	$ (351)	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	$ 37,881	1,250,000	100%	$ (68,397)	$ (50,499)	$ (50,499)	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%	$ 60,269	$ 6,249	$ -	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	$ 36,366	1,200,000	100%	$ (57,227)	$ (50,513)	$ -	Subsidiary of MPA TRADING CORP. (Note 5)

Note 1: Except MEGTAS CO., LTD. and MPI AMERICA INC., which were audited by other external auditors commissioned by it instead of the Company’s external auditors. The others were audited by CPA of the parent company.

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$2,000,000 (equivalent to NT$60,180 thousand) in September 2017. Reducing the cash capital US$2,857,000(equivalent to NT$84,006 thousand) in April 2018 and reducing the cash capital US$936,870(equivalent to NT$28,669 thousand) in September 2018. So far, the Group has invested a total of US$18,267,987 in the subsidiary, MMI HOLDING CO., LTD., totaling 18,267,987 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 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., on April 25, 2018, the Board of Directors meeting approved reducing the cash capital US$2,857,000(equivalent to NT$84,006 thousand); on September 11, 2018, the Board of Directors meeting approved reducing the cash capital US$936,870(equivalent to NT$28,669 thousand)

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：On August 15, 2018, the Group passed the liquidation of WANG-TONG CORP., which was liquidated and written off on September 14, 2018, and remitted the surplus investment of NT$4 thousand.

Note 8：In order to coordinate the corporation's operating program and promote the efficiency of capital usage, the Group has reported to the board of directors to takeover 20% of equity on MEGTAS CO., LTD. in₩ 5,000 per share on November 8, 2018. The total investment cost is NT$13,861 thousand and the date of the takeover is on October 5, 2018. Besides the company will takeover 100,000 shares, and the shareholding ratio will increase from 60% to 80%. The difference between consideration paid and carrying amount of subsidiaries acquired was NT$ 4,567 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) INTERNATION AL 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)	$ 6,231	100 %	$ 6,231	$ 55,000	$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)	-	$ 539	-	$ 151	- (Note 5)	$40,273
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,960,000 ($ 57,423)	-	USD 1,960,000 (57,423)	-	-	-	-	- (Note4)	-
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)	$ 11,464	100 %	$ 11,464	$ 495,268	-
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)	$ 8,462	100 %	$ 8,462	$ 56,583	-

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: Except the financial statement of MJC Microelectronics (Shanghai) Co., Ltd. and MJC Microelectronics (Kunshan) Co., Ltd., which were 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 4: On December 28, 2017, the Board of Directors meeting approved selling MMK (Kunshan) and sold on March 23, 2018. The distribution of surplus a total of NT$82,710 thousand was remitted. MMI HOLDING CO., LTD obtained recover payment a total of NT$9,208 thousand. So far, Investment Commission of the Ministry of Economic Affairs has approved this.

Note 5: On May 25, 2017, the Board of Directors approved the liquidation of the transfer investment company MJC Microelectronics (Shanghai) Co., Ltd, which was completed on August 31, 2018. The distribution of surplus a total of NT$28,080 thousand was remitted. MMI HOLDING CO., LTD obtained recover payment a total of NT$1,733 thousand. So far, Investment Commission of the Ministry of Economic Affairs has approved this.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 19,400,000 (NTD 609,567)	USD 20,810,272.42 (NTD 654,652)	NTD 2,470,159

Note 1: The ceiling shall be the higher of the net worth or 60% of the consolidated net worth.

Note2：(a) 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 at US$1,800,000(equivalent to NT$54,111 thousand) is still in total of US$1,644,142.42(equivalent to NT$49,434 thousand) that could not be offset the investment amount.

(b) MJC Microelectronics(Kunshan) Co., Ltd. was transferred to Japanese MJC Corporation in March, 2018, and the transfer amount of US$2,857,000 (equivalent to

NT$84,006 thousand) was used to deduct the mainland investment quota in April, 2018.

(c) MJC Microelectronics (Shanghai) Co., Ltd. was liquidated in August, 2018, and in September, 2018, the liquidation amount of US$936,870 (equivalent to NT$28,669 thousand) was used to deduct the accumulated amount of investment in Mainland China.

C. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, for the year ended December 31, 2018 (which have been eliminated when preparing the consolidated financial statements), please see the "Information related to the investees" and "Major business dealings and transactions between the parent company and its subsidiaries".

14. Information by department

(1) General information

The Group primarily engages in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.

(2) To report the information about department income, assets and liabilities, and basis of measurement and reconciliation

The department income, department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(3) By product and labor service:

The Group engages in a single industry. Its revenue from customers is primarily generated from the sale of semi-conductor production process and testing equipment.

(4) By territory

The Group's information by territory is stated as following. The revenue is classified based on the customers' geographical locations, while the non-current assets are classified based on the geographical locations of the assets.

	2018		2017	
By territory	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Taiwan	$ 1,882,554	$ 2,930,365	$ 1,708,366	$ 3,129,484
China	1,317,664	265,011	1,144,462	394,757

U.S.A.	1,078,148	9,196	743,496	8,441
Malaysia	-	-	228,875	-
Korea	28,856	2,725	35,644	5,316
Other countries	1,079,134	-	587,611	-
Total	$ 5,386,356	$ 3,207,297	$ 4,448,454	$ 3,537,998

(Note) The non-current assets include property, plant and equipment, investment property, intangible assets and other assets, exclusive of financial instruments, deferred income tax assets, assets of retirement/termination benefits and non-current assets generated from insurance contract.

(5) Information about major customers

Information about the Group’s revenue from the transaction with single customer accounting for 10% of the operating revenue, net:

2018：None.

2017：None.

MPI Corporation

Chairman: Ko, Chang-Lin