MPI CORPORATION

Stock code: **6223**

MPI Corporation

2017 Annual Report

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Company website: http://www.mpi.com.tw
Annual report available at - Market Observation Post System: http://mops.twse.com.tw

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

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

II. Address 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: 1F, Block B, No. 42, Guangfu Road, 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. 2017 business results

(I) Business Plan and Result

The Group made NT$4,448,454,000 of net operating revenues in 2017, which was 10% less than the NT$4,961,755,000 made in 2016. Net income for 2017 was concluded at NT$145,767,000, down 74% from NT$563,279,000 in 2016 and represented an after-tax EPS of NT$1.83.

Year 2017 was characterized by a moderate recovery of the global economy and further evolution of technologies in people's daily lives. In addition to more in-depth application of smartphones and PCs, the rise of new technologies such as self-driving cars, Internet of things (IoT), artificial intelligence (AI), virtual realty and virtual currency all presented opportunities for the semiconductor industry to grow. These new technologies all require complex computing power, which drives the growth of high-end semiconductor productions and give rise to demand for high-end probe cards in the future. According to forecasts made by IEK, a professional research institution, the semiconductor industry as a whole will enjoy a compound annual growth rate of 3.2% between 2015 and 2020, and most of which will be attributed to strong demands for memory ICs and analog ICs.

MPI will continue investing resources into the research and development of high-end probe cards, while at the same time explore the viability of key peripheral components in order to gain more control over the supply of high-end products and add value to customers. MPI's semiconductor engineering equipment and thermal test device have been highly commended by customers since their launch in 2016. The Company aims to continually improve its testing efficiency and competitiveness and become customers' best business partner.

(II) Revenue and profitability analysis

Currency unit: in NTD 1,000

Item		Year	2016	2017	Change (%)
Revenue	Net Sales		4,961,755	4,448,454	-10.35%
	Gross profit		2,296,686	1,759,911	-23.37%
	Post-tax profit or loss		563,279	145,767	-74.12%
Profitability	ROA (%)		8.29	2.19	-73.58%
	ROE (%)		14.74	3.85	-73.88%
	Operating Income to Paid-in capital		86.17	22.49	-73.90%
	EBT to Paid-in capital ratio (%)		81.84	25.64	-68.67%
	Profit margin (%)		11.30	3.36	-70.27%
	EPS (NT$)	before	7.09	1.83	-74.19%
		after	7.09	1.83	-74.19%

(III) Research and development

Research and development findings in 2017:

1. Precision automated photoelectric equipment:
   A. Fully automated multi-stop LED test system
   B. Automated testing and sorting equipment for laser diode (VCSEL & EEL) wafers and products
   C. Optoelectronic test system for micro LED wafers
2. Wafer probe card:
   A. Continual development of vertical type micro-electromechanical probe card to meet the industry's need for wafer fabrication at micro level
   B. Continual development of high-speed wafer probe card to facilitate faster transmission, and satisfy the need for high-speed transmission by new smart devices
3. Development of temperature testing system for semiconductor components
   A. Mobile thermal testing system capable of temperature range -80 ˚C ~+225 ˚C
   B. Compact chamber
4. Development of testing machinery for semiconductor engineering
   A. Fully shielded 300mm probe system capable of extreme temperatures
   B. Next-generation 200mm probe system capable of handling THz

II. Summary of 2018 Business Plan

(I) Business Policy

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

A. Ongoing development of new technologies such as micro pitch testing and high current testing to satisfy high-end IC miniaturization and high-speed computing requirements.
B. Ongoing improvement of high-speed wafer probe cards to facilitate faster transmission when testing high-speed transmission requirements of new smart devices.
C. Ongoing development of multilayer organic substrates to meet the technical requirements of new applications in the future, and thereby enhance the competitiveness of MPI's probe card solutions.
D. New applications of the optoelectronic industry (LED, LD, PD, OLED Lighting, Micro LED etc) have given rise to new technologies such as 3D sensing and Micro Display and new automated equipment with high-level integration of optical, mechanical and electronic features. As a result, MPI has made it a priority to improve its testing, sorting and optical examination technologies in order to provide high value-adding turnkey solutions for the optoelectronic industry.
E. Ongoing development of test devices to satisfy customers' requirements in semiconductor engineering testing.
F. Ongoing development of temperature control systems and products for testing of semiconductor and fiber communication components under different environments, and offering customers the optimal temperature testing solutions.

(II) Vital production and sales policies

To ensure business growth and competitiveness, MPI not only invests resources into technology research and development, but also takes initiative in exploring overseas markets. The Company established service offices in China and USA in 2017 as a means to provide customers with faster and more complete technical support. Through enhanced overseas support, the Company aims to increase market share of its products. MPI is devoted to helping customers improve competitiveness. It has positioned itself as customers' technology partner and adopted the policy to provide customers the top quality products, the best solutions, and the most timely technical services.

III. The development strategy of the future

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

(II) With the possession of temperature control technology, the Company will continue to explore opportunities in environmental temperature testing for semiconductor and fiber optic communication components, and develop new product varieties to satisfy new market applications.

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

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

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

After last year's strong growth, many research institutions expect growth of the semiconductor market to level this year. However, as described above, uses of new technologies such as AI, self-driving, virtual currency etc should continue to drive growth of the semiconductor industry. In the future, MPI shall continue to utilize its R&D strengths in providing customers with precise and fast testing solutions. As a participant of the semiconductor testing industry, we desire nothing more than to grow alongside our customers and maximize value for 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 1998	Possessed the ability to maintain 32 DUT
March 1999	Possessed the ability to produce Fine pitch (50μm)
June 1999	Possess the MJC 8 DUT New Design ability
April 2000	Bldg. A of 1st Plant in Zhubei completed and activated
July 2000	Southern Taiwan Office and Customers Service Center established
July 2000	Due to the capital increase in cash and upon recapitalization of earnings, totaling NT$40 million, the capital became NT$100 million.
December 2000	Possess the MJC 16 DUT Production & New Design ability
December 2000	MPI TRADING CORP. incorporated with the registered capital US$1 million.
May 2001	Semi-auto prober released for LED wafer testing.
May 2001	Due to capital increase in cash and by recapitalization of earnings and employee bonus, totaling NT$100 million, the capital became NT$200 million.
July 2001	Proceed with the public offering upon approval of Securities and Futures Bureau, Ministry of Finance.
August 2001	Incorporated MMI HOLDING CO., LTD. with registered capital of NT$10 million.
September 2001	Pass ISO9001/2000 certification
December 2001	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the first time.
June 2002	Due to succession to the shares of Chain-Logic International Corp. totaling 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

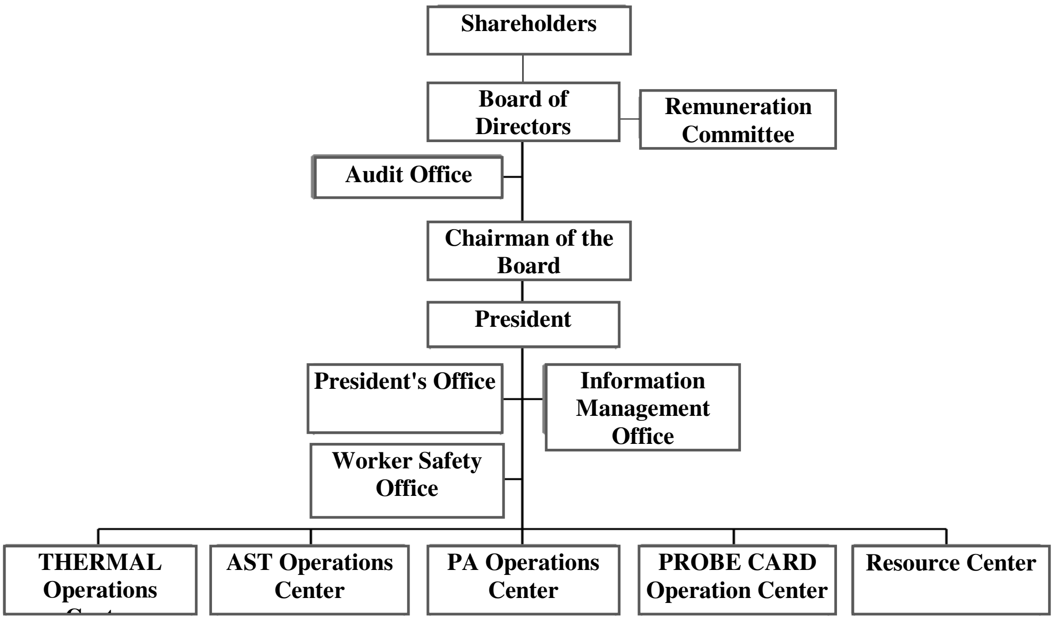
	Companies Which Make Most Money for Shareholders" selected by Global View Monthly.
February 2009	Taiwan Intellectual Property Office announced MPI as "2008 top 100 local innovative companies".
March 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial 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 testing" with Industrial Development Bureau.
December 2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the seventh time.
May 2010	Transfered the equity of Taiwan MJC Co., Ltd.
May 2010	Re-invested 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	Named potential mittelstand in the 2nd year of the "Mittelstand Program" organized by the Executive Yuan
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	Ranking at 5th place in the global probe card suppliers' billboard in 2013 (by VSL Research)
September 2014	Purchased Xinpu Plant.
November 2014	United family day of 20th anniversary.
February 2015	Taiwan Intellectual Property Office announced MPI ranking at 79th place among the "2014 top 100 local companies which apply for patent".
February 2015	Reinvested US$7.5 million in Lumitek (Changchou) Co. Ltd.
April 2015	According to VLSI Research Inc., MPI was named world's No. 1 supplier of cantilever probe cards in 2014.
April 2015	According to VLSI Research Inc., MPI was named world's No. 4 supplier of vertical type probe cards in 2014.
April 2015	According to VLSI Research Inc., MPI was named world's No. 5

	supplier of probe cards in 2014
August 2015	Reinvested US$600,000 in Lumitek (Changchou) Co. Ltd.
November 2015	Reinvested US$2.9 million in Lumitek (Changchou) Co. Ltd.
February 2016	Ranked 65th in the Intellectual Property Office's "2015 Top 100 Patent Applicants - Local Corporations"
December 2016	Invested USD 1 million into Lumitek (Changchou) Co. Ltd.
February 2017	Ranked 65th in "2016 Top 100 Patent Applicants - Local Corporations" and 94th in "2016 Top 100 Invention Patent Applicants - Local Corporations" by the Intellectual Property Office
April 2017	Named potential mittelstand in the 4th year of the "Mittelstand Program" organized by the Executive Yuan
April 2017	According to VLSI Research Inc., MPI was named world's No. 1 supplier of cantilever probe cards in 2016.
	According to VLSI Research Inc., MPI was named world's No. 1 supplier of vertical type probe cards in 2016.
	According to VLSI Research Inc., MPI was named world's No. 5 supplier of probe cards in 2016
May 2017	Founded MPA TRADING CORP. for US$1.25 million
May 2017	Invested MPI AMERICA INC. for US$1.2 million
September 2017	Invested MPI Technology (Suzhou) Co., Ltd. for US$2 million
February 2018	Ranked 65th in "2017 Top 100 Patent Applicants - Local Corporations" and 76th in "2017 Top 100 Invention Patent Applicants - Local Corporations" by the Intellectual Property Office
May 2018	According to VLSI Research Inc., MPI was named world's No. 1 supplier of cantilever probe cards in 2017.
	According to VLSI Research Inc., MPI was named world's No. 2 supplier of vertical type probe cards in 2017.
	According to VLSI Research Inc., MPI was named world's No. 5 supplier of probe cards in 2017

Three. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Operations and functions

Audit Office	Responsible for processing the audit, maintenance, improvement and suggest under the internal control system throughout the Company, and helping various units resolve problems, take corrective actions and upgrade efficiency.
President's Office	Help the President with the management planning and control over various departments' functions and implementation thereof, in order to achieve the business goals.
Information Management Office	Responsible for computerization, access to network, emails, and planning and configuration of Internet throughout the Company.
Worker Safety Office	Responsible for the management and promotion of employees' safety and health.
THERMAL Operations Center	Research, development, manufacturing and sale of the Company's Thermal Air series, and providing thermal testing equipment needed for customers' production or experiment. Serves customers from semiconductor, optical communication, photonic, automobile, and aviation industries. Products are sold to all parts of the world.
AST Operations Center	Responsible for the planning, development, production, sale and after-sale service of probing systems and RF probes.
PA Operations Center	New equipment development, technology application, manufacturing and assembly. Quality inspection and control for raw materials and equipment. Gathering of information on market demands for automated photoelectric equipment, and accomplishment of business targets.
PROBE CARD Operation Center	Responsible to the research, development, design, manufacturing, sale and after-sale service of probe cards.

Resource Center	Responsible for matters concerning finance, accounting, share administration, taxation, raw material purchase, human resource/labor regulations, general administration, 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:

Background of directors and supervisors (1)

Unit: April 30, 2018; shares; %

Job title	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Shares held currently		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	and in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
							Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
Chairman of the Board	R.O.C.	MPI Investment Co., Ltd.	-	June 12, 2015	3 years	April 16, 2001	8,334,626	10.43%	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 12, 2015	3 years	July 11, 2016	1,425,994	1.79%	1,425,994	1.79%	427,781	0.54%	0	0.00%	Education: EMBA, National Chiao Tung University Career: Electronics Research & Service Organization, Industrial Technology Research Institute	In the Company: CEO In other companies: Chairman of Chain-Logic International Corp., Chairman of MPI Investment Co., Ltd., Chairman of MMI HOLDING CORP., Chairman of MPI TRADING CORP., Chairman of CHAIN-LOGIC TRADING CORP., Chairman of CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP., Chairman of MPA TRADING CORP., Chairman of Gordon Biersch Brewery Restaurant, Director of Pangye Co., Ltd.	N/A	N/A	N/A
Director	R.O.C.	MPI Investment Co., Ltd.	-	June 12, 2015	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 12, 2015	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., CEO of Won Tung Technology Co., Ltd., and Director of Allstron Corporation	N/A	N/A	N/A
Director	R.O.C.	MPI Investment Co., Ltd.	-	June 12, 2015	3 years	April 16, 2001	8,334,626	10.47%	8,334,626	10.43%	0	0.00%	0	0.00%	N/A	N/A	N/A	N/A	N/A

		Representative-- Scott Kuo	Male	June 12, 2015	3 years	November 26, 2012	438,037	0.55%	438,037	0.55%	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., Director of Mjc Microelectronics (Shanghai) Co., Ltd, Chairman of Allstron Corporation, and Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A
Director	Japan	MJC	-	June 12, 2015	3 years	April 16, 2001	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)
		Representative - Yuki katayama	Female	June 12, 2015	3 years	November 26, 2012	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)	(Note 1)

Background of directors and supervisors (1)

Unit: April 30, 2018; shares; %

Job title	Nationality or place of registration	Name	Gender	Election (Appointment) Date	Term of office	Inauguration Date	Shares held at election		Shares held currently		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	and in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
							Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
Independent director	R.O.C.	Hsu, Mei-Fang	Female	June 12, 2015	3 years	April 16, 2001	244,441	0.31%	244,441	0.31%	10,050	0.01%	0	0.00%	Academic degree: Ming Chuan University, Accounting Department Major experience: Baker Tilly Clock & CO	In the Company: N/A In other companies: Responsible person of GREAT ASIA CAPS AND COMPANY; supervisor of 104 Corporation	N/A	N/A	N/A
Independent director	R.O.C.	Kao, Chin-Cheng	Male	June 12, 2015	3 years	April 16, 2001	162,414	0.20%	162,414	0.20%	17,944	0.02%	0	0.00%	Academic degree: Department of Law, National Chung Hsing University Major experience: Hui Lin Law Office	In the Company: N/A In other companies: Attorney-at-law of Lian Cheng Law Office	N/A	N/A	N/A
Supervisor	R.O.C.	Li, Tu-Cheng	Male	June 12, 2015	3 years	April 16, 2001	599,349	0.75%	539,349	0.68%	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 Zen Voce Technology (Taiwan) Co., Ltd., and Director of Zen Voce Precision Equipment (Suzhou) Ltd.	N/A	N/A	N/A
Supervisor	R.O.C.	Liu, Fang-Sheng	Male	June 12, 2015	3 years	April 16, 2001	255,471	0.32%	255,471	0.32%	0	0.00%	0	0.00%	Academic degree: Kaohsiung Medical University, School of Dentistry Major experience: Taipei City Hospital	In the Company: N/A In other companies: Physician of Cheng Tai Dental Clinic	N/A	N/A	N/A
Supervisor	R.O.C.	Tsai, Chang-Shou	Male	June 12, 2015	3 years	June 20, 2003	21,630	0.03%	21,630	0.03%	0	0.00%	0	0.00%	Academic degree: Chinese Culture University, Department of Accounting Major experience: Shang Ho CPA Office	In the Company: N/A In other companies: Practicing CPA of Shang Ho CPA Office; supervisor of Kung Long Batteries Industrial Co., Ltd.	N/A	N/A	N/A

(Note 1): Departed on June 13, 2017

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, 2018

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%
	Teng, Su-Ching	6.34%
	Steve Chen	9.06%
	Yeh, Chi-Wen	4.07%
	Hsieh, Wei-Yun	3.60%
	Scott Kuo	2.68%

3. Information about directors & supervisors

Information about directors & supervisors (2)

April 30, 2018

Name (Note 1) / Qualification		More than five (5) years of experience and the following professional qualifications			Status of independence										Number of public companies where the person holds the title as independent director
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities.	Pass the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company.	Required Work experience in commerce, law, finance, accounting or others required by the Company.	1	2	3	4	5	6	7	8	9	10	
Chairman of the Board	MPI Investment Co., Ltd. Representative: Ko, Chang-Lin			✓				✓			✓	✓	✓		N/A
Director	MPI Investment Co., Ltd. Representative: Steve Chen			✓				✓			✓	✓	✓		N/A
Director	MPI Investment Co., Ltd. Representative: Scott Kuo			✓				✓			✓	✓	✓		N/A
Director	Representative of MJC - Yuki katayama	(Note 3)	(Note 3)	(Note 3)	(Note 3)										(Note 3)
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 Law.
(10) No Government Apparatus agency, juristic person or its representative is elected under Article 27 of the Company Law.

Note 3: Departed on June 13, 2017

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

April 30, 2018

Job title	Nationality	Name	Gender	Election (Appointment) Date	Shares held		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	and in any Other Company	Managers Within the Second Degree of Kinship		
					Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
President	R.O.C.	Scott Kuo	Male	June 16, 2010	438,037	0.55%	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. MPI Investment Co., Ltd. Director of MJC Microelectronics (Shanghai) Co., Ltd Director of Allstron Corporation Chairman of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A
Vice President of Equipment Operations Center	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
Marketing Vice President	R.O.C.	Liu, Yung-Chin	Male	June 20, 2011	20,211	0.03%	0	0.00%	0	0.00%	Academic degree: PhD, National Cheng Kung University, Department of Aeronautics and Astronautics Major experience: Mechanical and Systems Research Laboratories, Industrial	Director of Allstron Corporation	N/A	N/A	N/A

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

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

(1) Remuneration to directors:

December 31, 2017 Unit: NTD thousands

Job title	Name	Remuneration to directors								The sum of A, B, C and D as a percentage of net income		Remuneration in the capacity as employees								The sum of A, B, C, D, E, F and G to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Pension (B)		Remuneration to directors (C)		Fees for services rendered (D)				Salaries, bonus and special subsidies (E)		Pension (F)		Remuneration to employees (G)						
																The Company		All companies included into the financial statement.				
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	Cash dividends	Stock dividends	Cash dividends	Stock dividends	The Company	All companies included into the financial statement.	
Chairman the Board	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	0	0	0	0	0	0	0	0	0	0	5,136	5,136	108	108	224	0	224	0	3.75%	3.75%	N/A
Director	Representative of MPI Investment Co., Ltd.: Steve Chen																					
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo																					
Director (Note 1)	Representative of MJC: Yuki katayama																					
Independent director	Hsu, Mei-Fang																					
Independent director	Kao, Chin-Cheng																					
*Compensation received by director for providing service to any company included in the financial statements (e.g. consultancy service without the title of an employee) in the last year, except those disclosed in the above table: No																						

(Note 1): Departed on June 13, 2017

Breakdown of Remuneration

Breakdown of remuneration paid to each director	Name of Director			
	The sum of (A+B+C+D)		The sum of (A+B+C+D+E+F+G)	
	The Company	All companies included in the financial statement (I)	The Company	All companies included in the financial statement (J)
Less than NT$2,000,000	Representatives of MPI Investment: Ko, Chang-Lin, Steve Chen, Scott Kuo Representatives of MJC: Yuki katayama Hsu, Mei-Fang and Kao, Chin-Cheng	Representatives of MPI Investment: Ko, Chang-Lin, Steve Chen, Scott Kuo Representatives of MJC: Yuki katayama Hsu, Mei-Fang and Kao, Chin-Cheng	Representatives of MJC: Yuki katayama Hsu, Mei-Fang and Kao, Chin-Cheng	Representatives of MJC: Yuki katayama Hsu, Mei-Fang and Kao, Chin-Cheng
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)			Representatives of MPI Investment: Ko, Chang-Lin, Steve Chen, Scott Kuo	Representatives of MPI Investment: Ko, Chang-Lin, Steve Chen, Scott Kuo
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$100,000,000 (exclusive)				
NT$100,000,000 or more				
Total	5	5	5	5

(2) Remuneration to supervisors

December 31, 2017 Unit: NTD thousands

Job title	Name	Remuneration to supervisor						The sum of A, B and C to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Compensation (B)		Fees for practicing services (C)				
		The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	The Company	All companies included into the financial statement.	
Supervisor	Li, Tu-Cheng	0	0	0	0	0	0	0	0	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$100,000,000 (exclusive)		
NT$100,000,000 or more		
Total	3	3

(3) Remuneration to presidents and vice presidents

December 31, 2017 Unit: NTD thousands

<table>
<tr><th rowspan="3">Job title</th><th rowspan="3">Name</th><th colspan="2">Salary (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Bonus and special allowance (C)</th><th colspan="4">Remuneration to employees (D)</th><th colspan="2">The sum of A, B, C and D to Earnings after Tax (%)</th><th rowspan="3">Remuneration from investees beyond subsidiaries</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement.</th><th rowspan="2">The Company (Note 1)</th><th rowspan="2">All companies included into the financial statement.</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement.</th><th colspan="2">The Company</th><th colspan="2">All companies included into the financial statement.</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement.</th></tr>
<tr><th>Cash dividends</th><th>Stock dividends</th><th>Cash dividends</th><th>Stock dividends</th></tr>
<tr><td>President</td><td>Scott Kuo</td><td rowspan="3">7,921</td><td rowspan="3">7,921</td><td rowspan="3">322</td><td rowspan="3">322</td><td rowspan="3">2,761</td><td rowspan="3">2,761</td><td rowspan="3">468</td><td rowspan="3">0</td><td rowspan="3">468</td><td rowspan="3">0</td><td rowspan="3">7.87%</td><td rowspan="3">7.87%</td><td rowspan="3">N/A</td></tr>
<tr><td>Vice President</td><td>Fan, Wei-Ju</td></tr>
<tr><td>Vice President</td><td>Liu, Yung-Chin</td></tr>
</table>

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

Breakdown of Remuneration

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

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

December 31, 2017 Unit: NTD thousands

	Job title	Name	Stock dividends	Cash dividends	Total	Proportion to Earnings After Tax (%)
Manager	President	Scott Kuo	0	696	696	0.48%
	Vice President	Fan, Wei-Ju				
	Vice President	Liu, Yung-Chin				
	Assistant Manager	Hsieh, Wei-Yun				
	Manager	Rose Jao				

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.

Job title	2016		2017	
	Proportion to Earnings After Tax (%)		Proportion to Earnings After Tax (%)	
	The Company	All companies included in consolidated statements	The Company	All companies included in consolidated statements
Director	2.28%	2.29%	0	0.00%
Supervisor	0.98%	0.99%	0	0.00%
President Vice President	2.34%	2.35%	7.87%	7.87%
Total	5.60%	5.63%	7.87%	7.87%

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

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

III. Status of corporate governance

(I) Operations of the Board

A total of 12 meetings (A) were held in 2017; below are directors' and supervisors' attendance records:

Job title	Name	Actual attendance rate (%) (B)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
Chairman of the Board	Representative of MPI Investment Co., Ltd. - Ko, Chang-Lin	12	0	100%	Re-elected June 13,2017
Director	Representative of MPI Investment Co., Ltd.: Steve Chen	5	0	100%	Onboard since June 13, 2017
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	12	0	100%	Re-elected June 13,2017
Director	Representative of MJC -- Yuki katayama	6	1	86%	Departed on June 13, 2017
Independent director	Kao, Chin-Cheng	12	0	100%	Re-elected June 13,2017
Independent director	Hsu, Mei-Fang	11	1	92%	Re-elected June 13,2017
Supervisor	Li, Tu-Cheng	10	0	83%	Re-elected June 13,2017
Supervisor	Liu, Fang-Sheng	11	0	92%	Re-elected June 13,2017
Supervisor	Tsai, Chang-Shou	12	0	100%	Re-elected June 13,2017

Other notes:

I. For board of directors meetings that meet any of the following descriptions, state the date, session, the discussed agenda, independent directors' opinions and how the company has responded to such opinions:
   (I) Conditions described in Article 14-3 of the Securities and Exchange Act: Please refer to board of directors' major resolutions listed in Pages 29~30.
   (II) Any other documented objections or qualified opinions raised by independent director against board resolution in relation to matters other than those described above: Please refer to board of directors' major resolutions listed in Pages 29~30.

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

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

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

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

A total of 12 board meetings (A) were held in 2017; below are the attendance records:

Job title	Name	Actual attendance (B)	Actual attendance rate (%) (B/A)	Remark
Supervisor	Li, Tu-Cheng	10	83%	Re-elected June 13,2017
Supervisor	Liu, Fang-Sheng	11	92%	Re-elected June 13,2017
Supervisor	Tsai, Chang-Shou	12	100%	Re-elected 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 TWSE/TPEx-listed Companies, and reasons thereof
	Yes	No	Summary	
I. Whether the Company has established rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TWSE/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 established "Insider Trading Prevention Policy" that prohibits insiders from trading securities against non-public information.	No non-conformity
III. The organization of Board of Directors and its duties				

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

Diversity of board members:

Measurements of diversity / Member of the board	Gender	Business administration	Leadership and decision making	Industry knowledge	Finance and accounting	Law
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
(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 TWSE/TPEx-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. Where the company is a TWSE/TPEX listed company, has the company designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board meetings and shareholder meetings, company registration and changes, preparation of board meeting and shareholder meeting minutes etc)?	√		The Company has a share service department that oversees matters relating to each board of directors meeting and general shareholders' meeting, including: preparation of board/shareholder meeting minutes, company registration and changes, and regular review and amendment of the Company's Corporate Governance Principles and related policies.	No non-conformity
V. Has the company provided proper communication channels and created dedicated sections on its website to address corporate social responsibility issues that are of significant concern to stakeholders (including but not limited to shareholders, employees, customers and suppliers)?	√		The Company has created a section on its website that is dedicated to stakeholder communications.	No non-conformity
VI. Does the company engage a share administration agency to handle shareholder meeting affairs?	√		The Company has commissioned the professional stock service agent, Share Registration Agency Service Department, Hua Nan Securities, to handle the shareholders' affairs.	No non-conformity
VII. Information disclosure				
(I) 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 TWSE/TPEx-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
VIII. Does the company have other information that enables a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of directors/supervisors, implementation of risk management policies and risk measurements, implementation of customer policy, and insuring against liabilities of company directors and supervisors)?	√		Note 1	No non-conformity
IX. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified: The Company will address sustainability in all aspects of its operation, and shall continue to uphold business integrity and corporate social responsibilities, including its long-term duty of sustainability to all stakeholders and the 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: Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities.	Certified judge, attorney, lawyer, accountant, or holder of professional qualification relevant to the company's operations	Commercial, legal, financial, accounting or other work experiences required to perform the assigned duties	Status of independence: 1	2	3	4	5	6	7	8	Number of public companies where the person holds the title as Remuneration Committee member	Remark
Independent director	Kao, Chin-Cheng		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A
Independent director	Hsu, Mei-Fang		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A
Others	Su, Hsien-Teng		✓	✓	√	√	√	√	√	√	√	√	N/A	N/A

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

Note 2: Members who meet the following conditions at any time during active duty and two years prior to the date of appointment will have a "✓" placed in the corresponding boxes.

(1) Not an employee of the Company or its affiliates.
(2) Not a director or supervisor of the Company or its affiliates 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 a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.
(6) Not a director, supervisor, manager or shareholder holding more than 5% of the outstanding shares of specific company or institution in business or financial relation with the Company.
(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons.
(8) Not under any of the categories stated in Article 30 of the Company Law.

2. Information about status of Remuneration Committee

(1) The Company's Remuneration Committee consists of three (3) members.
(2) Duration of service of the current board: from July 12, 2017 to June 12, 2020. The Remuneration Committee held 4 meetings in 2017.

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

Job title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remark
Convener	Kao, Chin-Cheng	4	0	100%	Re-elected on June 12, 2017
Member	Hsu, Mei-Fang	4	0	100%	Re-elected on June 12, 2017
Member	Su, Hsien-Teng	4	0	100%	Re-elected on June 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:

None.

Note:

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

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

3. Other 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 not yet defined its own corporate governance best-practice principles. Therefore, no relevant information is available for the time being.
(3) The Company's directors and supervisors are able to perform their duties honestly and exercise their powers as good administrators.
(4) The Company has purchased liability insurance for directors/supervisors in accordance with the "Corporate Governance Best-Practice Principles for TWSE/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) Progress of "Directors' and Supervisors' Education" has been disclosed on "Market Observation Post System" (http://newmops.tse.com.tw)

Status of continuing education of directors & supervisors:

Job title	Name	Organizer	Date	Course name	Hours	Conformity with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
Chairman of the Board	Representative of MPI Investment Co., Ltd.: Ko, Chang-Lin	N/A	N/A	N/A	N/A	No
Director	Representative of MPI Investment Co., Ltd.: 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	February 20, 2017	(Taipei) Work Hours, Overtime Pay and Leave Compensation under the Labor Standards Act	6	Yes
			February 24, 2017	(Taipei 2) Update of Profit-seeking Business Income Tax Law and Notes on Tax Filing and Auditing	6	Yes

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

(5) Implementation of Corporate Social Responsibility

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
I. Promote the implementation of corporate governance				
(I) Does the company have a corporate social responsibility policy or system in place? Is progress reviewed on a regular basis?		√	The Company's "Corporate Social Responsibility Principles" were established following the discussion at board meeting dated August 2016.	No non-conformity
(II) Does the Company organize social responsibility training on a regular basis?		√	The Company does not organize social responsibility training on a regular basis.	Under research
(III) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and does the unit report its progress to the board of directors?		√	The Company does not have any unit that specializes (or is involved) in CSR practices.	Under research
(IV) Does the Company have a reasonable salary and remuneration policy setup, have the employee performance evaluation system combined with corporate social responsibility policies, and have a clear and effective reward and punishment system established?	√		The Company organizes regular orientations to train new recruits on topics such as corporate culture, work rules, quality management, safety etc. Training is designed to give employees an understanding of the Company's organization and management policy.	No non-conformity
II. Development of a sustainable environment				
(I) Is the Company committed to enhance the utilization efficiency of resources and use renewable materials that are with low impact on the environmental?	√		The Company recycles various materials and supplies and adopts low-contamination raw materials to reduce the impact to the environment.	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	
(II) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	√		The Company handles the environment management-related affairs pursuant to the environmental protection and labor safety laws and regulations.	No non-conformity
(III) Whether the Company is mindful of the impact of climate change on its operations, and implements greenhouse gas check and develops a strategy to reduce carbon emissions and other greenhouse gas?	√		The Company works hard to boost such measures for classification of garbage and reduction of waste, reduction of detergent (replaced with camellia powder), usage of disposable bowls and chopsticks, and saving of water and power consumption, in order to achieve the goal for saving energy and reducing carbon and greenhouse gas.	No non-conformity
III. Social welfare				
(I) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?	√		The Company defines its work rules in accordance with Article 70 of the Labor Standard Law, and reports the same to the competent authority for approval and disclosure.	No non-conformity
(II) Does the Company have the complaint mechanism and channel established for employees and have it handled properly?	√		The Company provides diversified communication management to enhance the interaction between the Company and employees.	No non-conformity

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

Items under evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
	Yes	No	Summary	
(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) Is the company entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impacts against the environment or society?		√	Currently, none of the supply contracts entitle the Company to terminate contract at any time if a supplier is found to have violated its corporate social responsibilities and caused significant impact against the environment or society.	Under research
IV. Strengthening information disclosure				
(I) Has the Company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?		√	The Company has disclosed relevant and reliable corporate social responsibility information on its website and at Market Observation Post System.	No non-conformity
V. If the company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No material deviation is found.				

<table>
<tr><th rowspan="2">Items under evaluation</th><th colspan="3">Status</th><th rowspan="2">Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th></tr>
<tr><td colspan="5">VI. Other important information relevant to the understanding of actual corporate governance:
Donation to public welfare groups:</td></tr>
</table>

Item No.	Donee	Donation
1	World Peace Association	485,377
2	Chinese Fund for Children and Families/Taiwan	165,000
3	R.O.C Salvation Charity Association	41,374
4	St. Joseph Social Welfare Foundation	33,922
5	Hsinchu Welfare Foundation for the Visually Impaired	1,181
6	Children Are Us Foundation	9,124
7	World Vision Taiwan West District Office	13,500
8	Hsinchu Hao Sheng Children's Home	52,322
9	Taiwan Indigenous Cultural Industry Development Association	20,000
10	Chinese Christian Relief Association	21,880
11	Hsinchu County Symphonic Band	150,000
12	Hsinchu City Symphonic Band	200,000
13	Chang Yung-Fa Foundation	400,000
14	Hsinchu Zhubei Taihe Community Development Association	10,000
Total		1,603,680

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

<table>
<tr><th rowspan="2">Items under evaluation</th><th colspan="3">Status</th><th>Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:</th></tr>
<tr><th>Yes</th><th>No</th><th>Summary</th><th></th></tr>
<tr><td colspan="5">I. Establish ethical business policies and programs</td></tr>
<tr><td>(I) Has the Company stated in its Articles of Incorporation or external correspondence</td><td>√</td><td></td><td>The Company adheres to the ethical business principle, and aims at creating the maximum interest for</td><td>No non-conformity</td></tr>
</table>

about the polices and practices it has to maintain ethical management? Are the board of directors and the management committed in fulfilling this commitment?			shareholders and employees. The Board of Directors and management also work hard to fulfill the ethical business.	
(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 Paragraph 2, Article 7 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	No non-conformity

purpose of maintaining business integrity? Are these systems reviewed by internal or external auditors on a regular basis?			with 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 has disclosed "Integrity Code of Conduct" on its website and at Market Observation Post System.			No non-conformity
V. If the company has established business integrity policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: No deviation is found.				
VI. Other important information regarding the Company's ethical management (e.g., the Company's reviewing and amending the Company's ethical management best practice principles, etc.): N/A				

(VII) Method of inquiry for the Company's corporate governance principles and policies, if any: Disclosures have been made on the Corporate Governance Sections of the Market Observation Post System and the Company's portal.

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

(IX) Disclosure of internal control system

1. Internal Control Declaration:

MPI Corporation
Declaration of International Control System

Date: March 20, 2018

The following declaration has been made based on the 2017 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 business performance, efficiency (including profitability, performance, asset security etc), reliable, timely and transparent financial reporting, and regulatory compliance.

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

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

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

V. Based on the assessments described above, the Company considers the design and execution of its internal control system to be effective as at December 31, 2017. This system (including the supervision and management of subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.

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

VII. 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 20, 2018. The contents of the declaration has been accepted without any 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) Punishment of the Company or its internal personnel in accordance with law, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of publication of this annual report: N/A

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

Important resolution reached by the Board of Directors:

Date of important board of directors resolution	Important resolution	Conditions described in §14-3 or §14-5 of the Securities and Exchange Act	Company's response to independent directors' opinions
January 18, 2017	Approved discussion of the Company's 2017 business plan		N/A
	Approved discussion regarding rates of employee/director/supervisor remuneration for 2017		N/A
	Approved discussion regarding Remuneration Committee's review of managers' compensation		N/A
February 08, 2017	Approved discussion regarding change of the Company's spokesperson		N/A
March 24, 2017	Approved discussion regarding distribution of 2016 employee/director/supervisor remuneration		N/A
	Approved discussion regarding Remuneration Committee's review of directors', supervisors' and managers' compensation		N/A
	Approved discussion regarding 2016 standalone financial statements and business report	ˇ	N/A
	Approved discussion regarding 2016 consolidated financial statements	ˇ	N/A
	Approved discussion regarding 2016 earnings appropriation		N/A
	Approved discussion regarding the Company's "Articles of Incorporation"		N/A
	Approved discussion regarding the Company's "Director and Supervisor Election Rules"		N/A
	Approved discussion regarding the Company's "Parliamentary Procedure for General Meeting of Shareholders"		N/A
	Approved discussion regarding the Company's "Operating Procedure for Acquisition and Disposal of Assets"	ˇ	N/A
	Approved discussion regarding loaning of fund by the Company	ˇ	N/A
	Approved discussion regarding the 2016 Declaration of Internal Control System	ˇ	N/A
	Approved discussion regarding the date, venue and agendas for the 2017 general shareholders' meeting		N/A
April 13,	Approved discussion regarding early re-election for 5		N/A

2017	directors and 3 supervisors of the Company		
	Approval to add election to the list of agendas for the 2017 general shareholders' meeting		N/A
April 28, 2017	Passed background review of independent director candidates nominated for the election to be held during the Company's 2017 general shareholders' meeting		N/A
May 10, 2017	Approved discussion regarding the Company's "Material Information Procedures"	ˇ	N/A
	Approved discussion regarding the Company's "Insider Trading Prevention"	ˇ	N/A
	Approved discussion regarding the Company's "Property, Plant and Equipment Management Policy"		N/A
May 25, 2017	Approved discussion regarding the liquidation of Chinese investment - MJC Microelectronics (Shanghai) Co., Ltd.		N/A
	Approved to include discussion regarding investment in Mainland China		N/A
June 13, 2017	Election of Chairman for the 8th board of directors		N/A
July 12, 2017	Approved discussion to set the baseline date for new share issuance, as part of the Company's decision to convert its 3rd domestic unsecured convertible bond issue into common shares in the 2nd quarter of 2017		N/A
	Approved discussion regarding members of the 4th Remuneration Committee		N/A
August 11, 2017	Approved discussion regarding distribution of cash dividends to the Company's shareholders		N/A
	Approved to repay the Company's 3rd domestic unsecured convertible bond issue upon maturity and de-list from Taipei Exchange		N/A
	Approved amendments to the Company's "Board of Directors Conference Rules"		N/A
	Approved discussion regarding Remuneration Committee's review of directors' and supervisors' remuneration		N/A
November 08, 2017	Approved discussion regarding the Company's 2018 internal audit plan		N/A
December 28, 2017	Approved discussion regarding the disposal of Chinese investment - MMK (Kunshan)		N/A
February 02, 2018	Approved discussion of the Company's 2018 business plan		N/A
	Approved discussion regarding rates of employee/director/supervisor remuneration for 2018		N/A
	Approved discussion regarding Remuneration Committee's review of managers' compensation		N/A
March 20, 2018	Approved distribution of 2017 employee/director/supervisor remuneration		N/A
	Approved 2017 standalone financial statements and business report	ˇ	N/A
	Approved 2017 consolidated financial statements	ˇ	N/A
	Approved discussion regarding 2017 earnings appropriation		N/A
	Approved discussion regarding the Company's "Articles of Incorporation"		N/A
	Approved discussion regarding the 2017 Declaration of	ˇ	N/A

	Internal Control System		
	Approved discussion regarding the date, venue and agendas for the 2018 general shareholders' meeting		N/A
May 7, 2018	Approved the offering and issuance of the Company's 4th domestic unsecured convertible bond	ˇ	N/A

Major resolutions passed in 2017 general shareholders' meeting and the execution progress:

Date of major general shareholders' meeting resolution	Important resolution	Status
General shareholders' meeting June 13, 2017	Acknowledgment of 2016 business report and financial statements	Passed by the present shareholders unanimously.
	Acknowledgment of 2016 earnings appropriation	Passed unanimously as approved by all attending shareholders to distribute cash dividends at NT$4.2 per share; dividend baseline date: September 15, 2017; cash dividend payment date: October 02, 2017
	Amendments to the "Articles of Incorporation" of MPI Corporation.	Approval granted by the Ministry of Economic Affairs on June 22, 2017, and has since been posted onto the Company's website
	Amendments to the Company's "Director and Supervisor Election Rules."	The proposal was passed as proposed without objection from attending shareholders. The revised procedures have been effected since then
	Amendments to the Company's "Parliamentary Procedure for General Meeting of Shareholders"	The proposal was passed as proposed without objection from attending shareholders. The revised procedures have been effected since then
	Amendments to the Company's "Operating Procedure for Acquisition and Disposal of Assets"	The proposal was passed as proposed without objection from attending shareholders. The revised procedures have been effected since then
	Early re-election for 5 directors and 3 supervisors of the Company	List of elected directors, independent directors and supervisors: Director: representatives of MPI Investment: Ko, Chang-Lin, Steve Chen, Scott Kuo Independent directors: Hsu, Mei-Fang, Kao, Chin-Cheng Supervisors: Li, Tu-Cheng, Liu, Fang-Sheng, Tsai, Chang-Shou Approval granted by the Ministry of Economic Affairs on June 22, 2017, and has since been posted onto 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 2017:

Job title	Name	Institute	Date	Name of Course	Hours
Head of accounting	Rose Jao	Accounting Research and Development Foundation	December 28, 2017~December 29, 2017	Continuing education program for accounting officer of issuer, securities firm and securities exchange	12
Head of audit	Chen, Yi-Chang	Taiwan Development & Research Academia of Economic & Technology	July 18, 2017	Financial Indicator Analysis and Practical Risk Prevention Seminar	6
		The Institute of Internal Auditors, R.O.C	October 13, 2017	Statistical Analysis in Operating Procedure Review and Fraud Detection	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	Remark
			System Design	Commercial and Industrial Registration	HR	Others	Subtotal		
Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen	2,450	0	43	0	0	43	January 1, 2017~December 31, 2017	N/A
	Chen, Tsai-Huang								

(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	2017		Year-to-date April 30, 2018	
		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
Director	MJC Representative: Yuki katayama (Note 1)	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	(80,000)	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	0	0	0	0
Finance/Accounting Officer	Rose Jao	0	0	0	0

(Note 1): Departed on June 13, 2017

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

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

April 30, 2018

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.		Remark
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	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	1.79%	427,781	0.54%	0	0	MPI Investment Co., Ltd.	CEO of the Company	
MJC	6,548,576	8.20%	0	0	0	0	N/A	No	
Representative: Masayoshi Hasegawa	0	0	0	0	0	0	N/A	No	
JP Morgan Chase Bank in Its Capacity as Master Custodian for Schroder ISF Emerging Asia	2,794,000	3.50%	0	0	0	0	N/A	No	
JP Morgan Chase Bank in its Capacity as Master Custodian for Schroder ISF Taiwan Equity	1,854,000	2.32%	0	0	0	0	N/A	No	
JP Morgan Chase Bank in Its Capacity as Master Custodian for Schroder ISF Greater China	1,606,000	2.01%	0	0	0	0	N/A	No	
Ko, Chang-Lin	1,425,994	1.78%	0	0	0	0	MPI Investment Co., Ltd.	CEO of the Company	
HSBC in Its Capacity as Master Custodian for ENSIGNPEAK	1,033,000	1.29%	0	0	0	0	N/A	No	
Labor pension fund under the new system	800,000	1.00%	0	0	0	0	N/A	No	
Lin, Tsang-Hai	632,000	0.79%	0	0	0	0	N/A	No	
Gong, Hsiao-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, 2017

Investee (Note 1)	Invested by the Company		Invested by directors, supervisors, managers, and entities controlled by the Company directly or indirectly		Combined investment	
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	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.	22,061,857	100%	0	0	22,061,857	100%
Won Tung Technology Co., Ltd.	50,000	100%	0	0	50,000	100%
Allstron Corporation	1,550,000	100%	0	0	1,550,000	100%
MEGTAS CO., LTD.	300,000	60%	0	0	300,000	60%
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%
MJC Microelectronics (Shanghai) Co., Ltd (Note 4) Limited Company (Note 4)	0	0	USD 600,000	Wholly owned by the subsidiary	USD 600,000	40%
MPI AMERICA INC. (Note 5)	0	0	USD 1,200,000	Wholly owned by the subsidiary	USD 1,200,000	100%
MMK (Kunshan) Limited Company (Note 6)	0	0	USD 1,960,000	40% owned by the subsidiary	USD 1,960,000	40%
Chairman of Lumitek (Changchou) Co. Ltd. (Note 7)	0	0	USD 16,000,000	Wholly owned by the subsidiary	USD 16,000,000	100%
MPI Technology (Suzhou) Co., Ltd. (Note 8)	0	0	USD 2,000,000	Wholly owned by the subsidiary	USD 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 jointly held between the Company's subsidiary - MMI HOLDING CO., LTD. and MJC.
Note 5: An investee of the Company's subsidiary - MPA TRADING CORP.
Note 6: An investee jointly held between the Company's subsidiary - MMI HOLDING CO., LTD. and MJC.
Note 7: An investee of the Company's subsidiary, MMI HOLDING CO., LTD.
Note 8: 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, 2018

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

						common stock NT$2,451 thousand		
2006/8	10	51,300	513,000	50,815	508,145	Conversion of convertible bonds to common stock NT$909 thousand	N/A	
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 common stock NT$6,900 thousand	N/A	
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	

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 (Fa) No. 0980034020 dated July 8, 2009.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	79,901,388	20,098,612	100,000,000	TWSE stock

(II) Composition of shareholders

April 30, 2018

Composition of shareholders / Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution or Foreigner	Total
Number of person	1	7	106	15,615	65	15,794
Shares held	800,000	561,031	8,707,554	50,756,274	19,076,529	79,901,388
Ratio of shareholding	1.00%	0.70%	10.90%	63.52%	23.88%	100.00%

(III) Diversification of equity

April 30, 2018

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
1～ 999	6,875	213,023	0.27
1,000～ 5,000	7,151	14,551,661	18.21
5,001～ 10,000	953	7,544,411	9.44
10,001～ 15,000	271	3,511,887	4.40
15,001～ 20,000	170	3,130,383	3.92
20,001～ 30,000	143	3,589,534	4.49
30,001～ 40,000	63	2,197,229	2.75
40,001～ 50,000	39	1,801,468	2.26
50,001～ 100,000	67	4,803,370	6.01

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
100,001～ 200,000	28	3,989,674	4.99
200,001～ 400,000	11	2,912,385	3.64
400,001～ 600,000	14	6,628,167	8.30
600,001～ 800,000	2	1,432,000	1.79
800,001～ 1,000,000	0	0	0.00
1,000,001 or more	7	23,596,196	29.53
Total	15,794	79,901,388	100.00

Preferential shares: N/A

(IV) Roster of Major Shareholders

April 30, 2018

Shares / Name of Major Shareholder	Shares held	Ratio of shareholding
MPI Investment Co., Ltd.	8,334,626	10.43%
MJC	6,548,576	8.20%
JP Morgan Chase Bank in Its Capacity as Master Custodian for Schroder ISF Emerging Asia	2,794,000	3.50%
JP Morgan Chase Bank in its Capacity as Master Custodian for Schroder ISF Taiwan Equity	1,854,000	2.32%
JP Morgan Chase Bank in Its Capacity as Master Custodian for Schroder ISF Greater China	1,606,000	2.01%
Ko, Chang-Lin	1,425,994	1.78%
HSBC in Its Capacity as Master Custodian for ENSIGNPEAK	1,033,000	1.29%
Labor pension fund under the new system	800,000	1.00%
Lin, Tsang-Hai	632,000	0.79%
Gong, Hsiao-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

Year / Item			105 years	106 years	Year-to-date April 30, 2018 (Note 7)
Market value per share (Note 1)	The Highest		92.10	121.00	73.70
	The Lowest		50.50	62.70	50.50
	Average		80.92	97.23	63.43
Net value per share	Before distribution		49.58	47.16	48.36
	After distribution		45.38	(Note 2)	48.36
EPS	Weighted average shares		79,605,392	79,901,388	79,901,388
	EPS (Note 3)	before retroactive adjustment	7.09	1.83	0.89
		after retroactive adjustment	7.09	(Note 2)	0
Dividend	Cash dividend		4.2	0.5	0

per share	Free-Gratis dividends	Retained shares distribution	0	(Note 2)	0
		Capital surplus shares distribution	0	(Note 2)	0
	Retained dividend		0	(Note 2)	0
Return on investment analysis	Price-Earnings Ratio (Note 4)		11.41	53.13	0
	Dividend Yield (Note 5)		19.27	(Note 2)	0
	Cash dividend yield (Note 6)		5.19%	(Note 2)	0

Note 1: The Company has traded on Taiwan Stock Exchange as of January 6, 2003.
Note 2: Pending for resolution at 2018 general shareholders' meeting.
Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.
Note 4: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share
Note 5: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share
Note 6: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year
Note 7: 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.
Current year information up till the publication date of this annual report.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Articles of Incorporation

Article 20: Where the Company retains income before tax after the account settlement, it shall allocate 5%~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.
Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.
If the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

Article 20-1: The Company is 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 2017 earnings appropriation was passed during board meeting held on March 20, 2018, in which a proposal was made to distribute cash dividends totaling NT$39,950,694 (or NT$0.5 per share). This proposal is still pending for resolution at the 2018 general shareholders' meeting.

3. Expected significant change in dividend policy: None.

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

(VIII) Remuneration to employees and directors/supervisors

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

Article 20: Where the Company retains income before tax after the account settlement, it shall allocate 5%~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.
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Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.
If the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

Article 20-1: The Company is 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:

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

3. Allocation of remuneration approved by the board of directors:

   The Company's 2017 earnings appropriation proposal had been approved during board of directors meeting dated March 20, 2018. Below are the proposed earnings appropriation:

   (1) Cash distribution for employee remuneration totaling NT$9,323,000 and director/employee remuneration totaling NT$0; both figures were indifferent from the amounts recognized in the year of expense.

   (2) Proposed amount of employees' remuneration in shares as a percentage to the current period net profit after tax and the total amount of employees' remuneration: N/A

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

Unit: NTD

Item	Amount
Employees' cash remuneration	61,660,059
Directors' and supervisors' remuneration	14,760,016

The amount of 2016 employee/director/supervisor remuneration paid was indifferent from the amount recognized.

(IX) Buyback of company shares: None.

II. Issuance of Corporate Bonds (ECB): 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. Progress on planned use of capital: None

Five. Overview of operation

I. Business Contents

(I) Scope of business

(1) The Company primarily engages in:

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

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

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

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

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

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

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

H. Machinery and equipment manufacturing;

I. Machinery wholesale; and

J. Machinery and utensil retailing.

(2) Weight of business:

The Company generated consolidated net revenues totaling NT$4,448,454,000 in 2017. Its primary sources of revenue were the sale of wafer probe cards and automated photoelectric semiconductor equipment. Significance of main product and service categories are shown below:

Currency unit: in NTD 1,000

Product (service)	2017	
	Net sales	Weight of business %
Wafer probe card	2,406,005	54.09
Photoelectric semi-conductor automated equipment	1,235,034	27.76
Others	807,415	18.15
Total	4,448,454	100.00

(3) Current products (services) of the Company

A. Wafer probe card

B. Wafer probe card maintenance service

C. Wafer testing and sorting equipment

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

(4) New products (services) under development

A. Wafer probe card

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

(B) In order to deal with the development trend of high-speed chips, the Company will continue to develop the wafer probe card for high-speed test.

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

B. Photoelectric semi-conductor automated equipment

(A) Increasing uses of mini LED in backlight and display require higher production efficiency and more precise photoelectric measuring capabilities. They will be the focuses of future equipment development.

(B) Increasing market demand for micro display makes projects such as wafer probing system, Panel-on-Board probing system, and mass transfer equipment important in the future.

(C) MPI will continually invest into the development of VCSEL components for 3D Sensing, wafer-level photonic probing system, assembly-level probing system, and modularized testing equipment.

(II) Industry overview

(1) Overview and development of industry

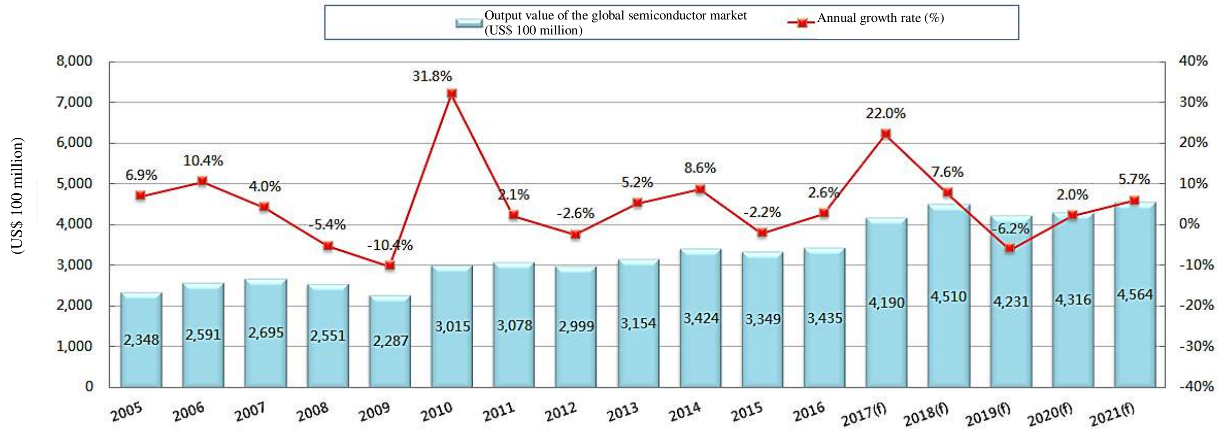
A. Status of the global business

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

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

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

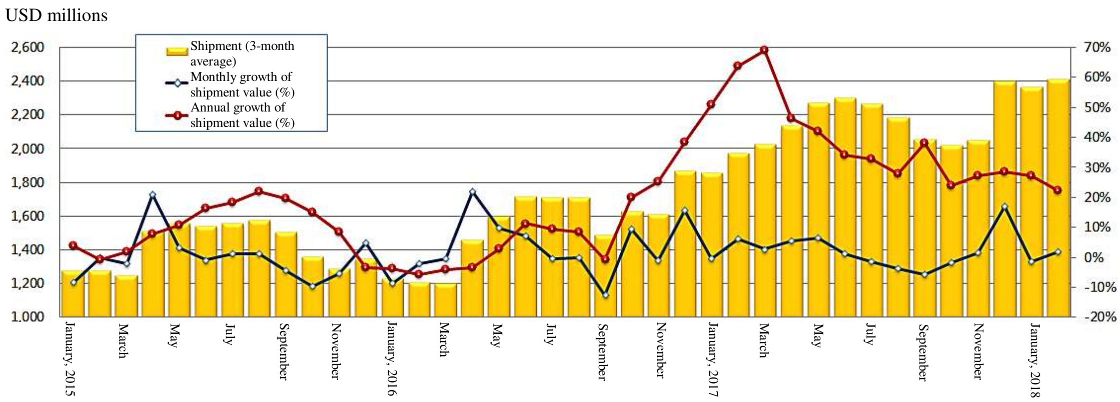
Previously, wafer probing used to be performed towards the end stage of semiconductor production, until recently when FOWLP (Fan-out Wafer Level Packaging) technology introduced the idea of performing wafer probing at the early stage of production. Whether performed in the early or later stage of production, the purpose of wafer probing is to prevent substandard products from entering the assembly stage. Because assembly accounts for a relatively high percentage of overall IC production cost, preventing substandard products from entering the assembly stage would minimize the overall assembly cost. Electronic products are evolving towards lightweight, full features and lower energy consumption. Given the rising cost of high-end assembly technology, it is increasingly critical to minimize wastage at the wafer probing stage.



Source: Gartner (January 2018); compiled by MPI

Global semiconductor market forecast

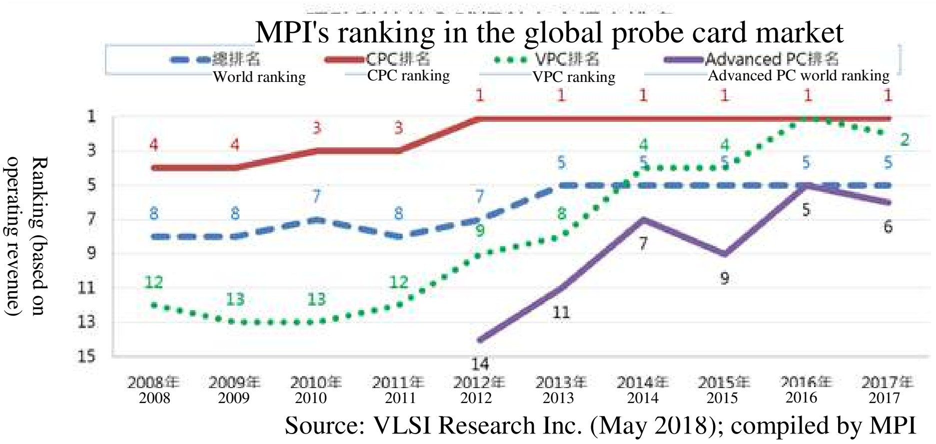
In a market research published by Gartner, the research institution adjusted upwards its 2017 global semiconductor sales estimate to US$419 billion, up 22% from 2016. This adjustment was largely attributed to a 57.3% growth in the memory market (by about US$126.2 billion), including a 67.2% growth (about US$69 billion) in DRAM driven rising ASP (average selling price) and a 51.1% growth (about US$53 billion) in NAND Flash. According to Gartner's, the global semiconductor market is estimated to reach a size of US$451 billion in 2018, up 7.6% from 2017. Given the relevance of wafer probe cards to the semiconductor industry, demand for probe cards should grow consistently in line with semiconductors.



Source: SEMI; compiled by MPI (March 2018)
Shipment of semiconductor equipment in North America in recent years

Judging by the value of semiconductor equipment shipped to North America (published by Semiconductor Equipment and Materials International; SEMI), the semiconductor industry has exhibited positive growth in 2017 with shipment values reaching new high year-on-year compared to 2016. The significant recovery in the number of semiconductor equipment shipped suggests strong demand in the semiconductor market. SEMI also reported a significant increase in the shipment of semiconductor equipment towards the end of 2017, causing equipment suppliers to deliver revenues higher than forecast. Outlook of the semiconductor equipment business should remain optimistic in 2018.

According to the report by VLSI Research Inc., production value of semiconductor probe cards in 2017 amounted to approximately US$1.625 billion worldwide, representing an annual growth rate of 17%. Given the high anticipation for growth of the semiconductor market over the next few years, production value of semiconductor probe cards in 2018 may grow by as high as 7% worldwide and exceed US$1.739 billion. The global semiconductor probe card market has grown consistently over the long term. The market is expected to expand at a compound annual growth rate (CAGR) of 5.3% between 2018 and 2023, with production value reaching US$2.254 billion by 2023.



MPI's ranking in the global probe card market

Based on the report by VLSI Research Inc., MPI was ranked 5th among global probe card suppliers in 2013. Since then, MPI has been investing resources into the research, development and sale of its products in an attempt to advance through the ranks. MPI ranked 5th overall among the world's probe card suppliers in 2017. In terms of product sub-categories, MPI gained No. 1 market share in the supply of epoxy/cantilever probe cards, No. 2 market share in the supply of vertical probe cards, and No. 6 market share in the supply of advanced probe cards.

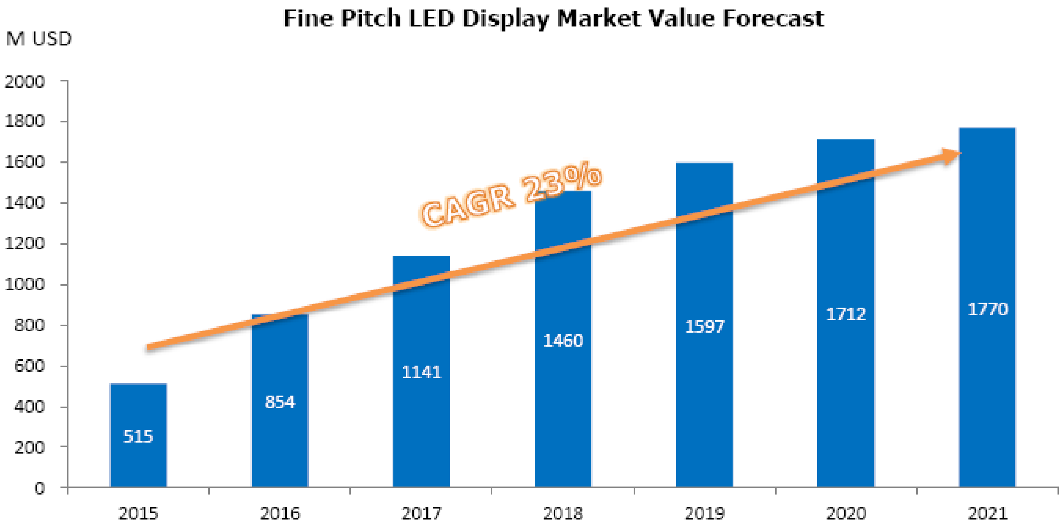
In recent years, MPI has consistently climbed in rank in terms of production value and market share as compared to the rest of the world, and established its leadership position in the market. MPI's current strategies are focused on technological research, development and innovation, as the organization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

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

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

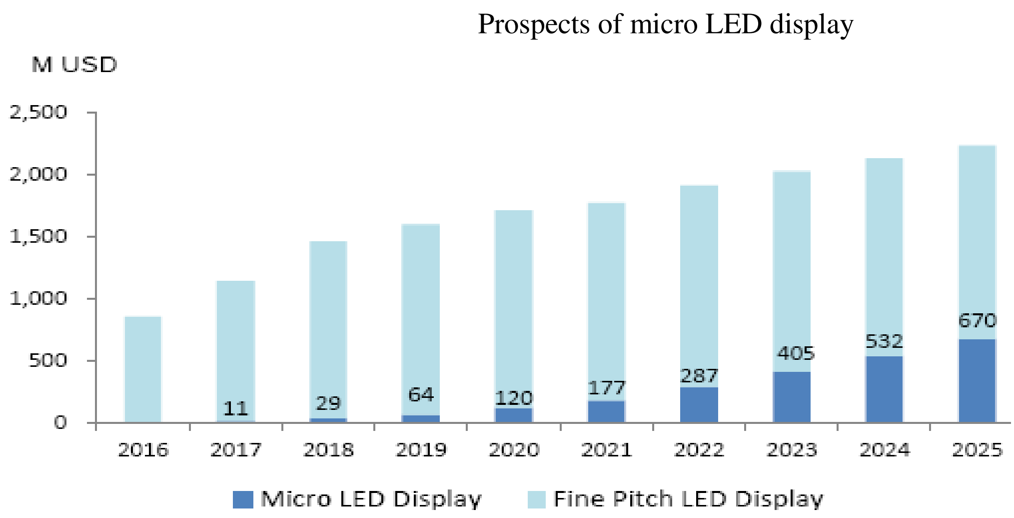
There is a variety of LED products. Based on the length of wave, it may be categorized into visible LED and invisible (infrared rays). LED is a product of civilization which will be applied by the modern people in daily life in 21st Century. With its strengths, such as small size, low power consumption,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

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



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

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



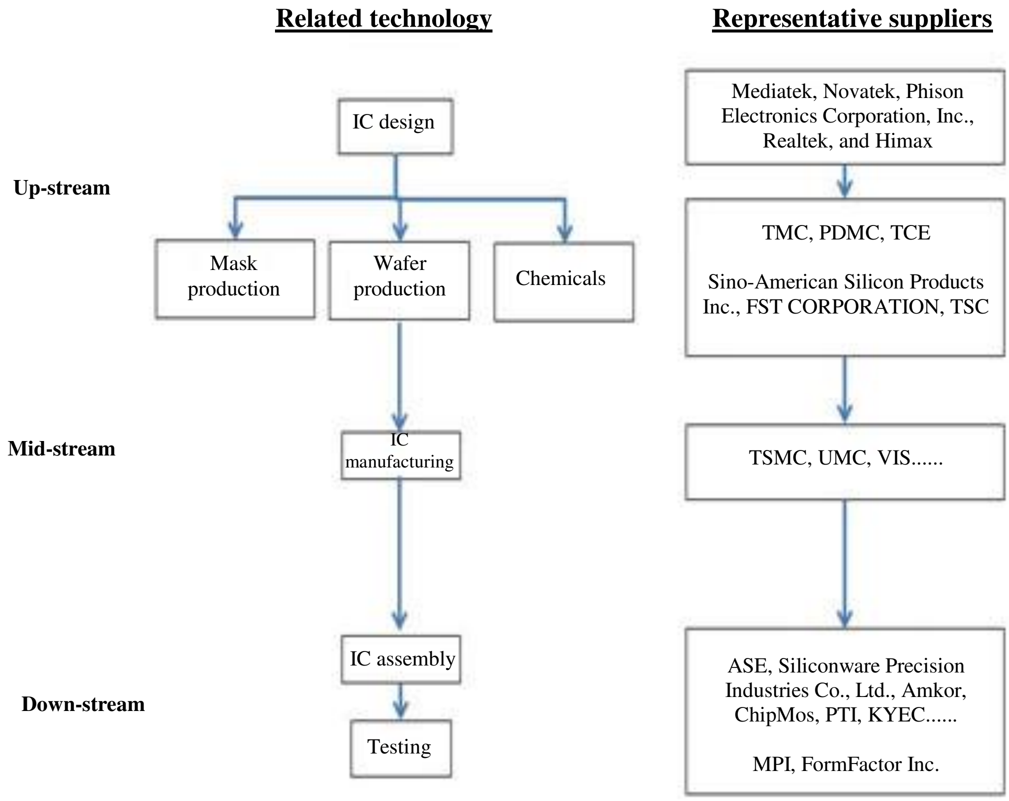
Prospects of micro LED display in 2016~2025
Source: LEDinside 2017

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

B. Status of domestic industry

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

Owing to the government's prolonged guidance and support, Taiwan's semiconductor industry has evolved to form a complete supply chain from IC design in the upstream, wafer fabrication in the mid-stream, to IC assembly and testing in the downstream. The industry prides itself for its complete structure and specialization. Production value of Taiwan's semiconductor industry reached NT$2.4 trillion in 2017 with positive outlook towards 2018, and has the potential to grow to NT$3 trillion by 2020, making semiconductors the most globally competitive and economically viable industry in Taiwan.



Source of data: MPI (2017/4)

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

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

In terms of production value, Taiwan's IC industry exhibited a marginal growth of 0.5% in 2017 due to conservative outlook of the global economy, lack of demand, and declining trade volume with trade partners around the world. However, Taiwan currently possesses advance production technologies to take advantage of increasing demands for mobile communication device, high-end graphic processing units (GPU) and applications such as machine learning and AI that require higher parallel processing power. These opportunities are likely to contribute to the growth of Taiwan's IC industry, bringing production value to more than NT$2.6 trillion in 2018. The IC assembly and testing industry, which is directly related to probe cards, may exhibit growth of 4.4% per annum.

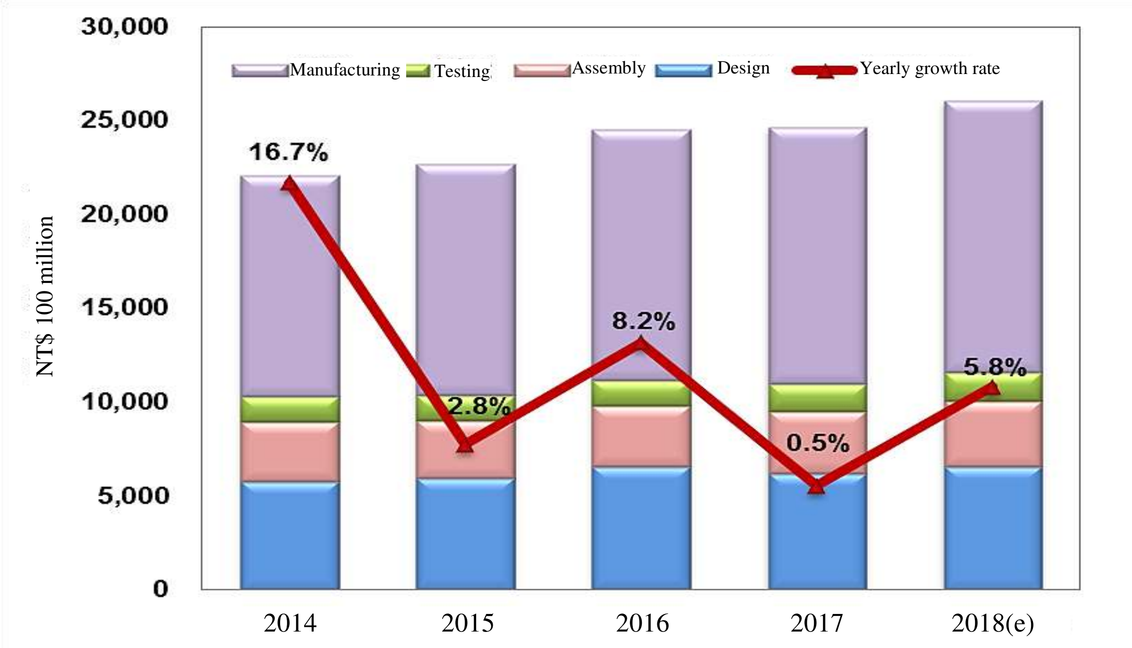
Output value of Taiwan's IC industry from 2014 to 2018

Unit: NT$ 100 million

	2014	**2015**	**2016**	**2017**	**2018 (e)**
Design	5,763	5,927	6,531	6,171	6,578
Assembly	3,160	3,099	3,238	3,330	3,480
Testing	1,379	1,314	1,400	1,440	1,500
Manufacturing	11,731	12,300	13,324	13,682	14,492
Wafer OEM	9,140	10,093	11,487	12,061	12,672
Memory manufacturing	2,591	2,207	1,837	1,621	1,820
Output value of Taiwan's IC	22,033	22,640	24,493	24,623	26,050
Yearly growth rate	16.7%	2.8%	8.2%	0.5%	5.8%

Source: Industrial Technology Research Institute, IEK (March 2018); compiled by MPI (March 2018)

Note: Output value of IC industry=output value of IC design industry+IC manufacturing industry+IC assembly industry+IC testing industry



Source: Industrial Technology Research Institute, IEK (March 2018); compiled by MPI (March 2018)

Production Value and Growth Rate of Taiwan's IC Sub-industries - 2014~2018

Looking forward to the global semi-conductor market in 2018, the various leading semi-conductor manufacturers, such as Intel, TSMC and Samsung, have released the optimistic forecast toward the semi-conductor industry and escalated the capital expenditure, increased the advanced process equipment and expand the production capacity. Furthermore, the global semiconductors market continues to be driven by demands for 5G, mobile device and clouding computing storage, while new applications, products and services are being made possible with respect to IoT, smart production, smart healthcare, and auto electronics. Leading market research institutions including Gartner, WSTS and IHS have all expressed optimism towards the production value of global semiconductors in 2018 and the annual growth of IC sub-industries.

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

(B). Photonics automation industry

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

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

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

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

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

A. Wafer probe card:

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

B. Photoelectric semi-conductor automated equipment:

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

(3) Development trends of products

A. Wafer probe card (semi-conductor industry)

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

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

①Miniaturization of needle gage

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

②Prevention of signal interruption

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

③Application of different semi-conductor materials and technology

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

④High-speed probe card

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

⑤Multi-chip parallel testing

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

⑥Low k chip probe card

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

⑦Few pin cleaning

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

⑧High-temperature and low-temperature testing

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

⑨High-power chip testing

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

⑩Low contact resistance

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

B. 光電半導體自動化設備(LED、VCSEL、Micro Display)

Photoelectric semi-conductor automated equipment (LED industry)

①Measuring capacity

Due to increasing use of photonic components in application such as lighting, backlighting, 3D sensing and micro display, photonic components need to be tested not only for basic optical/electrical properties, but also for far field/near field performance, photocurrent at different wavelengths, and RGB color production (for micro display) in the future.

②Precision

Both Mini LED and Micro LED have substantially reduced in size compared to their predecessors. In order to handle productions at such a small scale, it has become a fundamental requirement for photonic equipment manufacturers to improve mechanical precision and shield environment for automated equipment.

③Automatic production

Increasing application of photonic components has prompted manufacturers to not only expand production capacity, but also reduce manual works by introducing automated equipment. For this reason, the future trend will involve developing highly automated equipment that are tailored to the characteristics of photonic components (such as thin wafer and low-temperature testing).

④Production management

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

(4) Status of competition of products

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

(A) Wafer probe card

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

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

SV Probe (Taiwan Branch of the U.S.-based SV Probe Group)	Wafer probe card

(B) Photoelectric semiconductor automated equipment

The Company's photoelectric semi-conductor automated equipment under the self brand is highly recognized by customers with its outstanding technology and performance. Following the growth of LED industry, more and more local equipment manufacturers have invested in development of the related LED photoelectric semi-conductor automated equipment. The Company, with its technology and ability and its management philosophy taking customers as the first priority, as well as the support from plentiful output, keeps maintaining the first leading brand in the highly competitive market. The competitors are described as following:

The others in the same trade	Competitive products
OPTO tech. Co., Japan	Wafer prober Die bonder
Lumitek Co.,LTD	Wafer prober
WECON	Wafer prober Die bonder
Chroma ATE Inc.	Wafer prober
ASM	Die bonder
Innobiz, Korea	Die bonder
QMC, Korea	Die bonder
Hauman Technologies Corporation	Wafer prober
WeiMin Industrial Co., Ltd.	Wafer prober Die test device
Xidian Technology (China)	Wafer prober
Han's Photoelectric Equipment (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 1,000

Year	2017	Year-to-date March 31, 2018
R&D expenses	803,458	186,175

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

Year	Name of technology or product
2017	High-speed vertical probe card Large surface spring-loaded probe card Large OD fine pitch MEMS probe card Three-temperature probe testing system (LTP-100) VCSEL single-chip multi-stop testing equipment (LP76) Photoelectric current and capacity testing technology for photo diodes

	Micro LED probe testing system C1 / M1
2016	Development technology for high test speed epoxy/cantilever probe card Development technology for micro pitch overdrive vertical probe card Development technology for high frequency micro-electromechanical probe card for the testing of mobile communication power amplifiers. High-speed AOI photoelectric inspection equipment - A3000 Laser wafer prober W1/S1
2015	Micro-distance spring-loaded type probe card development technology High-current-resistant micro-electromechanical probe card technology development technology High-speed LED die sorting equipment M60D Flip chip CSP components Dice identification and positioning prober technology Multi-channel multi-die LED photoelectric prober and measuring technology EEL Laser Diode components prober and sorting equipment Photo Diode low-current prober and measuring equipment
2014	Wide I/O interface testing technology Micro-electromechanical epoxy/cantilever probe card development technology for co-design of chips Vertical probe card large-area needle technology development technology High-speed full-automatic white-light component prober equipment heating and testing technology Fast thermal resistance measurement technology Flat lighting measuring technology Full automatic 8-inch wafer prober P9002F
2013	CMOS image sensor high frequency and multi-chip parallel testing technology Vertical probe card low resistance variance technology Self-Lubricity low need pressure micro electro mechanical probe card technology White light component LED Tester T 100 High-speed full automatic white light component LED Die Prober DP76P High-speed full automatic component LED Chip Taping CT-200 Full automatic COB filament testing sorting system A1600 Full automatic 8-inch wafer prober P9002

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

(1) Long-term business development plan

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

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

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

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

E. Accelerate domestic application of thin chips; and

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

(2) Short-term business development plan

A. Enhance HR training

B. Market development & marketing

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

II. Overview of market and production & marketing

(I) Market analysis

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

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

(2) Market share

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

According to the 2017 global wafer probe card report published by VLSI Research Inc. in April 2018, MPI ranked 5th among the world's largest probe card suppliers, and was the only Taiwanese company in world's top 10 probe card suppliers. In terms of epoxy/cantilever probe cards, MPI has secured its position as world's No. 1 supplier; in terms of vertical probe cards, MPI surpassed many globally renowned manufacturers including JEM, MJC, SV TCL and FormFactor to secure world's No. 1 place.

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

(3) Future supply & demand and growth of market

A. Demand:

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

In recent years, there has been increasing complexity and diversity in the functionality of consumer electronics. Due to new applications such as

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

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

B. Supply:

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

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

Taiwan already has very few wafer probe card manufacturers today, and increasing complexity of high-end chip applications may require tests to be performed at much stringent standards than they are used to today.

Small-size manufacturers that are unable to break through existing bottlenecks are likely to to face elimination.

(4) Competition niche

A. Train stable cooperative relations with customers in the past years, with its outstanding and stable technology and products.

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

C. Ongoing innovation: Faced with an ever-progressing technology industry and the need to satisfy new applications, MPI not only invests a significant amount of R&D resources to secure its leading position, but has also committed substantial budgets into developing new technologies as a means of building competitiveness and technological barrier of entry. In the market of advanced vertical probe card, the Company has contacted some foreign IC design company directly to establish intensive cooperative relations with it. The Company also invested considerable R&D resources to ensure the growth in the future.

D. Complete patent portfolio: MPI has filed a total of 979 patent applications, and was awarded (publicly) 727 patents overall (as at the end of 2017).

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

A. Positive factors

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

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

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

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

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

B. Negative factors

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

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

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

C. Response to such factors

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

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

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

(II) Important purpose and production processes of main products

(1) Important purpose of main products:

A. Wafer probe card for wafer testing

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

B. LCD Driver IC Fina Test wafer probe card

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

C. Vertical type probe card

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

D. MEMS probe card

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

E. Photoelectric semiconductor die testing equipment

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

F. Photoelectric semi-conductor die testing and sorting equipment

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

G. Photoelectric semiconductor bonding equipment

This equipment is used to bond photoelectric components onto substrate.

H. Fully automated AOI testing equipment

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

(2) Production process of products

A. Wafer probe card

Design engineering

↓

Probe engineering

↓

Bonding engineering

↓

Inspection engineering

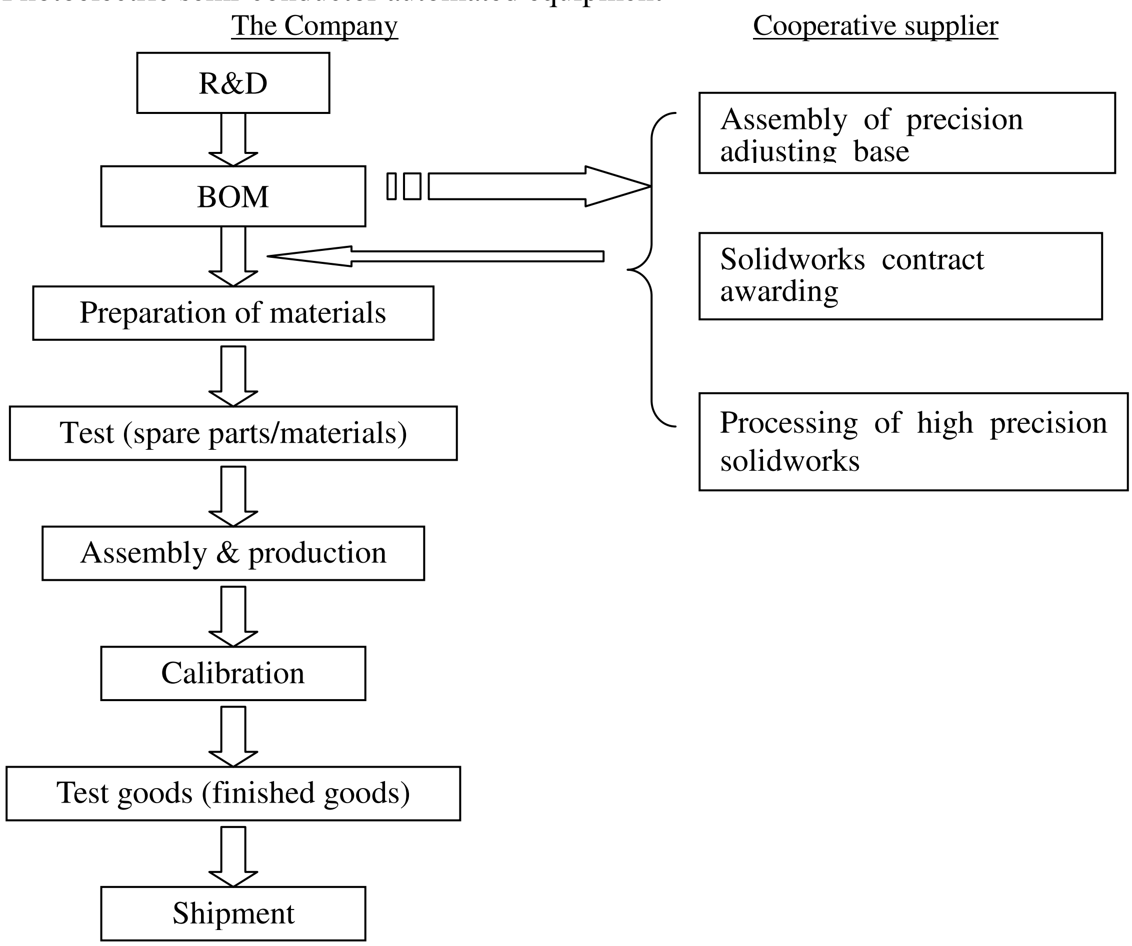
↓

Adjustment engineering

↓

Removal from factory

B. Photoelectric semi-conductor automated equipment



(III) Supply of main raw materials

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

(IV) Name list of principal suppliers and clients

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

Currency unit: in NTD 1,000

2016				2017				As of 2018 first quarter			
Name	Amount	Percentage of total net procurement (%)	Affiliation with issuer of securities	Name	Amount	Percentage of total net procurement (%)	Affiliation with issuer of securities	Name	Amount	As a percentage of net procurement (%) in the first quarter of the current year	Affiliation with issuer of securities
Others	1,462,720	100.00%	N/A	Others	1,523,616	100.00%	N/A	Others	493,833	100.00%	N/A
Net procurement	1,462,720	100.00%		Net procurement	1,523,616	100.00%		Net procurement	493,833	100.00%	

Analysis of variations: The Company had no supplier that accounted for more than 10% of net procurement in 2016 and 2017.

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

Currency unit: in NTD 1,000

2016				2017				As of 2018 first quarter			
Name	Amount	Percentage of total net sales (%)	Affiliation with issuer of securities	Name	Amount	Percentage of total net sales (%)	Affiliation with issuer of securities	Name	Amount	As a percentage of net sales (%) in the first quarter of the current year	Affiliation with issuer of securities
Customer S	574,946	11.59%	N/A	Others	4,448,454	100.00%	N/A	Others	1,091,690	100.00%	N/A
Others	4,386,809	88.41%	N/A								
Net sales	4,961,755	100.00%		Net sales	4,448,454	100.00%		Net sales	1,091,690	100.00%	

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

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

Unit Quantity: probe card: PIN
Quantity: Prober: sets
Value: NTD Thousand

Year / Output and sales volume / Main products (or by department)	2016			2017		
	Productivity	Output	Output value	Productivity	Output	Output value
Wafer probe card	9,000,000	8,765,679	1,587,831	9,600,000	8,647,103	1,437,365
Photoelectric semi-conductor automated equipment Automated equipment	890	944	686,825	1,494	1,462	963,715
Total	9,000,890	8,766,623	2,274,656	9,601,494	8,648,565	2,401,080

(VI) Sale volume for the most recent two year

Unit Quantity: probe card: PIN
Quantity: Prober: sets
Value: NTD Thousand

Year / Sale volume / Main products (or by department)	2016				2017			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer probe card	5,073,878	2,084,754	3,060,953	1,024,785	5,164,872	1,404,069	3,443,074	1,001,936
Photoelectric semi-conductor automated equipment	83	96,260	768	1,055,702	54	114,590	976	1,120,444
Others		128,794		571,460		189,705		617,710
Total		2,309,808		2,651,947		1,708,364		2,740,090

III. Information about the employees

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

Year		2016	2017	Year-to-date April 30, 2018
Number of employees	Indirect employees	793	697	670
	Direct employees	650	813	862
	Total	1443	1510	1532
Average age		33.8	34.7	34.8
Average service seniority		5.42	6.19	6.94
Education level (%)	PhD	0.28	0.26	0.26
	Master	16.15	16.23	15.86
	College	68.54	68.08	68.34
	Senior High School	14.69	14.97	15.08
	Below Senior High School	0.34	0.46	0.46

IV. Information about the expenses of environmental protection

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

The Company obtained certification for ISO 50001 - Energy Management System in February 2017 and has identified electricity to be the main type of energy consumed, based on surveys conducted using the system. For this reason, the Company has devoted itself to reducing power consumption, and set performance target to reduce power usage by an average of at least 1% per year.

(I) According to laws and regulations if it is required to apply for a permit for installing anti-pollution facilities, or permit of pollution drainage, or to pay anti-pollution fees, or to organize and set up an exclusively responsible unit/office for environmental issues, the description of the status of such applications, payment or establishment shall be made:

1. The Company's Zhubei 2nd Plant, Xinpu Plan and Hukou Plant have obtained Water Pollution Permit and Stationary Pollution Source Operating Permit in accordance with environmental protection laws. These plants also have Class B wastewater treatment specialist and Class A air pollution control specialist in place to oversee related issues.
2. Report and pay the pollution prevent expenses according to the environmental protection laws and regulations.

(II) Setting forth the Company's investment on the major anti-pollution facilities, the use purpose of such facilities and the possible effects to be produced:

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

(III) Describing the process undertaken by the Company on environmental pollution improvement for the most recent 2 fiscal years and up to the prospectus' publishing date. If there had been any pollution dispute, its handling process shall also be described: The Company did not commit any environment pollution incidents in the most recent 2 fiscal years and up to the prospectus' publishing date.

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

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

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

V. Labor relations:

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

1. Employee benefits:

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

(1) Competitive salary and good work-life balance
(2) Bonuses and festive gift vouchers for Duanwu Festival, Mid-autumn Festival, and Chinese New Year
(3) Employee profit-sharing scheme
(4) Regular salary adjustment based on work performance
(5) Performance-based bonus
(6) Domestic incentive trip, and travel/book subsidies
(7) Paid and unpaid leave of absence that are more generous than required by the Labor Standards Act. Special leaves can be taken from the time onboard
(8) The Company has internal restaurant that offers 4 complimentary meals a day (including night snacks) to care for employees' health
(9) Complimentary annual health checkup, and complimentary medical consultation by on-site medical specialists twice a month
(10) Dormitory subsidy, complimentary car/motorcycle parking lots, gym, and aerobics room
(11) Comfortable library and complimentary book borrowing service
(12) Company-run coffee bars and convenience stores that provide service at discount prices, including ticketing service
(13) Wedding, funeral and childbirth subsidies
(14) Comprehensive training program
(15) Labor Insurance, National Health Insurance, group insurance, and pension

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

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

Continuing education and training of employees:

Item	Number of class	Total number of person	Total hours	Total fees
1. Orientation training	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:

Pension -- The old scheme

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

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

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

II. Having completed at least 25 years of service.

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

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

1. Aged 65 or above.
2. Mentally impaired or suffer physical disabilities that render them unfit to work.

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

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

Employees' pension benefits are paid using the following standards:

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

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

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

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

I. Day of employee's retirement.

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

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

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

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

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

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

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

Pension -- The new scheme

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

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

Bureau of Labor Insurance.

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

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

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

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

Collection and calculation of pension benefits are explained below:

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

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

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

4. Agreements between labor and management:

The Company is subject to comply with Labor Standards Act. All business operations have been carried out in compliance with the Labor Standards Act, and thereby enabled the Company to maintain harmonic labor-management relations.

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

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

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

   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 the various facilities including buildings, fire protection equipments, electric and mechanical equipments, fountains and elevators periodically to protect employees' personal safety.

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

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

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

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

VI. Important contract

Nature of contract	Concerned party	Duration	Contents	Restrictive clause
Lease contract	Chain-Logic International Corp. Limited company	2014/12/21~2017/12/20 The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Sublet 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.	August 01, 2007~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing. Re-sign a new contract on January 1, 2011	Trading and payment of commission of semi-conductor equipments	N/A

Six. Overview of finance

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

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

1. Condensed balance sheet

Currency unit: in NTD 1,000

Item / Year		Financial information in the most recent five (5) years (Note 1)					Financial information as at March 31, 2018 (Note 3)
		2013	2014	2015	2016	2017	
Current assets		2,809,211	3,598,049	3,145,811	3,662,553	4,066,956	4,358,886
Property, plant and equipment		1,590,963	2,167,777	2,962,969	2,971,021	3,294,748	3,246,122
Intangible assets		17,977	69,274	81,467	35,923	41,424	42,471
Other assets		297,424	551,709	461,224	595,497	304,551	292,395
Total assets		4,715,575	6,387,417	6,651,471	7,264,994	7,707,679	7,939,874
Current liabilities	Before distribution	1,539,879	1,973,673	2,714,026	2,974,021	3,267,355	3,498,511
	After distribution	1,539,879	1,973,673	2,714,026	2,974,021	3,267,355	(Note 3)
Non-current liabilities		103,057	670,881	289,017	331,191	655,423	577,676
Total liabilities	Before distribution	1,642,936	2,644,554	3,003,043	3,305,212	3,922,778	4,076,187
	After distribution	1,642,936	2,644,554	3,003,043	3,305,212	3,922,778	(Note 3)
Equity attributable to the parent company		3,055,611	3,725,704	3,632,590	3,946,956	3,767,978	3,848,064
Capital stock		786,124	795,364	796,054	796,054	799,014	799,014
Capital surplus		740,781	885,012	871,572	885,735	909,204	909,204
Retained earnings	Before distribution	1,655,921	2,004,556	1,972,546	2,295,344	2,102,069	2,173,001
	After distribution	1,655,921	2,004,556	1,972,546	2,295,344	2,102,069	(Note 3)
Other equities		25,391	40,772	26,872	(30,177)	(42,309)	(33,155)
Treasury stock		(152,606)	0	(34,454)	0	0	0
Non-controlling equity		17,028	17,159	15,838	12,826	16,923	15,623
Total equities	Before distribution	3,072,639	3,742,863	3,648,428	3,959,782	3,784,901	3,863,687
	After distribution	3,072,639	3,742,863	3,648,428	3,959,782	3,784,901	(Note 3)

Note 1: Said information was already audited and certified by the external auditor.
Note 2: Said titles are free from revaluation of assets.
Note 3: The motion for distribution of earnings 2017 has not yet been resolved by the shareholders' meeting. Therefore, no amount after distribution is identified.

2. Summary comprehensive income statement

Currency unit: in NTD 1,000

Item \ Year	Financial information in the most recent five (5) years (Note 1)					Financial information as at March 31, 2018 (Note 3)
	2013	2014	2015	2016	2017	
Operating revenue	3,035,778	4,156,132	4,013,170	4,961,755	4,448,454	1,091,690
Gross profit	1,404,321	1,936,519	1,796,111	2,296,862	1,759,911	443,194
Operating profit or loss	333,548	557,667	319,840	685,942	179,679	63,552
Non-operating revenue and expense	(6,949)	41,716	39,674	(34,454)	25,151	6,397
Net profit (loss) before tax	326,599	599,383	359,514	651,488	204,830	69,949
Net profit of continuing department	270,933	517,298	294,141	560,837	149,267	69,912
Loss of discontinued department	0	0	0	0	0	0
Net profit (loss)	270,933	517,298	294,141	560,837	149,267	69,912
Other comprehensive income (after tax)	13,675	11,935	(22,950)	(59,284)	(16,234)	8,874
Total comprehensive income	284,608	529,233	271,191	501,553	133,033	78,786
Net profit attributable to parent company	271,033	517,636	294,820	563,279	145,767	70,932
Net profit attributable to non-controlling equity	(100)	(338)	(679)	(2,442)	3,500	(1,020)
Total comprehensive income attributable to parent company	284,045	529,102	272,512	504,565	128,936	80,086
Total comprehensive income attributable to non-controlling equity	563	131	(1,321)	(3,012)	4,097	(1,300)
EPS	3.54	6.62	3.71	7.09	1.83	0.89

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

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

1. Condensed balance sheet

Currency unit: in NTD 1,000

Item \ Year		Financial information in the most recent five (5) years (Note 1)				
		2013	2014	2015	2016	2017
Current assets		2,433,597	3,291,927	2,807,369	3,226,583	3,516,619
Property, plant and equipment		1,545,879	1,930,339	2,595,075	2,612,388	2,931,444
Intangible assets		17,971	23,490	35,739	35,293	40,955
Other assets		608,241	991,179	1,097,297	1,256,904	1,139,890
Total assets		4,605,688	6,237,543	6,535,480	7,131,168	7,628,908
Current liabilities	Before distribution	1,456,813	1,847,374	2,620,794	2,907,588	3,224,908
	After distribution	1,456,813	1,847,374	2,620,794	2,907,588	(Note 3)
Non-current liabilities		93,264	664,465	282,096	276,624	636,022
Total liabilities	Before distribution	1,550,077	2,511,839	2,902,890	3,184,212	3,860,930
	After distribution	1,550,077	2,511,839	2,902,890	3,184,212	(Note 3)
Equity attributable to the parent company		3,055,611	3,725,704	3,632,590	3,946,956	3,767,978
Capital stock		786,124	795,364	796,054	796,054	799,014
Capital surplus		740,781	885,012	871,572	885,735	909,204
Retained earnings	Before distribution	1,655,921	2,004,556	1,972,546	2,295,344	2,102,069
	After distribution	1,655,921	2,004,556	1,972,546	2,295,344	(Note 3)
Other equities		25,391	40,772	26,872	(30,177)	(42,309)
Treasury stock		(152,606)	0	(34,454)	0	0
Non-controlling equity		0	0	0	0	0
Total equities	Before distribution	3,055,611	3,725,704	3,632,590	3,946,956	3,767,978
	After distribution	3,055,611	3,725,704	3,632,590	3,946,956	(Note 3)

Note 1: Said information was already audited and certified by the external auditor.
Note 2: Said titles are free from revaluation of assets.
Note 3: The motion for distribution of earnings 2017 has not yet been resolved by the shareholders' meeting. Therefore, no amount after distribution is identified.

2. Summary comprehensive income statement

Currency unit: in NTD 1,000

Item \ Year	Financial information in the most recent five (5) years (Note 1)				
	2013	2014	2015	2016	2017
Operating revenue	2,787,127	3,968,652	3,838,093	4,422,606	3,905,162
Gross profit	1,294,741	1,776,591	1,677,564	2,154,290	1,536,466
Operating profit or loss	313,733	515,834	284,107	636,251	118,816
Non-operating revenue and expense	7,513	76,126	54,570	(2,636)	53,588
Net profit (loss) before tax	321,246	591,960	338,677	633,615	172,404
Net profit of continuing department	271,033	517,636	294,820	563,279	145,767
Loss of discontinued department	0	0	0	0	0
Net profit (loss)	271,033	517,636	294,820	563,279	145,767
Other comprehensive income (after tax)	13,012	11,466	(22,308)	(58,714)	(16,831)
Total comprehensive income	284,045	529,102	272,512	504,565	128,936
Net profit attributable to parent company	271,033	517,636	294,820	563,279	145,767
Net profit attributable to non-controlling equity	0	0	0	0	0
Total comprehensive income attributable to parent company	284,045	529,102	272,512	504,565	128,936
Total comprehensive income attributable to non-controlling equity	0	0	0	0	0
EPS	3.54	6.62	3.71	7.09	1.83

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

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
2013	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2014	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2015	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Modified unqualified opinions
2016	Nexia Sun Rise CPAs & Co.	Wu, Kuei-Chen & Chen, TsanHuang	Unqualified opinions
2017	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				
		2013	2014	2015	2016	2017
Financial structure	Liabilities to total assets(%)	34.84	41.40	45.15	45.50	50.89
	Long-term fund to property, plant and equipment (%)	197.38	203.61	132.89	144.43	134.77
Solvency	Current ratio (%)	182.43	182.30	115.91	123.15	124.47
	Quick ratio (%)	77.96	88.49	50.99	54.01	51.98
	Multiple of interest protection	436.66	186.11	27.84	34.43	12.72
Utility	Receivables turnover (time)	4.71	6.37	4.97	5.81	4.99
	Average number of days receivables	77.49	57.30	73.44	62.82	73.14
	Inventory turnover (time)	1.08	1.38	1.33	1.48	1.27
	Payables turnover (time)	4.05	4.89	4.89	6.48	6.37
	Average number of days of sales	337.96	264.49	274.43	246.62	287.40
	Property, plant and equipment turnover	1.94	2.21	1.56	1.67	1.42
	Total asset turnover (time)	0.64	0.75	0.62	0.71	0.59
Profitability	ROA (%)	5.70	9.37	4.68	8.29	2.19
	ROE (%)	8.95	15.19	7.96	14.74	3.85
	Income before tax to paid-in capital	41.55	75.36	45.16	81.84	25.64
	Profit margin (%)	8.92	12.45	7.33	11.30	3.36
	EPS (NT$) (Note 2)	3.54	6.62	3.71	7.09	1.83
Cash flow	Cash flow ratio (%)	16.62	21.58	-5.82	32.59	-6.92
	Cash flow adequacy ratio (%)	53.20	49.49	17.37	33.85	24.41
	Cash flow reinvestment ratio (%)	6.93	5.17	-9.89	13.45	-9.56
Leverage	Operating leverage	3.19	2.81	4.37	2.70	7.05
	Financial leverage	1	1.01	1.04	1.03	1.11

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

1. Interest coverage ratio decreased mainly due to decrease in profit before tax and interest.
2. Profitability ratios decreased mainly due to decrease in current net income.
3. Cash flow ratios decreased mainly due to net cash outflow from operating activities.
4. The increase in operating leverage was a result of the decrease in 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				
		2013	2014	2015	2016	2017
Financial structure	Liabilities to total assets(%)	33.66	40.27	44.42	44.65	50.61
	Long-term fund to property, plant and equipment (%)	202.04	227.43	150.85	161.68	150.23
Solvency	Current ratio (%)	167.05	178.19	107.12	110.97	109.05
	Quick ratio (%)	63.72	86.51	44.71	43.14	38.31
	Multiple of interest protection	588.86	197.86	26.70	35.05	11.27
Utility	Receivables turnover (time)	4.79	5.9	4.43	5.47	4.82
	Average number of days receivables	76.20	61.86	82.39	66.73	75.73
	Inventory turnover (time)	1.04	1.42	1.29	1.31	1.15
	Payables turnover (time)	3.94	5.16	4.95	5.87	5.93
	Average number of days of sales	350.96	257.04	282.95	278.63	317.39
	Property, plant and equipment	1.84	2.28	1.70	1.70	1.41
	Total asset turnover (time)	0.60	0.73	0.60	0.65	0.53
Profitability	ROA (%)	5.81	9.59	4.79	8.47	2.16
	ROE (%)	9.01	15.27	8.01	14.86	3.78
	Income before tax to paid-in capital	40.86	74.43	42.54	79.59	21.58
	Profit margin (%)	9.72	13.04	7.68	12.74	3.73
	EPS (NT$) (Note 2)	3.54	6.62	3.71	7.09	1.83
Cash flow	Cash flow ratio (%)	15.89	13.09	-2.14	29.45	-12.73
	Cash flow adequacy ratio (%)	50.41	46.05	18.11	34.64	19.32
	Cash flow reinvestment ratio (%)	6.37	1.54	-8.03	12.06	-11.91
Leverage	Operating leverage	3.21	2.88	4.86	2.68	9.24
	Financial leverage	1	1.01	1.05	1.03	1.16

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

1. Interest coverage ratio decreased mainly due to decrease in profit before tax and interest.
2. Profitability ratios decreased mainly due to decrease in current net income.
3. Cash flow ratios decreased mainly due to net cash outflow from operating activities.
4. The increase in operating leverage was a result of the decrease in operating income.

Equation of financial analysis

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

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

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

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

expenses)/operating income

(2) Financial leverage=Operating income/(operating income-interest expenses)

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

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

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

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

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

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

III. Supervisors' Audit Report on the Financial Statement for the Most Recent Year: Please refer to Page No. 86 of the annual report.

IV. Financial Statement for the Most Recent Year: Please refer to Page Nos. 152~225 of the annual report.

V. Individual Financial Statement for the Most Recent Year audited and certified by the external auditor: Please refer to Page Nos. 87~151 of the annual report.

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

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

I. Overview of finance

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

Currency unit: in NTD 1,000

Item \ Year	2017	2016	Variance	
			Amount	%
Current assets	4,066,956	3,662,553	404,403	11.04
Property, plant and equipment	3,294,748	2,971,021	323,727	10.90
Intangible assets	41,424	35,923	5,501	15.31
Other non-current assets	304,551	595,497	(290,946)	(48.86)
Total assets	7,707,679	7,264,994	442,685	6.09
Current liabilities	3,267,355	2,974,021	293,334	9.86
Non-current liabilities	655,423	331,191	324,232	97.90
Total liabilities	3,922,778	3,305,212	617,566	18.68
Capital stock	799,014	796,054	2,960	0.37
Capital surplus	909,204	885,735	23,469	2.65
Retained earnings	2,102,069	2,295,344	(193,275)	(8.42)
Other equities	(42,309)	(30,177)	(12,132)	40.20
Total equities	3,784,901	3,959,782	(174,881)	(4.42)

(I) Notes to increase/decrease: (Analysis in the case of the increase/decrease by 20% or more or over NT$10 million in value)

1. Decrease in other non-current assets: attributed to the decrease in equity-accounted investments, and the reclassification of prepaid equipment into equipment after inspection.
2. Increase in non-current liabilities: attributed to an increase in long-term borrowings.
3. Decrease in other equity items: Due to loss on exchange when translating financial statements of foreign operations.

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

II. Financial performance

(I) Operating result comparison and analysis for the most recent two (2) years

Currency unit: in NTD 1,000

Item \ Year	2017	2016	Increase (decrease)	Variation (%)
Operating revenue	4,448,454	4,961,755	(513,301)	(10.35)
Operating cost	2,688,543	2,665,069	23,474	0.88
Gross profit	1,759,911	2,296,862	(536,951)	(23.38)
Operating expense	1,580,508	1,610,920	(30,412)	(1.89)
Operating profit	179,679	685,942	(506,263)	(73.81)
Non-operating revenue and expense	25,151	(34,454)	59,605	(173.00)
Net profit (loss) before tax	204,830	651,488	(446,658)	(68.56)

Income tax expenses	55,563	90,651	(35,088)	(38.71)
Net profit	149,267	560,837	(411,570)	(73.38)
Other comprehensive income	(16,234)	(59,284)	43,050	(72.62)
Total comprehensive income	133,033	501,553	(368,520)	(73.48)

1. Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more)
(1) Decrease in gross profit and operating profit: mainly due to lower revenues this year. Despite a proportional reduction in operating expenses and improvement in non-operating income and expenses, the overall result did not sufficiently offset negative impacts from the loss of revenue and rising cost, causing a reduction in operating profit.
(2) Increase in non-operating income and expenses: mainly due to increase in gains from investment disposal in the current year.
(3) Decrease in pre-tax profit and net income: mainly due to lower revenues and slight increase in cost in the current year.
2. Cause of changes of the Company's main business contents. If material changes have occurred or are expected to occur in the operational policies, market conditions, or other internal or external factors, causing a material increase or decrease in revenues or expenses from continuing operations, the fact and their impact and responsive policies shall be stated: N/A.
3. Sales volume forecast for the next year, the basis of estimate, and key factors that may cause increase or decrease in the company's sales forecast: Outlook of economic performance and market demand remains favorable in the future, which should drive sales of probe cards (the Company's main product). Automated photonic equipment should continue to generate revenues for the Company given the consistent market demand. Furthermore, the market's increasing demand for advanced semiconductor production equipment combined with the company's ongoing investment in R&D to satisfy customers' changing needs will provide the basis for future growth.

(II) Analysis of changes in gross profit

Currency unit: in NTD 1,000

Gross profit	Variance in increase/decrease from one period to the next	Cause of variance			
		Difference of selling price	Difference of cost price	Difference of sale portfolio	Difference of quantity
Wafer probe card	(533,193)	917,920	(830,104)	(30,139)	(590,870)
Photoelectric semi-conductor	11,761	(102,323)	(3,792)	12,829	105,047
Subtotal	(521,432)	815,597	(833,896)	(17,310)	(485,823)

Notes to analysis:

The market's increasing demand for high-end probe cards has raised the unit selling price compared to the previous year. This change of selling price has been favorable for the Company. However, rising raw material prices reflected somewhat negatively on cost, while sales below expectation also had adverse impacts on gross profit. Although gross profit margin had improved, the effects of undesirable sales volume dominated over the effects of margin improvement. Overall, gross profit of wafer probe cards had fallen by NT$533,193,000 compared to the previous year.

In terms of equipment sales, the significant growth in volume caused gross profit to increase by NT$11,761,000 over the previous year. Despite adverse changes in selling price and cost, the significant growth in volume created favorable differences and increased gross profit of equipment sales overall.

III. Cash flow

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

Currency unit: in NTD 1,000

Item \ Year	2017	2016	Amount of variance	Increase (decrease) (%)
Operating activity	(226,113)	969,324	(1,195,437)	(123.33)
Investing activity	(621,662)	(536,919)	(84,743)	15.78
Financing activity	761,384	(146,973)	908,357	(618.04)
Total	(86,391)	285,432	(371,823)	(130.27)

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

Decrease in cash flow from operating activities was mainly caused by a decrease in pre-tax profit and prepayments.

Increase in cash flow from investing activities was mainly caused by an increase in property, plant and equipment.

Increase in cash flow from financing activities was mainly caused by additional short-term and long-term loans taken.

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

Item \ Year	2017	2016	Increase (decrease) (%)
Cash flow ratio (%)	(6.92)	32.59	(121.23)
Cash flow adequacy ratio (%)	24.41	33.85	(27.89)
Cash flow reinvestment ratio (%)	(9.56)	13.45	(171.08)

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

Notes to analysis:

(1) Cash flow ratio: Cash flow ratio decreased due to net cash outflow from operating activities (compared to previous year's net inflow) and increased current liabilities in the current period.

(2) Cash flow adequacy and cash reinvestment ratios: Both cash flow adequacy and cash reinvestment ratios decreased due to lower cash inflow from operating activities, increased inventory and increased cash dividends in the current period.

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

Currency unit: in NTD 1,000

Balance of cash, beginning ①	Projected Net Cash Flow from the year's operating activities ②	Expected cash inflow (outflow) from investing and financing activities for the year③	Expected cash surplus (deficit) ①+②-③	Remedial measures for projected insufficient cash position	
				Investment plan	Wealth management plan
656,829	101,193	(116,918)	641,104	N/A	N/A

1. Analysis of changes in cash flows:
   (1) Operating activities: net cash inflow is expected due to stable and optimistic outlook.
   (2) Investing activities: net cash outflow is expected due to capacity/plant expansion projects planned in the future.
   (3) Financing activities: net cash outflow is expected due to cash dividend payment and repayment of bank borrowings.
2. Remedial measures for projected insufficient cash position and analysis of liquidity: N/A.

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

V. Direct investment policy, the main reasons for profit or loss, and corrective action plan for the most recent year, and investment plan in the next year: The Company's direct investment policy upheld the philosophy of conservation and stability in the most recent year, free from great expansion.

VI. Risk management issues in the latest year up till the publication date of this annual report:

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

Item	2017 (NTD thousands)	To net operating revenue %	To income after tax %
Interest expenses	17,474	0.39	11.71
Net exchange loss	25,780	0.58	17.27

(1) Impact of interest changes, and their future countermeasures:

The Company's interest expenses totaled NT$17,474,000 in 2017, representing 0.39% of net revenues and 11.71% of net income. The Company will continue maintaining good relationship with banks for favorable interest rates, and shall closely monitor market rate changes and adjust capital positions accordingly. Interest rate changes should have no material impact on the Company's overall operations in the future.

(2) Impact of exchange rate changes, and their future countermeasures:

The Company incurred a NT$25,780,000 loss on exchange in 2017, representing -0.58% of net revenues and -17.27% of net income. The Company has foreign currency exposures in the form of accounts receivable that arise as a result of the substantial sales made to overseas. Since daily operating expenses are paid in NTD, there arises a need to exchange currency and any changes in exchange rate will cause significant impacts to the Company's profit and loss. The Company will adopt the following measures to mitigate currency exchange risks:

A. Maintain close interaction with the foreign currency departments of banking partners and keep abreast of related information for better control and more timely response towards exchange rate movements.

B. Adopt natural hedge where possible, which involves paying for purchase in the same currency as the sales are made. The finance team will closely monitor changes in the currency market and adjust foreign currency positions in response to macroeconomic performance, exchange rate movements, and future capital requirements. Doing so would help the Company avoid adverse revenue and profit impacts caused by exchange rate movements.

C. The Company has "Derivative Trading Procedures" and "Operating Procedure for Acquisition and Disposal of Assets" in place to serve as guidance for future foreign currency transactions.

(3) Impact of inflation, and their future countermeasures:

The Company maintains strong relationship with its suppliers. Prices of raw materials have been relatively stable, and there is currently no sign of inflation. The Company will continue exploring ways to reduce cost in the future, and monitor changes in raw material prices and take responsive measures where appropriate. As of the publication date of this annual report, the Company suffered no adverse impact from inflation, hence inflation does not have any material effect on the Company's operations.

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

The Company has never engaged in the high-risk, high-leverage investments, loaning of funds, endorsements and guarantees as well as transactions of financial derivatives. Any future transactions will be conducted according to the Company's "Derivative Trading Procedures," "Third Party Lending Procedures," "Endorsement and Guarantee Procedures," and "Operating Procedure for Acquisition and Disposal of Assets," and announced/reported as required by law.

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

The Company's R&D projects have been devised primarily to satisfy customers' needs. Projects in recent years have resulted in the successful launch of several products and technologies. The Company will continue investing into research, development and innovation, and expects to spend NT$400 million to NT$500 million per year, or about 10% of revenue, to accommodate the market's rapid changing demands. The key factors to success of the Company's R&D reside in recruitment, retention and training of talents to deal with the challenge of new technology and ensure the Company's leadership in technology.

Future R&D plans:

Name of plan	Key factors to success of R&D	Status	Expenditure to be invested in the future	Schedule for mass production
High-speed probe card	Electricity and structural design ability	Design under validation	NT$150 million	2019
Fine pitch vertical MEMS probe cards	Electricity and structural design ability	Design under validation	NT$150 million	2019
AOI photoelectric inspection equipment for micro LED application	Accumulation of customer experience High-speed image-taking and calculation technology Precision positioning technology	Under system verification	20 million	2018
Development of low-temperature probe testing system	Experience in automated equipment development Technological collaboration with foreign partner	Under system verification	15 million	2018
VCSEL multi-stop die testing equipment	Accumulation of customer experience High-precision equipment development technology	Design under validation	50 million	2019
VCSEL AOI photoelectric inspection equipment	Accumulation of customer experience High-speed image-taking and calculation technology Precision photonic component	Design under validation	20 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:

All of the Company's daily operations are carried out according to regulations. The Company also pays constant attention to policy and law changes local and abroad, as well as their impacts to the organization. Responsive measures are taken beforehand where appropriate to avoid adverse impacts from policy and law changes. As of the publication date of this annual report, there had been no change in key policies or laws, local or abroad, that would materially affect the Company's financial or business performance.

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

   The Company engages industry and trade associations in various forms of exhibition, communication and conference to keep up with technology changes, industry news and development, and market trends. These engagements provide MPI with the means to improve technology, develop competitive advantage, grow business, and anticipate industry trends, market changes and profit opportunities in the future.

6. Impact of changes in corporate identity on the Company's crisis management, and countermeasures: Not applicable, as the Company has remarkable corporate identity.

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

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

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

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

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

12. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any director, supervisor, the general manager, any person with actual responsibility for the firm and any major shareholder holding a stake of greater than 10 percent of the Company, and/or any company or companies controlled by the Company, and that have been concluded by means of a final and non-appealable judgment, or are still under litigation. Moreover,where such a dispute could materially affect shareholders' equity or the prices of the Company's securities,

the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report: N/A.

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

14. Key Performance Indicator (KPI):
The Company evaluates the performance of its probe card operations center using "completion of advanced probe card technology" and "percentage of advanced probe card revenues" as key performance indicators. A higher ratio indicates better performance. The following chart shows percentage of advanced probe card revenues relative to total probe card revenues in the last two years:

Item of production and technology	2016	2017
Epoxy/Cantilever Probe Cards	46%	47%
Advanced Probe Cards	54%	53%

VII. Other important disclosures: None.

Eight. Special notes

I. Information on affiliates:

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

(I) Consolidated business reports of affiliated enterprises: Please see Page No. 80~85 of the annual report.

(II) Consolidated financial statements of affiliated enterprises: Please see Page No. 152 of the annual report.

(III) Affiliation report: N/A.

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

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

IV. Other supplementary disclosure: N/A.

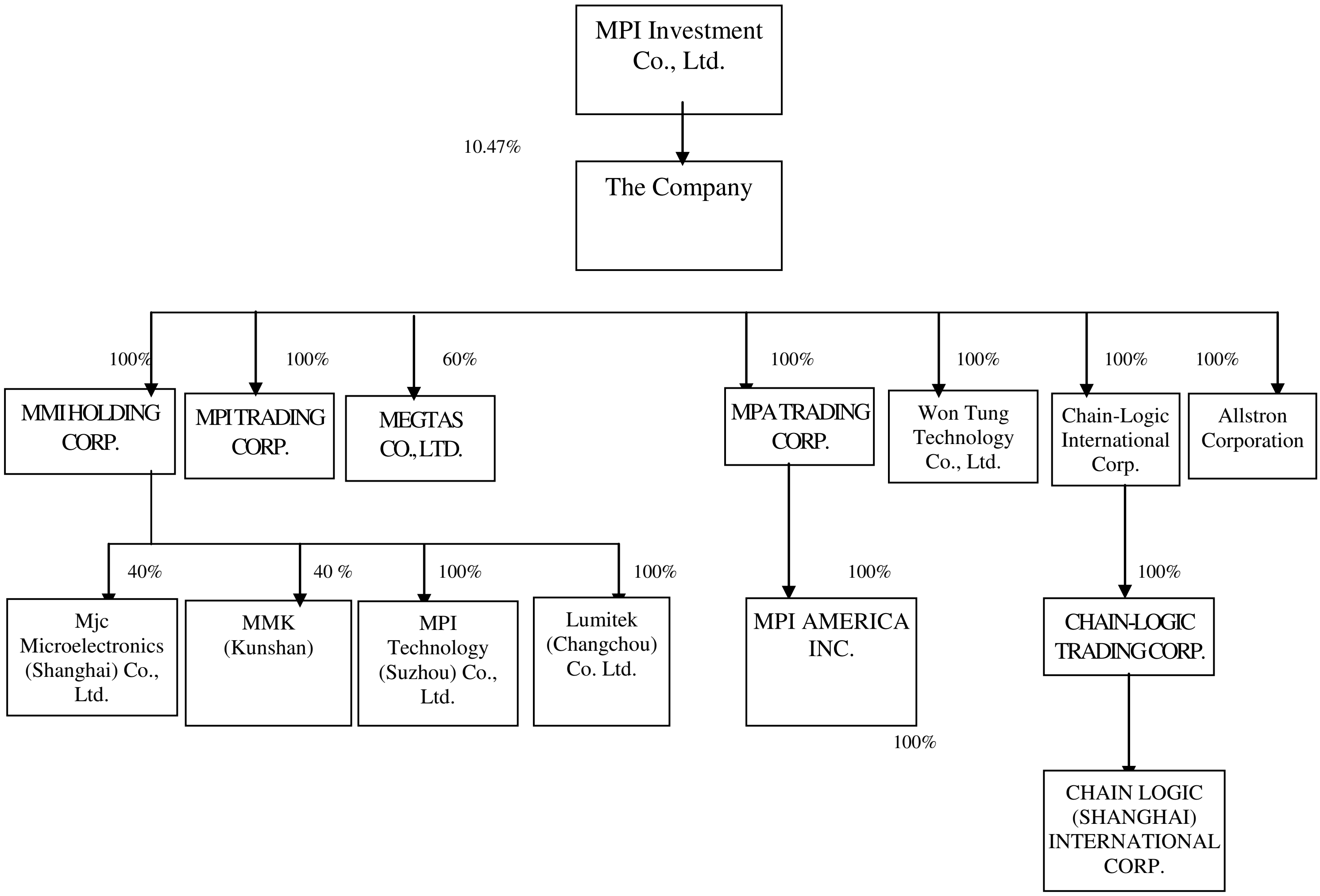
V. Any significant events materially affecting shareholders’ equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report: N/A.

One. Overview of affiliates

I. Overview of affiliates' organization

(I) Affiliates' organizational chart

December 31, 2017



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

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

II. Basic information of affiliate

December 31, 2017; 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	2F, No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	50,000	Semi-conductor equipment agent
MPI TRADING CORP.	December 12, 2000	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	USD 1,000	Engage in Probe Card business
MMI HOLDING CO., LTD.	August 7, 2001	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	USD 20,390,045	Holding company
MEGTAS CO., LTD.	September 1, 2010	134 Gunseo-ri, Jikson-eub, Seobuk-gu,Cheonan,Chungnam, 331-811,Korea	2,500,000,000 Won	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts
Won Tung Technology Co., Ltd.	December 12, 2010	3F, No. 8, Lane 98, Jiaren Street, Shixing Vil., Zhubei City, Hsinchu County	500	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components
Allstron Corporation	March 31, 2006	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.	USD 1,250,000	Holding company
Lumitek (Changchou) Co. Ltd.	January 10, 2014	No. 377, Wu Yi S. Road, China Wujin H0igh-tech Industrial Development Zone	USD 16,000,000	R&D and production of LED semi-conductor LED chips, spare parts of calculators, LED process equipment, and new electronic components; domestic procurement, wholesale, commissioned agency and import/export of electronic materials, electronic components,

				electronic products, LED process equipment, mechanical equipment and spare parts.
MPI Technology (Suzhou) Co., Ltd.	July 11, 2017	No. 13, Chunhui Road, Suzhou Industrial Park	USD 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	USD 1,200,000	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.	USD 1,400,100	International trading
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	February 8, 2002	Suite 304, No. 500, Bing Ke Road, Shanghai Waigaoqiao Free Trade Zone, Shanghai City, Jiangsu Province	USD 1,400,000	Trading

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

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, 2017

Name of enterprise	Job title (Note 1)	Name or representative	Shares held (Note 2) (Note 3)	
			Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
MPI Investment Co., Ltd.	Chairman of the Board Director Supervisor	Ko, Chang-Lin Steve Chen Scott Kuo	45,133 (shares) 10,029 (shares) 2,966 (shares)	40.76% 9.06% 2.68%
Chain-Logic International Corp.	Name of investor Chairman of the Board Director Director Supervisor President	MPI Corporation Representative: Ko, Chang-Lin Steve Chen Scott Kuo Rose Jao Chan, Chao-Nan	5,000,000 (shares)	100.00%
MPI TRADING CORP.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	1,000 (shares)	100.00%
MMI HOLDING CO., LTD.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	22,061,857 (shares)	100.00%
MEGTAS CO.,LTD.	Name of investor Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation LUCID DISPLAY TECHNOLOGY CO.,LTD Representative: HUAN-SHENG LIN HUAN-SHENG LIN DU-HWA HWANG SHENG-YI CHEN	300,000 (shares) 200,000 (shares)	60.00% 40.00%
Won Tung Technology Co., Ltd.	Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation Representative: Steve Chen Sun, Hung-Chuan Gu, Wei-Cheng Rose Jao	50,000 (shares)	100.00%
Allstron Corporation	Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation Representative: Scott Kuo Steve Chen Liu, Yung-Chin Rose Jao	15,500,000 (shares)	100.00%

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	USD 16,000,000	100.00%
MPI Technology (Suzhou) Co., Ltd.	Name of investor Responsible person	MMI HOLDING CO., LTD. Zhan, Yunfu	USD 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	USD 1,400,000	100.00%

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

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

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

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

Two. Overview of operation of affiliates

Financial position and operating result of affiliates:

December 31, 2017; unit: NTD thousands

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Income (after tax)	EPS (Dollar) (after tax)
Chain-Logic International Corp.	50,000	329,513	87,089	242,424	269,562	43,069	21,861	4.37
MPI TRADING CORP.	32	85,462	23,137	62,325	10,672	5,819	8,714	8,714
MMI HOLDING CO., LTD.	686,177	660,122	—	660,122	24,394	24,224	23,116	1.11
MEGTAS CO., LTD.	66,509	51,907	9,600	42,307	82,699	11,141	8,750	17.50
Won Tung Technology Co., Ltd.	500	29	25	4	50	(184)	(184)	(3.68)
Allstron Corporation	15,500	2,048	53	1,995	—	(512)	(501)	(0.32)
MPA TRADING CORP.	37,881	1,425	5,760	(4,335)	—	(68)	(43,307)	(41.24)
Lumitek (Changchou) Co. Ltd.	502,470	721,323	226,843	494,480	358,038	30,669	23,833	—
MPI Technology (Suzhou) Co., Ltd.	60,180	86,199	36,935	49,264	4,291	(10,749)	(11,016)	—
MPI AMERICA INC.	36,366	110,589	116,349	(5,760)	111,652	(46,164)	(43,217)	(43.22)
CHAIN-LOGIC TRADING CORP.	46,921	54,994	—	54,994	—	—	(17,274)	(12.34)
CHAIN LOGIC	46,917	88,719	38,818	49,901	77,400	(18,794)	(17,284)	—

(SHANGHAI) INTERNATIONAL CORP.								

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

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

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

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

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

RMB: USD=1: 6.51855; weighted average exchange rate: 1:6.75267

RMB: NTD = 1:4.5685; weighted average exchange rate: 1:4.593

USD : NTD = 1 : 29.78l; weighted average exchange rate: 1:31.015

NTD: Won = 1:0.02812; weighted average exchange rate: 1:0.02757

MPI Corporation
Supervisors' Audit Report

The Company's individual financial statement and consolidated financial statements 2017 submitted by the Board of Directors have been audited by Wu Kuei-Chen and Chen Tsai-Huang, CPAs of Nexia Sun Rise CPAs & Co. and held presenting fairly, in all material respects, the financial status, operating result and cash flow of the Company for the same year. 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:

General Shareholders' Meeting 2018 of MPI Corporation

MPI Corporation

MPI Corporation

Supervisor: Li, Tu-Cheng

Liu, Fang-Sheng

Tsai, Chang-Shou

March 20, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 were as follows:

1. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (17) of Note 4 of the

Individual Financial Statements. Regarding relevant disclosure, please refer to Note 9 and Statements of Major Accounting Items - Statement of Operating Revenue.

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

Audit Procedures in Response

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

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

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

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

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

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

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (7) of Note 4 of Individual Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial Statements. The Company recognize inventories amounting to NT$2,470,432 thousand and Allowance for inventories amounting to NT$242,939 thousand. The book value of the Company's inventories as December 31, 2017 was NT$2,227,493 thousand and accounted 29% 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$(37,967) thousand and NT$(3,663) thousand. Insofar as it related to the investments accounted for under the equity method balances of NT$ 19,495 thousand and NT$ 19,074 thousand as of December 31, 2017, December 31, 2016.

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, 2017 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 20, 2018

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

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

MPI CORPORATION

CONSOLIDATED BALANCE SHEETS (ASSETS)

DECEMBER 31 ,2017 AND 2016

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

		December 31,2017		December 31,2016	
ASSETS	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Cash and cash equivalents	6(1)	$ 297,363	4	$ 475,399	7
Current financial assets at fair value through profit or loss	6(12)	-	-	60	-
Notes receivable, net	6(2)	-	-	5	-
Accounts receivable, net	6(3)	625,523	8	543,350	8
Accounts receivable -related parties, net	6(3).7	264,990	3	185,119	3
Other receivables		8,464	-	12,808	-
Other receivables -related parties	7	34,805	1	28,253	-
Income tax receivable		676	-	-	-
Inventories, net	6(4)	2,227,493	29	1,920,323	27
Prepayments		53,611	1	51,798	1
Other current assets	8	3,694	-	9,468	-
Total Current Assets		3,516,619	46	3,226,583	46
NONCURRENT ASSETS					
Investments accounted for using equity method	6(5)	915,223	12	809,405	11
Property, plant and equipment	6(6).7.8	2,931,444	38	2,612,388	37
Intangible assets	6(7)	40,955	1	35,293	-
Deferred income tax assets	6(18)	72,002	1	62,330	1
Other noncurrent assets	6(8)	152,665	2	385,169	5
Total Noncurrent Assets		4,112,289	54	3,904,585	54
TOTAL ASSETS		$ 7,628,908	100	$ 7,131,168	100

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

MPI CORPORATION

CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2017 AND 2016

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

		December 31,2017		December 31,2016	
LIABILITIES AND EQUITY	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(9)	$ 1,170,000	15	$ 380,000	5
Accounts payable		388,552	5	405,426	6
Accounts payable-related parties	7	8,656	-	747	-
Payables on equipment		82,660	1	129,342	2
Other payables	6(10)	444,972	6	602,208	9
Other payables-related parties	7	138,321	2	85,971	1
Income tax payable		-	-	42,644	1
Provisions	6(11)	3,210	-	2,595	-
Sales revenue received in advance	7	752,536	10	648,794	9
Corporate bonds payable – current portion	6(12)	-	-	590,647	8
Current portion of long-term liabilities	6(13)	225,787	3	9,328	-
Other current liabilities		10,214	-	9,886	-
Total Current Liabilities		3,224,908	42	2,907,588	41
NONCURRENT LIABILITIES					
Long-term loans	6(13)	572,909	8	240,640	4
Deferred income tax liabilities	6(18)	14,591	-	8,433	-
Accrued pension cost	6(14)	31,697	1	27,454	-
Credit balance of investments account for using equity method	6(5)	16,728	-	-	-
Other noncurrent liabilities		97	-	97	-
Total Other Liabilities		636,022	9	276,624	4
TOTAL LIABILITIES		3,860,930	51	3,184,212	45
EQUITY	6(15)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		799,014	11	796,054	11
Capital surplus		909,204	12	885,735	12
Retained earnings					
Appropriated as legal capital reserve		548,516	7	492,188	7
Special reserve		30,177	-	-	-
Unappropriated earnings		1,523,376	20	1,803,156	25
Total Retained Earnings		2,102,069	27	2,295,344	32
Other					
Foreign currency translation adjustments		(42,309)	(1)	(30,177)	-
Total others		(42,309)	(1)	(30,177)	-
Treasury stock		-	-	-	-
TOTAL EQUITY		3,767,978	49	3,946,956	55
TOTAL LIABILITIES AND EQUITY		$ 7,628,908	100	$ 7,131,168	100

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

MPI CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2017 and 2016

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

Items	Note	January 1 ~ December 31,2017 Amounts	%	January 1 ~ December 31,2016 Amounts	%
OPERATING REVENUE, NET	7				
Sales revenue		$ 3,902,167	100	$ 4,344,020	98
Less: sales returns		(12,576)	-	(2,532)	-
sales discounts and allowances		(754)	-	-	-
Commission revenue		16,325	-	81,118	2
Operating Revenue, net		3,905,162	100	4,422,606	100
OPERATING COSTS	6(4).7	(2,381,221)	(61)	(2,291,817)	(52)
GROSS PROFIT		1,523,941	39	2,130,789	48
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		12,525	-	23,501	1
GROSS PROFIT, NET		1,536,466	39	2,154,290	49
OPERATING EXPENSES	7				
Selling expenses		(426,548)	(11)	(423,157)	(10)
General & administrative expenses		(187,508)	(5)	(246,118)	(6)
Research and development expenses	6(7)	(803,594)	(20)	(848,764)	(19)
Operating expense, net		(1,417,650)	(36)	(1,518,039)	(35)
OPERATING INCOME		118,816	3	636,251	14
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(17)	(9,236)	-	(58,574)	(1)
Finance costs	6(17)	(16,779)	-	(18,608)	-
Share of profits of subsidiaries and associates	6(5)	12,918	-	18,596	-
Interest income	7	707	-	540	-
Rent income	7	6,745	-	11,424	-
Allowance (reversal) for doubtful accounts	6(3)	-	-	235	-
Other non-operating revenue-other items	7	59,233	2	43,751	1
Total Non-operating Income		53,588	2	(2,636)	-
INCOME BEFORE INCOME TAX		172,404	5	633,615	14
INCOME TAX BENEFIT(EXPENSE)	6(18)	(26,637)	(1)	(70,336)	(1)
NET INCOME		145,767	4	563,279	13
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(2,630)	-	(2,682)	-
Share of remeasurements of defined benefit plans of subsidiaries and associates		(2,069)	-	1,017	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(12,132)	(1)	(57,049)	(1)
Other comprehensive income for the year, net of income tax		(16,831)	(1)	(58,714)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 128,936	3	$ 504,565	12
NET INCOME(LOSS) ATTRIBUTABLE TO：	6(19)	After-tax		After-tax	
Shareholers of the parent		$ 1.83		$ 7.09	
Noncontrolling interests		$ 1.83		$ 6.49	

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

MPI CORPORATION

PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31 ,2017 and 2016

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

Items	Capital- Common Stock	Capital Surplus	Retained Earnings: Legal Capital Reserve	Retained Earnings: Special Capital Reserve	Retained Earnings: Unappropriated Earnings	Others: Foreign Currency Translation Reserve	Treasury Stock	Total Equity
BALANCE,JANUARY,1,2016	$ 796,054	$ 871,572	$ 462,706	$ -	$ 1,509,840	$ 26,872	$ (34,454)	$ 3,632,590
Legal capital reserve			29,482		(29,482)			–
Cash Dividends of Common Stock					(238,816)			(238,816)
Net Income in 2016					563,279			563,279
Other comprehensive income in 2016, net of income tax					(1,665)	(57,049)		(58,714)
Total comprehensive income in 2016	–	–	–	–	561,614	(57,049)	-	504,565
Issuance of stock from exercise of employee stock options		14,163					34,454	48,617
BALANCE,DECEMBER,31,2016	$ 796,054	$ 885,735	$ 492,188	$ –	$ 1,803,156	$ (30,177)	$ –	$ 3,946,956
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 reserve				30,177	(30,177)			–
Cash Dividends of Common Stock					(334,343)			(334,343)
Capital Reserve From Stock Warrants		(1,256)						(1,256)
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	–	–	–	–	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

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

MPI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2017 and 2016

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

Items	Jan 1 ~ Dec 31,2017	Jan 1 ~ Dec 31,2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 172,404	$ 633,615
Adjustments to reconcile net income to net		
Depreciation	287,056	232,438
Amortization	45,568	44,731
(Reversal) allowance for doubtful receivables	867	(235)
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	55	(1,742)
Interest expense	16,779	18,608
Interest revenue	(707)	(540)
Compensation cost of employee stock options	-	12,937
Loss (gain) on equity-method investments	(12,918)	(18,596)
(Gain) loss on disposal of property, plant and equipment	2,233	175
Gains on disposal of investments	(15,557)	-
Loss on valuation of nonfinancial asset	-	45,533
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(12,525)	(23,501)
Adjustments-exchange (Gain) loss on prepayments for equipment	2,032	(564)
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	5	5,398
Decrease (Increase) in accounts receivable	(83,486)	11,050
Decrease (Increase) in accounts receivable-related parties	(79,423)	144,186
Decrease (Increase) in other receivables	4,343	4,835
Decrease (Increase) in other receivables-related parties	(6,552)	(6,754)
Decrease (Increase) in inventories	(307,170)	(329,489)
Decrease (Increase) in prepayments	(1,814)	(7,093)
Decrease (Increase) in other current assets	(1)	(210)
Net changes in operating assets and liabilities		
(Decrease) Increase in accounts payable	(16,874)	35,752
(Decrease) Increase in accounts payable-related parties	7,909	(3,672)
(Decrease) Increase in other accounts payable	(157,950)	158,008
(Decrease) Increase in other accounts payable-related parties	52,350	22,401
(Decrease) Increase in provision of liabilities	615	1,355
(Decrease) Increase in sales revenue received in advance	103,742	195,469
(Decrease) Increase in other current liabilities	329	(2,785)
Decrease(Increase) in accrued pension cost	1,613	1,548
Cash generated from operations	2,923	1,172,858
Interest received	708	540
Interest (excluding capitalization of interest)	(6,278)	(7,512)
Cash dividends	(334,343)	(238,816)
Income taxes paid	(73,473)	(70,881)
Net cash Provided By Operating Activities	(410,463)	856,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of investments accounted for using equity method	(98,061)	(48,555)
Disposal of investments accounted for using equity method	18,918	13,254
Proceeds from capital return of investments accounted for using equity method	4,677	-
Additions to property, plant and equipment	(657,061)	(211,447)
Proceeds from sale of property, plant and equipment	1	482
Intangible assets	(29,605)	(22,402)
Increase in other financial assets	5,775	(38)
(Increase) in other non-current assets	–	(205,440)
Decrease in other non-current assets	210,880	–
Cash dividends received from equity-method investees	12,175	5,000
Net cash Provided Used In Investing Activities	(532,301)	(469,146)

(Continue)

MPI CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2017 and 2016

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

Items	Jan 1 ~ Dec 31,2017	Jan 1 ~ Dec 31,2016
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	790,000	-
(decrease) in short-term loans	-	(170,000)
Repurchase of convertible bonds	(574,000)	−
Increase in long-term borrowings	548,728	−
Repayments of long-term loans	−	(9,428)
Increase (decrease) in nocurrent liabilities	−	(1,159)
Employees to repurchase of treasury stock	−	34,349
Net cash (Used In) Financing Activities	764,728	(146,238)
Net increase in cash and cash equivalents	(178,036)	240,805
Cash and cash equivalents at beginning of year	475,399	234,594
Cash and cash equivalents at end of year	$ 297,363	$ 475,399

(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, 2017 and 2016

(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, 2017. Upon resolution of the special shareholders' meeting on December 28, 2006, the Company raised the authorized capital as NT$1,000,000,000, divided into 100,000,000 shares at par value of NT$10 per share. The board of directors is authorized to issue the stock in lots. NT$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.

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

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

2. Date and procedure for ratification of financial report

The parent company only financial statement was passed by the Board for release on March 20, 2018.

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 2017 are as follows:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28, ‘Investment entities: applying the consolidation exception’	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of	January 1, 2016

Interests in Joint Operations"	
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016

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

(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 2018 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
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
Amendments to IAS 12, 'Recognition of deferred tax assets for unrealized losses'	January 1, 2017
Amendments to IAS 40, 'Transfers of investment property'	January 1, 2018

IFRIC 22, 'Foreign currency transactions and advance consideration'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 1, ' First-time adoption of international financial reporting standards'	January 1, 2018
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IFRS 12, ' Disclosure of interests in other entities'	January 1, 2017
Annual improvements to IFRSs 2014-2016 cycle-Amendments to IAS 28, ' Investments in associates and joint ventures'	January 1, 2018

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 16 Leases	January 1, 2019
IFRS 17Insurance Contracts	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Long-terminterests in associates and joint ventures (amendments to IAS 28)	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 followings, the above standards and interpretations have no significant impact to the Company financial condition and financial performance based on the Company assessment. The quantitative impact will be disclosed when the assessment is complete.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize 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.

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

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

(2) Basis for preparation

A. Basis for measurement

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

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

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

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

B. Functional currency and presentation of currency

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

(3) Foreign currency

A. Foreign currency transactions

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

B. Foreign operations

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

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

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

(4) 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 instruments

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

A. Financial assets

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

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

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

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

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

Financial instrument with embedded derivatives.

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

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

(b) Account receivables

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

(c) Impairment on financial assets

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

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

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

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

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

(d) Derecognition of financial assets

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

B. Financial liabilities and equity instruments

(a) Classification of liabilities or equity

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

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

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

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

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

The interest and loss or gain related to financial liabilities should be recognized as income and stated into non-operating revenue and expenses. The financial liabilities shall be re-classified into equity at the time of conversion, and no income is generated from the conversion.

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

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

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

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

Financial instrument with embedded derivatives

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

(c) Other financial liabilities

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

(d) Derecongition of financial liabilities

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

(e) Offset of financial assets and liabilities

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

(7) Inventory

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

amortized based on the normal productivity on a pro rata basis.
Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(8) 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.

(9) Investment in affiliates

Associates shall be the entities over which the company has significant influence over its financial and corporate policy but not to the extent of dominant control. The Group will be assumed having major influence when it holds 20%~50% of the voting right in the investee.
Under the equity method, the investment is stated at cost at time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.
Separate financial statement of individual entities shall present the income and other comprehensive incomes of respective associates in proportion to the investment by the company after the adjustment of the accounting policy in consistence with the company from the effective date to the expiration date during which the company exercises dominant power.
The unrealized gain deriving from the transactions between the company and the associates will be eliminated within the scope of equity of the company over the investee. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains; provided that the unrealized loss is limited to that arises under no impairment evidence is available.
When the company recognizes the loss in proportion to its ownership of the associates is equal to or in excess of the equity of the company at the associates, stop further recognition for loss and shall be realized only within the scope of legal obligation, presumed obligation or has already effected payment in favor of the investee for recognition additional loss and related liabilities.
Where the Group forfeits its material influence over an affiliate when the Group disposes of the affiliate, the capital surplus related to the affiliate will be stated as income, provided that where it still has material influence over the affiliate, the capital surplus shall be stated as income based on the proportion of disposition.

(10) 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.

(11) Property, plant and equipment

A. Recognition and measurement

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

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

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

B. After cost

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

C. Depreciation

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

No depreciation of land is required.

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

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

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

(12) 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.

(13) 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.

(14) Impairment on non-financial assets

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

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

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

(15) Reserve for liabilities

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

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

(16) Treasury stock

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

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

(17) Recognition of revenue

A. Sale of products

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

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

B. Labor service

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

C. Revenue from commission

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

D. Rent revenue

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

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

E. Dividend revenue

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

(18) Cost of borrowing

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

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

(19) Government subsidies

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

(20) 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.

(21) 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.

(22) Income tax

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

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

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

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

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

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

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

(23) Business combination

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

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

(24) EPS

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

(25) Information by department

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

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

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

(1) Allowance for bad debt of receivable accounts

The company conducts assessment on the recoverability of account receivables on the basis of the credit quality of the customers and the collection of the accounts and the experience of bad debts in the past and estimates for the provision of doubtful accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for bad debt. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and bad debt expenses in the year in which the estimation is changed. Until December 31, 2017, the book value of receivable accounts has been NT$890,513 thousand (exclusive of the allowance for bad debt, NT$7,329 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, 2017, the book value of the Company's inventories has been NT$2,227,493 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT$242,939 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, 2017, the Company had deferred income tax assets amounting to NT$72,002 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, 2017, the Company recognized provision for liabilities amounted to NT$3,210 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, 2017, the book value of accrual pension liabilities of the Company amounted to NT$31,697 thousand.

(6) Goodwill impairment evaluation

The impairment on goodwill is evaluated by the Company to its sole discretion, including identifying the cash-generating units and amortizing assets, liabilities and goodwill into the related cash-generating units, and deciding the recoverable amount of related cash-generating units. For the evaluation on goodwill impairment, please refer to Note 6(5). The Company recognized goodwill impairment at NT$45,533 thousand in 2017. As of December 31, 2017, the book value of the Company's goodwill amounted to NT$0 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

		December 31, 2017		December 31, 2016
Cash:				
Cash on hand	$	3,424	$	3,193
Bank deposit:				
Foreign currency deposit		92,346		30,534
Demand deposit		201,593		441,672
Total	$	297,363	$	475,399

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

(2) Note receivables, net

		December 31, 2017		December 31, 2016
Receivable notes	$	–	$	5
Less: Allowance for bad debt		–		–
Receivable notes, net	$	–	$	5

Note receivables –related parties:none.

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

(3) Accounts receivable, net

		December 31, 2017		December 31, 2016
Receivable accounts	$	632,852	$	549,365
Less: Allowance for bad debt		(7,329)		(6,015)
Receivable accounts, net	$	625,523	$	543,350

		December 31, 2017		December 31, 2016
Receivable accounts-related party	$	264,990	$	185,566
Less: Allowance for bad debt		–		(447)
Receivable accounts-related party, net	$	264,990	$	185,119

Receivable on demand (stated as other non-current assets):none.

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

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

	Group evaluation Impairment loss	Individual evaluation Impairment loss	Total

January 1, 2017	$ 6,462	$ -	$ 6,462
Impairment loss provided in the current period	867	-	867
Impairment loss reversed in the current period	-	-	-
Accounts written off and uncollected in the current period	-	-	-
December 31, 2017	$ 7,329	$ -	$ 7,329
January 1, 2016	$ 9,615	$ -	$ 9,615
Impairment loss provided in the current period	—	-	—
Impairment loss reversed in the current period	(235)	-	(235)
Accounts written off and uncollected in the current period	(2,918)	-	(2,918)
December 31, 2016	$ 6,462	$ -	$ 6,462

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

	December 31, 2017		December 31, 2016	
	Total	Impair ment	Total	Impair ment
Undue	$800,551	$ -	$662,722	$ -
Overdue for 1~90 days	94,968	6,648	58,891	4,122
Overdue for 91~180 days	1,258	188	9,906	1,486
Overdue for 181~360 days	160	40	3,417	854
Overdue for 1~2 years	905	453	-	-
Overdue for more than 2 years	-	-	-	-
Total	$897,842	$ 7,329	$734,936	$ 6,462

(4) Inventories

	December 31, 2017	December 31, 2016
Raw material	$ 426,258	$ 343,385
Supplies	119,495	76,147
Work in progress	382,275	336,890
Semi-finished goods	319,612	280,973
Finished goods	1,191,266	1,060,108
Commodity	22,753	24,516
Materials and supplies in transit	8,773	10,316
Less: Allowance for inventory devaluation and obsolescence losses	(242,939)	(212,012)
Inventory, net	$ 2,227,493	$ 1,920,323

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

	2017	2016
Cost of sold inventory	$ 2,337,169	$ 2,260,958
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	30,927	(11,277)
Inventory retirement loss	-	5,478
Other operating cost - employee remuneration	8,064	33,375

Estimated maintenance and warranty cost	5,061	3,283
Sale cost, net	$ 2,381,221	$ 2,291,817

B. Before December 31, 2017 and 2016, 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, 2017		December 31, 2016	
	Book value	Ratio of shareholding %	Book value	Ratio of shareholding %
Subsidiaries:				
MPI TRADING CORP.	$ 62,325	100 %	$ 58,433	100 %
MMI HOLDING CO., LTD.	587,125	100 %	491,142	100 %
MEGTAS CO.,LTD.	25,255	60 %	19,074	60 %
Chain-Logic International Corp.	238,519	100 %	234,712	100 %
Won Tung Technology Co., Ltd.	4	100 %	188	100 %
Allstron Corporation	1,995	100 %	2,496	100 %
Affiliates:				
Lumitek Co.,LTD	-	-	3,360	20.15 %
Total	$ 915,223		$ 809,405	
Transfer to Credit balance of investments account for using equity method MPA TRADING CORP.	$ 16,728	100 %	$ -	-

A. Changes in investment under equity method:

	2017	2016
Balance, beginning	$ 809,405	$ 837,241
Increase in investment in the current period	98,061	48,555
Disposal of investments for book value	-	(13,254)
Cash dividend distributed by affiliates	(12,175)	(5,000)
Transfer of treasury stock to subsidiaries' employees	-	1,331
Investment income (loss) recognized under equity method	12,918	18,596
Exchange difference arising from translation of the financial statement of foreign operations	(12,132)	(57,049)
Realized (unrealized) income from downstream transactions with investees	12,525	23,501
Other comprehensive income – Actuarial income (loss) of determined welfare	(2,069)	1,017
Gain on disposal of investments- Lumitek Corporation	15,557	-
Proceeds from disposal of investments- Lumitek Corporation	(18,918)	-
Proceeds from capital return of investments accounted for using equity method	(4,677)	-
Loss on valuation of nonfinancial asset	-	(45,533)
Transfer to Credit balance of investments account for using equity method	16,728	-
Balance, ending	$ 915,223	$ 809,405

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		Measurement Method
			December 31, 2017	December 31, 2016	
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	-	20.15%	Equity method

D. Book value and share of operating result of the affiliates not important to the Company individually

The financial information about the Company's affiliates under equity method not important the Company individually is summarized as following. Said financial information refers to the figures included into the Company's separate financial statements:

	December 31, 2017	December 31, 2016
Summarized total book value of the equity of individual unimportant affiliates	$ -	$ 3,360

	2017	2016
Shares attributed to the Company:		
Net profit (net loss) of continuing department	$ -	$ -
Income after tax of discontinued department	-	-
Other comprehensive income	-	-
Total comprehensive income	$ -	$ -

E. 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 2017.

For the year of 2016, apart from Lumitek Co., LTD. that has already applied for dissolution and is under the liquidation process (the Company has recognized the share of affiliated enterprise with the equity methods according to the invested company’s non-CPA audited financial statements, and the Company’s management believes that no major adjustment will be made to the said statements even after a CPA audit), the Company has recognized invested companies' shares of investment gains and losses with the equity methods according to their financial statements audited by CPA.

F. The financial statements of subsidiary MEGTAS CO., LTD. in FY2017 and FY2016 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$5,250 thousand and (NT$3,663) thousand, respectively.

The financial statements of subsidiary MPI AMERICA INC. in 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$43,217) thousand.

G. The Group reinvested the affiliate, Lumitek Co., LTD, via its subsidiaries, Chia Hsin Investment Co., Ltd., Yi Hsin Investment Co., Ltd. and Chia Ying Investment Co., Ltd. So far, the Group held a total of 6,630,000 shares at par value of NT$10 per share, and until December 31, 2015, the Company's shareholding is 17.87%. By resolution of the board of directors on May 11, 2016, the Group would sell 17.87% of LUMITED Corporation's equity shares owned by its three subsidiaries (JIA-SIN INVESTMENT CORP., YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP.) to ultimate parent company, MPI CORPORATION, which was in the event of liquidation. According to the legal interpretation of Ministry of Economic Affairs, original shareholders have the right to transfer their shares to others during company liquidation and it does not violate corporate law. The Group has migrated and integrated in MPI CORPORATION, and the Uni-President Enterprises Corporation deal with the proportional distribution of LUMITED CORPORATION of residual property claims request. It is unnecessary to keep the three subsidiaries in operation after their equity shares of LUMITED CORPORATION were all transferred. Therefore, the three subsidiaries were closed down.

H. The Company has acquired 843,968 shares of stock issued by Lumitek Co., LTD in April 2013 at the cost of NT$1,976 thousand and has acquired 6,630,000 shares of stock at the cost of NT$16,575 thousand.； As of December 31, 2016, the Company held 7,473,968 shares or 20.15% of the shares issued by Lumitek Co., LTD and is accounted for under the equity method.

I. The Company acquired 100% of the shares of Allstron Corporation ("Allstron") in March 2014 and controlled the company in whole. Allstron is a probe card manufacturer engaged in high-frequency wafer measurement primarily. Acquisition of the control over Allstron enabled the Company to improve the Company's production process via Allstron's patented technology. Meanwhile, the Company secured the acquiree's clientele via the acquisition. Accordingly, the Company is expected to increase the Company's market shares of semi-conductor production process and testing equipment and products. The Company also expects to reduce the cost through the scale of economy.

The Company started on January 1, 2014 as the acquisition date.

The transfer consideration and the assets and liabilities recognized on the date of acquisition are stated as following:

(a) Transfer consideration: NT$50,000 thousand in cash

(b) Fair values of identifiable net assets acquired on acquisition date: NT$ 4,467 thousand.

(c) Goodwill

Goodwill recognized due to acquisition:

Transfer consideration	$	50,000
Less: Fair value of identifiable net assets		(4,467)
Goodwill	$	45,533

The goodwill arose from acquisition of Allstron primarily originated from the measurement application product lines in the electronic industry, such as high-frequency wafer measurement, related patented technology for wide-distance probe card measurement to meet the changeable needs in the electronic industry, and its employees' value. Meanwhile, the payment of transfer consideration was made as it was expected that consolidation synergy, growth of revenue and future market development may be generated from the integration of Allstron's and the Company's semi-conductor production process and testing equipment businesses. Notwithstanding, as said benefits failed to meet the conditions for recognition of identifiable intangible assets and, therefore, were not recognized independently. No income tax effect was expected to be derived from the recognized goodwill.

The Company's goodwill arises due to merger and acquisition of the subsidiary. The transfer consideration was set based on the value of investment in Allstron calculated under income-based method referred to in the appraisal report issued by the expert. The income-based method applied Allstron's financial forecast for next five (5) years and estimated discount rate as the evaluation basis.

(d) Goodwill Impairment Charges

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

(e) Goodwill Impairment Test

For the purpose of impairment test, goodwill acquired from amalgamation already amortized to cash generating units. The goodwill in account books is as follows:

	Cash-generating units-**Allstron**	
	December 31, 2016	**December 31, 2015**
Goodwill	$ —	$ 45,533

Cash Generating Unit - Allstron

As Allstron has been evaluated as an independent cash generating unit at the end of December, 2016, its recoverable amount shall be decided according to its use value. Allstron's recoverable amount was measured according to its forecasted cash flow (in a five-year financial forecast approved by the management) applied with a discount rate; the forecasted growth of the sixth-year cash flow is zero and the demand for an increase of net working capital is zero. The cash flow forecast is already updated to reflect changes to the needs for relevant products; discount rate adopted for the cash flow forecast is based on the pre-tax value. The management already, according to the analysis results, recognized goodwill impairment loss with a value of NT$45,533 thousand at the end of 2016.

Key Assumptions Used to Calculate Cash Generating Unit's Recoverable Amount

Ⓐ The forecast of cash flow is based on the past experience, past performance and the five-year business plan with regard to the market development. The management believes that the forecast period, which is from 2017 to 2021, is reasonable.

Ⓑ The first-year revenue in the business plan is forecasted according to the past experience. Besides, the growth rate of forecasted annual revenue from 2018 to 2021 is based on the prediction of market performance. The management believes that such forecast is reasonable.

Ⓒ The gross margin in the business plan is forecasted based on the past experience and the management believes that such forecast is reasonable.

Ⓓ The purpose of applying a discount rate is to interpret risks to be taken over and required necessary returns for the future operation or use.

Values of these key assumptions represent the management's evaluation on Allstron's future trend and are based on both of external and internal information (historical information).

J. 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 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.

K. 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.

L. 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.

M. 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.

N. 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 Dec. 31, 2017.

O. Guarantee

As of December 31, 2017 and 2016, 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 FY2017 and FY2016:

	Land	House and building	Machine & equipment	Transportation equipment	Furniture and fixtures	Research equipment	Other equipments	Construction in progress	Total
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
Cost:									
January 1, 2016	$ 763,767	$ 1,263,213	$ 599,352	$ 1,320	$ 85,913	$ 559,288	$ 19,116	$ 52,106	$ 3,344,075
Addition	-	20,908	35,421	-	9,538	13,544	80	60,728	140,219
Disposition	-	-	(40,290)	(1,320)	(21,806)	(19,462)	(5,002)	-	(87,880)
Transfer	-	69,999	78,145	-	536	31,402	-	(69,999)	110,083
December 31, 2016	$ 763,767	$ 1,354,120	$ 672,628	$ -	$ 74,181	$ 584,772	$ 14,194	$ 42,835	$ 3,506,497
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
Depreciation and impairment:									
January 1, 2016	$ -	$ 188,641	$ 228,502	$ 623	$ 47,334	$ 273,019	$ 10,881	$ -	$ 749,000
Depreciation	-	44,594	89,086	55	17,731	78,526	2,446	-	232,438
Disposition	-	-	(40,290)	(678)	(21,796)	(19,458)	(5,002)	-	(87,224)
Transfer	-	-	(105)	-	-	-	-	-	(105)

December 31, 2016	$ -	$ 233,235	$ 277,193	$ -	$ 43,269	$ 332,087	$ 8,325	$ -	$ 894,109
Net book value									
December 31, 2017	$ 770,963	$ 1,167,683	$ 500,982	$ -	$ 27,792	$ 402,493	$ 3,960	$ 57,571	$ 2,931,444
December 31, 2016	$ 763,767	$ 1,120,885	$ 395,435	$ -	$ 30,912	$ 252,685	$ 5,869	$ 42,835	$ 2,612,388

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, 2017 and 2016, 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 FY2017 and FY2016 are shown below:

	Computer software		Computer software
January 1, 2017	$ 35,293	**January 1, 2016**	$ 35,739
Addition	29,714	Addition	22,402
Reclassification	(109)	Reclassification	—
Amortization expenses	(23,943)	Amortization expenses	(22,848)
December 31, 2017	$ 40,955	**December 31, 2016**	$ 35,293

A. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses (stated as other noncurrent assets) 2017 and 2016 were stated as the following items in the comprehensive income statement:

	2017	2016
Operating cost	$ 17,888	$ 15,864
Operating expense	27,680	28,867
Total amortization expenses	$ 45,568	$ 44,731

B. R&D expenditure

In FY2017 and FY2016, the R&D spending deriving from intangible assets internally developed amounted to NT$803,594 thousand and NT$848,764 thousand, respectively, recognized under the title of "Operating expenses –R&D expenses" in the comprehensive income statement.

(8) Other non-current assets

	December 31, 2017	December 31, 2016
prepayments for equipment	$ 95,842	$ 319,107
Refundable deposit	19,313	19,836
Deferred Charges	37,510	46,226

Total	$ 152,665	$ 385,169

The costs of Deferred Charges, amortization, and the impairment loss of the Company as of and for the ended of December 31, 2017 and 2016 were as follows:

	Deferred Charges		Deferred Charges
January 1, 2017	$ 46,226	**January 1, 2016**	$ 55,120
Addition	12,909	Addition	12,989
Reclassification	—	Reclassification	—
Amortization expenses	(21,625)	Amortization expenses	(21,883)
Impairment	—	Impairment	—
December 31, 2017	$ 37,510	**December 31, 2016**	$ 46,226

(9) Short-term loan

	December 31, 2017		**December 31, 2016**	
Nature of loan	Amount	Interest rate	Amount	Interest rate
Credit loan	$ 210,000	0.87% ~0.895%	$ 180,000	0.92%
Secured borrowings	960,000	0.89% ~0.895%	200,000	1.00%
Total	$ 1,170,000		$ 380,000	

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

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

(10) Other payable accounts

	December 31, 2017	**December 31, 2016**
Payable expenses	$ 412,053	$ 470,311
Payable employees' remuneration	9,323	61,660
Short-term employee benefits	19,648	53,632
Others (all less than 5%)	3,948	16,605
Total	$ 444,972	$ 602,208

(11) Reserve for liabilities

	Warranty		**Warranty**
Balance, January 1, 2017	$ 2,595	**Balance, January 1, 2016**	$ 1,240
Increase (decrease)	615	Increase (decrease)	1,355
Balance, December 31, 2017	$ 3,210	**Balance, December 31, 2016**	$ 2,595
Current	$ 3,210	Current	$ 2,595
Non-current	-	Non-current	-
Balance, December 31, 2017	$ 3,210	**Balance, December 31, 2016**	$ 2,595

The provision for warranty liabilities of the company in 2017 and 2016 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, 2017	December 31, 2016
Total amount of 3rd domestic unsecured convertible corporate bond	$ 700,000	$ 700,000
Less: Conversion amount	(126,000)	(99,300)
Less: Convertible corporate bonds expired	(574,000)	-
Less: Corporate bond discount	-	(10,053)
Corporate bond payable, net	$ -	$ 590,647
Current	$ -	$ 590,647
Non-current	-	-
Total	$ -	$ 590,647
Embedded financial derivatives - financial liabilities (assets)	$ -	$ (60)
Elements of equity	$ -	$ 28,261

A. In order to purchase factory premises and machine & equipment and repayment of bank loan, the Company issued 3rd domestic unsecured convertible corporate bonds upon resolution of the board of directors on October 16, 2014, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1030042656 dated November 4, 2014. The issuance conditions are stated as following:

(a) Total issued amount: NT$700 million

(b) Duration: 3 years (November 18, 2014~November 18, 2017)

(c) Coupon rate: 0%

(d) Duration: The day following expiration of one month after the date of issuance (December 19, 2014) until the expiry date (November 18, 2017).

(e) Conversion price and adjustment thereof:

Ⓐ The conversion price at the time of issuance shall be NT$100 per share.

Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.

Ⓒ The Company's board of directors resolved on August 7, 2015 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 13, 2015, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$93.4 per share.

Ⓓ The Company's board of directors resolved on July 11, 2016 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of August 26, 2016, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$90.2 per share.

Ⓔ The Company's board of directors resolved on August 11, 2017 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 15, 2017, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$85.6 per share.

(f) Bondholders' put option: The bondholders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, November 18, 2016, upon expiration of two years after issuance of the bonds. The bondholders may ask the Company to redeem the bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

(g) The Company's right of redemption:

Ⓐ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

Ⓑ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal: Except those converted to the Company’s common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

B. 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.

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

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

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated, which was stated into the "financial asset (liability) held for trading". The "gain (loss) from financial assets and liabilities at fair value through profit or loss" was (NT$55) thousand and NT$1,742 thousand in 2017 and 2016.

The effective interest rate for the 3rd domestic unsecured convertible corporate bonds was 1.9183%. The interest expenses of convertible corporate bond recognized in 2017 and 2016 were NT$9,787 thousand and NT$11,214 thousand.

(13) Long-term Loans

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 %

Bank	Nature	Limit	Duration	December 31, 2016
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 201,100	2015/09/30~2020/09/30	$ 201,000
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$ 163,000	2009/03/02~2022/03/02	48,968
Less: current portion				(9,328)
Total				$ 240,640
Interest rate range				1.28 %~1.32 %

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 2017, the balance of the pension contribution in the special account at the Bank of Taiwan amounted to NT$51,924 thousand.

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	$ 83,621	$ 74,960
Fair value of planned assets	(51,924)	(47,506)
Net defined benefit liability	$ 31,697	$ 27,454

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

	2017	2016
Present value of defined benefit obligation, January 1	$ 74,960	$ 66,445
Service cost in current period	5,126	5,128
Interest cost	1,274	1,196
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	2,261	1,254
Empirical adjustment	-	937
Present value of defined benefit obligation, December 31	$ 83,621	$ 74,960

(d) Changes in fair value of planned assets:

	2017	2016
Fair value of planned assets, January 1	$ 47,506	$ 43,220
Interest revenue	840	811
Return (loss) on remuneration of planned assets	(369)	(491)
Contribution by employer	3,947	3,966
Benefit payment-from planned assets	-	-
Fair value of planned assets, December 31	$ 51,924	$ 47,506

(e) Total expenses recognized in comprehensive income statement:

	2017	2016
Service cost in current period	$ 5,126	$ 5,128
Interest cost of defined benefit obligation	1,274	1,196
Interest revenue from planned assets	(840)	(811)
Defined benefit cost stated into income	$ 5,560	$ 5,513

(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, 2017 and 2016, 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)

	2017	**2016**
Discount rate	1.55%	1.70%
Future salary and benefit level	2.25%	2.25%

Until December 31, 2017, the weighted average duration of the pension plan has been 19 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, 2017				
Effect on defined benefit	(3.89%)	4.08%	17.40%	(14.60%)

obligation %				
Amount of effect on defined benefit obligation %	$ (3,253)	$ 3,412	$ 14,550	$ (12,209)
December 31, 2016				
Effect on defined benefit obligation %	(4.12%)	4.33%	18.62%	(15.48%)
Amount of effect on defined benefit obligation %	$ (3,088)	$ 3,246	$ 13,958	$ (11,604)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period.

(j) The Company is expected to contribute NT$3,900 thousand to the Plan in the reporting period of next year.

B. Defined contribution plans

(a) With effect on July 1, 2005, the company has established the regulation for the contribution of pension fund in accordance with the “Labor Pension Act” which is applicable to employees of ROC nationality. For the employees electing to adopt the “Labor Pension Act” for retirement, the company allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the personal pension account with accumulated return payable monthly or in lump sum.

(b) In FY2017 and FY2016, the Company has recognized pension expenses amounted to NT$50,623 thousand and NT$47,463 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:

	2017	**2016**
Balance, January 1	79,605,392	79,005,392
Transfer of treasury stock to employees	-	600,000
Corporate bond conversion	295,996	-
Balance, December 31	79,901,388	79,605,392

B. Capital surplus

(a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	December 31, 2017	**December 31, 2016**
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	569,216
Treasury stock trading	58,236	58,236
May be used to offset a deficit only (Note2)		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	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)	-	28,261
Total	$ 909,204	$ 885,735

(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 group issued the first and second Domestic unsecured convertible corporate bonds; the company recognized NT$35,596 thousand as paid-in capital in excess of par-common stock.

Ⓒ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT$1 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.3. Retained earnings.

C. Retained earnings

(a) According to the Company's Articles of Incorporation, if the Company has profits after final account for the concerning fiscal year, the profits shall be allocated in the following order: (1) Payment of tax. (2) Covering of loss; (3) 10% set aside as legal reserve; (4) Provision of special reserve pursuant to laws; (5) The remainder, if any, plus allocable earnings at the end of the year may be subject to the motion for distribution of allocable earnings prepared by the board of directors and submitted to a shareholders' meeting for resolution. Where the earnings are resolved to be allocated, they shall be allocated in the following manners:

- Employee remuneration: at least 12% of the allocable earnings.
- Remuneration to directors/supervisors: no more than 3% of the allocable earnings.
- Shareholders remuneration: the remainder less the allocated amount referred to in the preceding two sub-paragraphs.

The counterparts whom the stock dividends may be allocated to shall include the employees of affiliated companies.

(b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

(c) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year's final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

(d) Legal reserve

According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders' meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(e) Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

The Company doesn't need to provide special reserve, pursuant to the related laws in, in December 31, 2016.

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

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

The Company resolved to allocate the cash dividend, NT$238,816 thousand (NT$3 per share), to shareholders from earnings 2015 on June 16, 2016.

(g) The information about allocation of retained earning approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(h) For the information about remuneration to employees and remuneration to directors/supervisors, please see Note 6(20)

D. Treasury stock

(a) Cause of repurchase and increase/decrease in quantity:

	January 1 to December 31, 2017			
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	-	-	-	-

	January 1 to December 31, 2016			
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	**600,000**	-	**600,000**	-

(b) According to the Securities and Exchange Act, the number of outstanding shares repurchased may not exceed ten percent of the Company's total number of issued shares. The total amount of the repurchased shares may not exceed the amount of retained earnings plus premium on capital stock and realized capital surplus. The Company repurchased the treasury stock totaling 600,000 shares, i.e. NT$34,454 thousand, from August to October 2015.

(c) According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged. Before the transfer, the treasury stock shall not be entitled to any shareholder right.

(d) According to the Securities and Exchange Act, the shares repurchased by a company for transfer of the same to employees shall be transferred within three years from the date of repurchase. The shares not transferred within the said time limit shall be deemed as not issued by the company, and amendment registration shall be processed.

(e) In order to recruit and retain the technical and professional talents for the Company, and encourage their long-term service, loyalty, productivity and sense of belonging to create interest for the Company and shareholders jointly, the Company established the "Third time Regulations Governing Share Repurchase and Transfer of Shares to Employees", in accordance with Article 28-2 of Securities and Exchange Act, and the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies promulgated by FSC. The Regulations were approved upon resolution of the board of directors on March 9, 2016. The treasury stock, totaling 600,000 shares, was transferred to employees of the Company and Chain-Logic International Corp. wholly owned by the Company on the record date of stock option, namely March 9, 2016, at NT$54.72 per share. According to the estimation under Black-Scholes evaluation model, the fair value was NT$23.78 per share on the grant date. The Company recognized the remuneration cost, NT$12,937 thousand (stated as salary expenses) and the subsidiaries-Chain-Logic International Corp. recognized the remuneration cost, NT$1,331 thousand (stated as investments accounted for using equity method). The parameters adopted by the evaluation model are stated as following:

		2016 Treasury stock transferred to employees
Evaluation Model	Black-Scholes option-pricing model	
	Vesting period	March 9~14,2016
	Dividend yield rate	4.42 %
	Exercise price	$ 57.42
	Stock price	$ 81.20
	Expected price volatility	49.60 %
	Risk-free interest rate	0.210 %

The price difference between the transfer consideration less necessary trading cost, NT$34,349 thousand, and capital surplus-employee stock option, NT$14,268 thousand, and the repurchase cost, NT$34,454 thousand, was stated into the capital surplus-treasury stock exchange, NT$14,163 thousand.

(16) Share-based payment－employee compensation plan

As of December 31, 2017, information on outstanding ESO is shown below: N/A

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	2017	2016
Gain (loss) from disposition of property, plant and equipment	**$ (1)**	$ (175)
Gain on disposition of investment	15,557	-
Gain (debt) from financial assets and liabilities at fair value through profit or loss	(55)	1,742
Foreign currency exchange gain (loss), net	(24,557)	(14,500)
Loss on valuation of nonfinancial asset	-	(45,533)
Others	(180)	(108)
Total	$ (9,236)	$ (58,574)

(a) For the notes to gain on disposition of investment, please refer to Note 6(5).

(b) For the notes to loss on valuation of Investments accounted for using equity method, please refer to Note 6(5).

B. Financial cost

	2017	2016
Interest expenses		
Bank loan	$ 9,423	$ 9,937
Convertible corporate bond	9,787	11,214
Subtotal	19,210	21,151
Less: capitalized interest	(2,431)	(2,543)
Total	$ 16,779	$ 18,608
Capitalized interest rate	0.62%~1.12%	1.04%~1.57%

(18) Income Tax

A. The detail of income tax expenses (benefits) of the company is shown below:

	2017	2016
Income tax in current period:		
Generated in the current period	$ 30,151	$ 73,284
Overestimated (underestimated) income tax in previous year	-	52
Total income tax in the current period	30,151	73,336
Deferred income tax		
Occurrence and reversal of temporary difference	(3,514)	(3,000)
Effect of changes in tax rate	-	-
Total deferred income tax	(3,514)	(3,000)
Total	$ 26,637	$ 70,336

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

C. The Company income tax expenses recognized under the title of equity are

NT$0 start from January to December, at 2017 and 2016.

D. Relations between income tax expenses (gains) and accounting profit

	2017	2016
Net profit (loss) before tax	$ 172,404	$ 633,615
Income tax on net profit before tax calculated at the domestic tax rate applicable in the place where the Company is situated (17%)	$ 29,307	$ 107,715
Income tax effect included into the items that shall not be recognized pursuant to tax laws	(468)	(5,607)
Income tax effect on deferred income tax assets/liabilities	(3,514)	(3,000)
Unrecognized deferred income tax assets	-	-
Tax-free income	-	(47,598)
Maximum foreign-tax deduction	-	-
Income tax effect on investment credit	(12,875)	(16,896)
Imposition of 10% income tax on undistributed earnings	14,077	1,811
Income tax effect under minimum tax system	110	33,859
Overestimated (underestimated) income tax in previous year	-	52
Total	$ 26,637	$ 70,336

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	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)

	2016				
	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 37,960	$ (1,918)	-	-	$ 36,042
Unrealized exchange loss	275	1,935	-	-	2,210
Unrealized warranty cost	211	230	-	-	441
Bad debt loss	107	(107)	-	-	-
Unrealized loss on valuation of nonfinancial asset	-	7,741	-	-	7,741
Unrealized gain on inter-affiliate accounts	19,878	(3,995)	-	-	15,883
Tax difference on depreciation expenses	13	-	-	-	13
Total	$ 58,444	$ 3,886	-	-	$ 62,330
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (1,147)	$ 417	-	-	$ (730)
Unrealized net investment income (foreign)	(2,084)	(1,566)	-	-	(3,650)
Recognition of pension expenses (deficit)	(4,316)	263	-	-	(4,053)
Total	$ (7,547)	$ (886)	-	-	$ (8,433)

(b) Unrecognized deferred income tax assets

	December 31, 2017	December 31, 2016
Investment credit	$ -	$ -
Amount of unrecognized deferred income tax assets	$ -	$ -

(c) Unrecognized deferred income tax liabilities

	December 31, 2017	December 31, 2016
Taxable temporary difference	$ -	$ -
Amount of unrecognized deferred income tax liabilities	$ -	$ -

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2017 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 FY2017	$ 86,919	$ —	$ 12,875	$ —	(non-deferred)
	$ 86,919	$ —	$ 12,875	$ —	

(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 2015.

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

	December 31, 2017	December 31, 2016
Deductible tax account-Balance	$ 238,268	$ 229,656

	2017 (Projected)	2016 (Actual)
Deductible rate of earnings allocation	Note 1	15.32 %

Said information about the two-in-one tax policy refers to the amount treated according to the letter of Ministry of Finance under Tai-Tsai-Shui No. 10204562810 dated October 17, 2013.

According to Article 66-6 of the amended Income Tax Law, the tax deduction applicable to individual shareholders residing within the territories of the R.O.C. may be discounted at 50% as of January 1, 2015 when the earnings are allocated.

Note 1：With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

I. Information about the Company's undistributed earnings

Except the balance, NT$322 thousand, before 1997, the remainder of the

Company's undistributed earnings refers to those after 1998.

(19) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

	2017			2016		
	Amount after tax	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**	**Amount after tax**	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 145,767	79,812	$ 1.83	$ 563,279	79,480	$ 7.09
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 145,767	79,812		$ 563,279	**79,480**	
Effect of all potential diluted common stocks						
3rd domestic unsecured convertible corporate bond	-	-		-	6,660	
Employee stock option exercise adjustment	-	-		-	-	
Employee stock bonus	-	137		-	717	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 145,767	79,949	$ 1.83	$ 563,279	**86,857**	$ 6.49

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	2017			2016		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating expense**	**Total**

Employee benefit expense						
Salary expense (including employees' compensation)	697,135	502,050	1,199,185	765,048	655,009	1,420,057
Labor/health insurance expenses	53,763	37,392	91,155	54,289	46,602	100,891
Pension expenses	32,173	24,010	56,183	28,400	24,577	52,977
Other employee benefit expenses (Note 1)	66,407	19,471	85,878	74,357	22,387	96,744
Depreciation expenses	206,126	80,930	287,056	165,055	67,383	232,438
Depletion expenses	—	—	—	—	—	—
Amortization expenses	17,888	27,680	45,568	15,864	28,867	44,731

(Note 1) The other employee benefit expenses including meal expenses, overtime pay and workers' benefits.

(Note 2) Until the end of 2017 and 2016, the Company has hired 1,530 employees and 1,444 employees respectively.

A. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings. For the details about capital increase, please see Note 6(15).

B. The Company has approved the motion for amendments to the Articles of Incorporation on June 16, 2016:
Where the Company retains income before tax after the account settlement, it shall allocate 5%~15% thereof as the remuneration to employees, and not be lower than 3% thereof as the remuneration to directors/supervisors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors/supervisors on a pro rata basis as referred to in the preceding paragraph.
The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.
Employees' remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

C. The Company estimated the remuneration to employees was NT$9,323 thousand and NT$61,660 thousand, respectively, in 2017 and 2016, and the remuneration to directors/supervisors NT$0 and NT$14,760 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 2016 resolved to be allocated at the shareholders' meeting on June 13, 2017 were NT$61,660 thousand and NT$14,760 thousand, respectively, identical with that recognized in the financial statement 2016, and the remuneration to employees will be paid in cash.

The Board of Directors of MPI held on June 13, 2017 approved the profit sharing bonus to employees in 2016. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2017.

E. The remuneration to employees and directors/supervisors 2015 resolved to be allocated at the shareholders' meeting on June 16, 2016 were NT$28,640 thousand and NT$7,160 thousand, respectively, identical with that recognized in the financial statement 2015, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2016.

F. The information about remuneration to employees and remuneration to directors/supervisors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(21) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	2017	2016
Purchase of property, plant and equipment	$ 610,379	$ 249,844
Add: Payables for equipment, beginning	129,342	90,945
Less: Payables for equipment, ending	(82,660)	(129,342)
Cash paid in current period	$ 657,061	$ 211,447

B. Financing activities not affecting cash flow:

	2017	2016
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, 2017	December 31, 2016
Chain-Logic International Corp.	Taiwan	100%	100%
Won Tung Technology Co., Ltd.	Taiwan	100%	100%
Allstron Corporation	Taiwan	100%	100%
MPI TRADING CORP.	Samoa	100%	100%
MMI HOLDING CO.,LTD.	Samoa	100%	100%
MPA TRADING CORP.	Anguilla	100%	-

CHAIN-LOGIC TRADING CORP.	Mauritius	100%	100%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Mainland China	100%	100%
LEDA-ONE (Shenzhen) Co.	Mainland China	-	100%
Lumitek (Changchou) Co. Ltd.	Mainland China	100%	100%
MEGTAS CO.,LTD.	Korea	60%	60%
MPI AMERICA INC.	USA	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 MHC
MPI (SUZHOU) CORPORATION (MPS)	Subsidiary- a subsidiary of MHC
MPI AMERICA INC. (MPA)	Subsidiary- a subsidiary of MPATC
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
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD (MET)	Associates –a subsidiary of MMS (liquidated in December 27, 2017)
MMK (Kunshan)	Associates
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	2017	2016
Sale of products:		
-Affiliates	$ 34,109	$ 58,019
-Essential related party	266,104	356,503

(Director of the original Company)		
-Subsidiary		
CLIC	18,483	24,975
LUMITC	64,255	22,307
MPS	4,159	-
MPA	119,117	-
Others	41,784	32,705
Sale of labor services:		
-Essential related party (Director of the original Company)	16,324	81,118
Total	$ 564,335	$ 575,627

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	2017	2016
Affiliates	$ 195	$ 666
-Essential related party (Director of the original Company)	3,932	75,070
Subsidiary		
CLIC	6,218	2,057
MPA	406	-
Others	-	484
Total	$ 10,751	$ 78,277

The price of the Company's purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Receivable accounts-related parties

The Company's receivable accounts-related parties are stated as following:

Title	Type	December 31, 2017	December 31, 2016
Receivable accounts	Affiliates	$ -	$ 14,670
Receivable accounts	-Essential related party (Director of the original Company)	758	22,390
Receivable accounts	Subsidiary		
	CLIC	4,291	9,116
	LUMITC	118,048	125,963
	MPS	4,126	-
	MPA	111,349	-
	Others	26,418	13,427
Accounts receivable		264,990	185,566
Less: Allowance for bad debt		-	(447)
Accounts receivable, net		$ 264,990	$ 185,119

Other receivable accounts	Subsidiary		
	CLIC	$ 1,296	$ 4,863
	LUMITC	27,228	23,390
	MPS	1,652	-
	Total	$ 30,176	$ 28,253

D. Payable accounts-related parties

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

Title	Type	December 31, 2017	December 31, 2016
Accounts payable	Affiliates	$ -	$ 11
Accounts payable	Essential related party(Director of the original Company)	3,673	81
Accounts payable	Subsidiary-CLIC	4,983	655
Other payable accounts	Essential related party(Director of the original Company)	4,875	342
Other payable accounts	Subsidiary		
	CLIC	122,700	68,447
	MPS	2,519	-
	Others	8,227	17,182
Total		$ 146,977	$ 86,718

E. Prepayment：None.

F. Exchange of property

a. Acquisition of property, plant, and equipment

Type	Nature	2017	2016
Essential related party (Director of the original Company)	Machine & equipment	$ -	$ 224
Subsidiary			
CLIC	R&D equipment	$ 200	$ 3,818
CLIC	Office equipments	$ 18	$ -

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

G. Loan to others (stated as other receivable accounts-related party)

2017:

Type	Maximum balance	Balance ending	Interest rate %	Interest revenue
Subsidiary-Megtas	$ 4,629	$ 4,629	4.99%	$ 172

2016:

Type	Maximum balance	Balance ending	Interest rate %	Interest revenue
Subsidiary-Megtas	$ 3,096	$ -	5.35%	$ 40

H. Purchase of labor services from related parties

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

Type	2017	2016
Promotion-expenditure in commission:		
-Affiliates	$ 2,306	$ 2,770
-Essential related party Director of the original Company)	5,103	3,978
-Subsidiary		
CLIC	72,323	58,894
MPS	2,595	-
Others	6,492	23,397
Total	$ 88,819	$ 89,039

I. Others

a. Payment on behalf of others (stated as other current assets): N/A

b. Advance sale receipts

Type	December 31, 2017	December 31, 2016
Affiliates	$ -	$ 2,413
Essential related party Director of the original Company)	265	611
Subsidiary		
CLIC	22	-
Others	-	3,360
Total	$ 287	$ 6,384

c. Temporary receipts (stated as other current liabilities): None.

d. Manufacturing expenses (stated as operating cost)

Type	Nature	2017	2016
Affiliates	Processing expenses	$ 50	$ 2,795
Essential related party (Director of the original Company)	Other expenses	$ -	$ 4
Subsidiary			
CLIC	Miscellaneous purchases	$ 373	$ 23
CLIC	Other expenses	$ 481	$ 10
CLIC	Consumables	$ -	$ 9
Others	Repair and maintenance expense	$ -	$ 6
Others	Consumables	$ 136	$ -

e. Selling expenses

Type	Nature	2017	2016
Essential related party (Director of the original Company)	Other expenses	$ -	$ 964
Essential related party (Director of the original Company)	Repair expenses	$ 46	$ -
Affiliates	Other expenses	$ 3,663	$ 1,794
Subsidiary			
CLIC	Other expenses	$ 597	$ 5,158
Others	Other expenses	$ 106	$ 353

f. Management expenses

Type	Nature	2017	2016
Subsidiary-Others	Other expenses	$ 50	$ -
Subsidiary	Dormitory fees paid by employees	$ (38)	$ (38)

g. Research expense

Type	Nature	2017	2016
Subsidiary			
CLIC	Miscellaneous purchases	$ 49	$ 52
CLIC	Other expenses	$ 11	$ 25
Others	Other expenses	$ 76	$ 6
Others	Repair and maintenance expense	$ -	$ 38

h. Lease

The Company's lease revenue from related parties is stated as follows:

Type	2017	2016
Subsidiary-CLIC	$ 3,844	$ 3,859
Affiliates	$ 45	$ 450

The main contents of lease contract:

Type	Subject matter	Duration of lease	Mode of collection
Subsidiary	Sublet the factory premises building and parking lots at Wenshan Road, Xinpu Township, Hsinchu County	2014/12/21~2017/12/20	NT$242 thousand per month (before tax) The rent of parking lots was calculated subject to the actual service condition on a monthly basis.
Subsidiary	Jiaren St., Zhubei City, Hsinchu County (Employee dormitory)	2005/12/01~2006/11/30, Renewed automatically upon expiration	Settled based on the actual number of persons on a monthly basis.
Subsidiary	Rent the branch company office at Luchu, Kaohsiung City	2008/04/18~2009/04/17, Renewed automatically upon expiration	NT$10 thousand per month (before tax)
Affiliates	Sublet the factory premises building at Wenshan Road, Xinpu Township, Hsinchu County	2014/11/01~2017/10/31	Since January 1, 2016, NT $ 58 thousand per(excluded VAT); Since April 1, 2016, NT $ 51 thousand per(excluded VAT); Since September 1, 2016, NT $ 6 thousand per(excluded VAT); To count for actual parking space per month.

i.Other revenue

Type	2017	2016
-Essential related party (Director of the original Company	$ 544	$ 272
Affiliates	$ 46	$ 812
Subsidiary		

CLIC	$	925	$	304
LUMITC		37,039		29,635
MPS		1,829		-
MPA		1,453		-
Others		177		763
Total	$	41,423	$	30,702

j. Information about remuneration to the management

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

	2017		2016	
Salary and other short-term employee benefits	$	14,067	$	10,540
Resignation benefits		-		-
Retirement benefits		-		-
Other long-term benefits		-		-
Total	$	14,067	$	10,540

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, 2017		December 31, 2016	
Land	$	763,767	$	699,538
Building		884,374		910,837
Pledged time deposit (stated as other current assets)		2,694		8,469
Total	$	1,650,835	$	1,618,844

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: N/A.

(2) Commitment:

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

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

C. The Company’s significant long-term rent:

(a) The Company rented the land lots in Tainan Science Park from Southern Taiwan Science Park Administration for construction of Luchu 1st Plant and 2nd Plant. 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, 2018. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

(d) The Company rented the land and the construction at Guangfu Rd, Hukou Township, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on September 30, 2021. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

The income expenses for said two lots of long-term operating leased land were stated as NT$15,647 thousand and NT$8,737 thousand in 2017 and 2016.

The future payable rent for important long-term operating lease is stated as follows:

	December 31, 2017
Less than one year	$ 10,318
One year to five years	28,915
More than five years	8,658
Total	$ 47,891

D. The outstanding amount under the purchase orders signed for the Company's purchase of equipment is stated as following:

	December 31, 2017	December 31, 2016
Purchase of property, plant and equipment	$ 30,724	$ 196,205

10. <u>Significant disaster loss</u>: N/A.

11. Significant subsequent events: N/A.

12. Others

(1) Fair value information of financial instruments

A. Financial instruments not at fair value：

The carrying amounts of the Company' (including cash and cash equivalents, accounts receivable, other receivables, Pledged time deposit ,short-term loans, notes payable, accounts payable and other payables are approximate to their fair values.

Noncurrent financial instrument (including refundable deposit, deposits received, long-term loans, term accounts payable)，The effect of discounting is minor, thus, the book value are approximate their the fair values. Fair value recognized in the consolidated balance sheet:

B. Fair value measurements recognized in the consolidated balance sheets：

The Company applied the input which was observable in the market as possible as it could when measuring its assets and liabilities. The level of fair value is concluded as following based on the input used by the valuation technology:

1st level: Open quotation of the same assets or liabilities in an active market on the date when the assets or liabilities may be acquired (before adjustment). The active market means the market in which there are frequent and large volumes of transactions to provide the information about pricing on an ongoing basis.

2nd level: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

3rd level: Inputs for the asset or liability that are not based on.

	1st level	2nd level	3rd level	Total
December 31, 2017				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
December 31, 2016				
Financial assets				
Financial Assets held for trading - current	-	$ 60	-	$ 60
Financial liabilities	-	-	-	-

(a) The methods and hypotheses used by the Company to measure fair value are stated as following:

With respect to more complicate financial instruments; the Company applied the evaluation models consisting of the evaluation methods and technologies extensively employed in the same trade to measure the fair value. Such evaluation model is used to applying to the debt instruments or securitization products, including financial derivatives and embedded derivatives.

(b) There was no transfer between Level 1 and Level 2 for the measurement of fair value for 2017 and 2016.

(c) Among the total gains (losses) stated into the income, the gains (losses) related to the financial derivatives were (NT$55) thousand and NT$1,742 thousand in 2017 and 2016.

(2) Financial risk management

A. Purpose

(a) The Company's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.

(b) The Company has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Company shall strictly comply with the requirements related to financial risk management defined by the Company.

B. Nature and degree of important financial risk

(a) Market risk

The Company's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Company's foreign exchange risk arises primarily from the operating activities (revenue or expense denominated in the currency different from the Company's functional currency) and net investment in foreign operations.

The Company's receivable accounts denominated in foreign currency

are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Company did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.
The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Company's income and equity. The Company's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen and Euro.

The Company's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or Won). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

December 31, 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

	December 31, 2016			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 8,079	32.25	$ 260,548
	NTD/JPY	$ 1,832	0.2727	$ 500
	NTD/EUR	$ 48	33.775	$ 1,621
	NTD/RMB	$ 27,515	4.6175	$ 127,051
	NTD/KRW	$ 327	0.02701	$ 9
	NTD/HKD	$ 4	4.1055	$ 16
	NTD/SGD	$ 6	22.17	$ 133
	NTD/MYR	$ 11	6.905	$ 76
Financial liabilities	NTD/USD	$ 2,668	32.25	$ 86,043
	NTD/JPY	$ 16,934	0.2727	$ 4,618
	NTD/EUR	$ 329	33.775	$ 11,112
	NTD/RMB	$ 28	4.6175	$ 129
	NTD/SGD	$ 10	22.17	$ 222

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$24,557) thousand and (NT$14,500) thousand in 2017 and 2016.

Ⓑ Interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The 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, 2017 and 2016 is stated as following:

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

December 31, 2016

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-10,770 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	+/- 1,575 thousand

(b) Credit risk

Ⓐ Credit risk represents the financial loss that would be incurred by the Company if its customers or financial instrument trading counterparts fail to perform the contracts.

Ⓑ According to the loan policy expressly defined internally in the Company, Business Dept. Shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Bank also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.

Ⓒ In 2017 and 2016, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.

Ⓓ The Company grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of bad debt provided for the Company's impairment on receivable accounts and account age analysis on loans, please see Note 6(3):

Ⓔ The Company's Finance Dept. Manages the credit risk over the deposits in banks and other financial instruments according to the Company's policy. The Company’s trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.

Ⓕ Guarantee

According to the Company's policy, the Company may only make financial guarantee for the subsidiaries wholly owned by the Company. Before December 31, 2017 and 2016, the Company has never made any endorsements/guarantees.

(c) Liquidity risk

Ⓐ The liquidity risk arises when the Company fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Company managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Company's goodwill.

Ⓑ The Company's will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Company will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Company's loan totaled NT$506,000 thousand on December 31, 2017.

Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Company did not hold derivative financial liabilities.

Non-derivative financial liabilities	December 31, 2017 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

Non-derivative financial liabilities	December 31, 2016 Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	$ 380,000	$ -	$ -	$ 380,000
Payable accounts (including related party)	406,173	-	-	406,173
Other payable accounts (including related party)	817,521	-	-	817,521
Current portion of call option	590,647	-	-	590,647
Long-term loan (including the current portion)	9,328	9,328	231,312	249,968
Total	$2,203,669	$ 9,328	$ 231,312	$ 2,444,309

(3) Capital risk management

The Company’s capital management objective is intended to protect the Company's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Company manages and adjusts the capital structure subject to the economic condition. The Company might adjust the stock dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Company controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Company maintained the same strategy in 2017 as that in 2016, dedicated to maintaining the debt/equity ratio less than 70%~120%. The Company's debt ratios on December 31, 2017 and 2016 are stated as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 3,860,930	$ 3,184,212
Total net worth	3,767,978	3,946,956
Debt/equity ratio	102%	81%

13. Disclosures of Notes

(1) <u>Information about important transactions</u>

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	2017
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.

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	MJC Electronics Corporation	Subsidiary of the Company's director, MJC	Sale	$ 253,212	6 %	same as that applicable to the general customer	—	—	Receivable accounts $ 758	—	
The Company	MPI AMERICA INC.	The Company's subsidiaries	Sale	$ 119,117	3 %	same as that applicable to the general customer	—	—	Receivable accounts $111,349	12%	

Attached Table 3: Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital

Name of company stated into receivable accounts	Trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivable accounts-related parties		Subsequent recovered amount of receivable accounts-related parties	Allowance for bad debt
					Amount	Treatment		
MPI Corporation	Lumitek (Changchou) Co. Ltd.	The Company's subsidiaries	Receivable accounts $ 118,048	0.5267	—	—	$15,652	—
MPI Corporation	MPI AMERICA INC.	The Company's subsidiaries	Receivable accounts $ 111,349	1.0698	—	—	$ 5,256	—

(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 2016 is stated as follows:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 62,325	$ 8,714	$ 8,714	Subsidiary of MPI Corporation

MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 686,177	$ 635,844	22,061,857 (Note6)	100%	$ 587,125	$ 23,116	$ 23,963	Subsidiary of MPI Corporation (Note 4)
MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-81 1, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	$ 39,906	$ 39,906	300,000	60%	$ 25,255	$ 8,750	$ 5,285	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%	$ 238,519	$ 21,861	$ 18,947	Subsidiary of MPI Corporation
MPI Corporation	Won Tung Technology Co., Ltd.	1F, No. 100, Jiaren Street, Zhubei City, Hsinchu County	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	$ 500	$ 500	50,000	100%	$ 4	$ (184)	$ (184)	Subsidiary of MPI Corporation
MPI Corporation	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	—	$ 18,551	—	—	—	$ 2,350	—	MPI adopted the evaluation under equity method. (Note 7)
MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	$ 50,000	$ 50,000	1,550,000	100%	$ 1,995	$ (501)	$ (501)	Subsidiary of MPI Corporation
MPI Corporation	MPA TRADING CORP.	Vistra (Anguilla) Limited, Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	Holding company	$ 37,881	—	1,250,000	100%	$ (16,728)	$ (43,307)	$ (43,307)	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%	$ 54,994	$ (17,274)	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	$ 36,366	—	1,200,000	100%	$ (5,760)	$ (43,217)	—	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$1,000,000 (equivalent to NT$31,980 thousand) in December 2016; Increased capital by US$2,000,000 (equivalent to NT$60,180 thousand) in September 2017. So far, the Group has invested a total of US$22,061,857 in the subsidiary, MMI HOLDING CO., LTD., totaling 22,061,857 shares, at the par value of US$1 per share. The Company's shareholding was 100%.

In order to expand the market in Mainland China, the Group invested Lumitek (Changchou) Co. Ltd. via the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$1,000,000 (equivalent to NT$31,980 thousand) in December 2016. Until now, a total of US$16,000,000 has been invested in Lumitek (Changchou) Co. Ltd., and the subsidiary, MMI HOLDING CO., LTD., held it wholly. The investment project was approved by Investment Commission, Ministry of Economic Affairs.

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

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

In order to expand the market in USA, the Group invested MPI America Inc. via the Group's subsidiary, MPI America Inc increased capital by

US$600,000 (equivalent to NT$18,174 thousand) in May 2017; Increased capital by US$450,000 (equivalent to NT$13,686 thousand) in July 2017 and increased capital by US$150,000 (equivalent to NT$4,506 thousand) in September 2017. Until now, a total of US$1,200,000 in the subsidiary, MPI America Inc., totaling 1,200,000 shares, at the par value of US$1 per share, and the subsidiary, MPA TRADING CORP held it wholly.

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

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

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

(3) Information related to investments in China

A. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 4)	Book value, ending	Accumulated investment income received until the end of period
					outflow	inflow						
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Primarily engaged in international trading	USD 1,400,000 ($46,917)	(Note 1)	USD 1,400,000 ($ 46,917)	–	–	USD 1,400,000 ($ 46,917)	$ (17,284)	100 %	$ (17,284)	$ 49,901	$15,852
Mjc Microelectronics (Shanghai) Co., Ltd.	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	–	–	USD 600,000 ($ 20,813)	$ 1,865	40 %	$ 746	$ 29,999	$40,273
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	–	–	–	–	$ 1,807	40 %	$ 723	–	–
LEDA-ONE (Shenzhen) Co.	Production of new electronic components, LED prober, LED sorting machine, and LED spectrometer, and development of new electronic components	USD 1,800,000 ($54,111)	(Note 2)	USD 1,800,000 ($ 54,111)	–	USD 1,800,000 ($ 54,111)	– (Note 5)	$ (174)	100 %	$ (174)	–	–
MMK	Design and	USD	(Note 2)	USD	–	–	USD	$ 22,592	100 %	$ 9,037	$ 71,302	–

(Kunshan)	production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	4,900,000 ($143,558)		1,960,000 ($ 57,423)			1,960,000 ($ 57,423)					
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)	$ 23,833	100 %	$ 23,833	$ 494,480	
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)	$ (11,016)	100 %	$(11,016)	$ 49,264	–

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP.

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 3: Reinvest the company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd. (The Company decide liquidated on July 7, 2017 and was liquidated on December 27, 2017)

Note 4: The investment income was recognized based on the financial statements audited by the parent company's external auditors.

Note 5: The motion for liquidation of LEDA-ONE (Shenzhen) Co. submitted by the Company and approved by the directors' meeting on September 5, 2014.

The Company was liquidated and Write off in May 2017 and remit the surplus investment USD 155,857.58 (equivalent to NT$4,677 thousand).Has cut it up till now, the Investment not been approved by Commission on MOEA had the investment approved document. MMI HOLDING CO., LTD., recognized gains on disposal of investments were NT1,870 thousand.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 21,960,000 (NTD 687,803)	USD 24,604,142.42 (NTD 767,327)	NTD 2,270,941

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

Note2：Investment amount approved by the Investment

LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US$155,857.58 (equivalent to NT$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US$1,800,000 is still in total of US$1,644,142.42(equivalent to NT$49,434 thousand) that could not be offset the investment amount.

C. Important transactions:

For the important transactions of the Company with the investees in Mainland China, direct or indirect, in 2017 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

14. Information by department

Please see the consolidated financial statements 2017.

ECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2017 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,
MPI CORPORATION
By

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Chairman

March 20, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017. 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, 2017 were as follows:

I. Revenue Recognition

Matter Description

Regarding the accounting policy of revenue recognition, please refer to (17) of Note 4 of the Consolidated Financial Statements.

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

Audit Procedures in Response

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

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

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

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

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

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

2. Inventory Valuation

Matter Description

Regarding the accounting policy of inventory valuation, please refer to (8) of Note 4 of Consolidated Financial Statements. Regarding significant accounting judgments, estimations, and assumptions of inventory valuation, please refer to Note 5 of Individual Financial Statements. Regarding descriptions of inventory accounting items, please refer to (4) of Note 6 of Individual Financial Statements. The Group recognize inventories amounting to NT$2,519,782 thousand and Allowance for inventories amounting to NT$245,313 thousand. The book value of the Group's inventories as December 31, 2017 was NT$2,274,469 thousand and accounted 30% 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 2017 and 2016. 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$149,613 thousand and NT$39,649 thousand or accounted for 1.94% and 0.55% of the consolidated total assets as of December 31, 2017 and 2016, respectively. As of January 1 to December 31, 2017 and 2016, had net operating revenue amounted to NT$181,678 thousand and NT$52,927 thousand, or accounted for 4.08% and 1.07% 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, 2017 and 2016 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, 2017 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 20, 2018

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.

TOTAL ASSETS		$ 7,707,679	100	$ 7,264,994	100

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2017 AND 2016

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

		December 31,2017		December 31,2016	
LIABILITIES AND EQUITY	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(9)	$ 1,170,000	15	$ 384,052	5
Accounts payable		414,918	5	425,773	6
Accounts payable-related parties	7	3,673	-	92	-
Payables on equipment		87,846	1	134,487	2
Other payables	6(10)	496,645	7	640,354	9
Other payables-related parties	7	4,875	-	342	-
Income tax payable		10,110	-	46,762	1
Provisions	6(11)	3,210	-	2,595	-
Sales revenue received in advance	7	797,292	10	696,866	10
Corporate bonds payable – current portion	6(12)	-	-	590,647	8
Current portion of long-term liabilities	6(13)	225,787	3	9,328	-
Lease obligations payable－current	6(6)	16,229	-	16,697	-
Other current liabilities		36,770	1	26,026	-
Total Current Liabilities		3,267,355	42	2,974,021	41
NONCURRENT LIABILITIES					
Long-term loans	6(13)	572,909	8	240,640	3
Deferred income tax liabilities	6(18)	14,591	-	11,292	-
Lease obligations payable－noncurrent	6(6)	32,459	-	50,091	1
Accrued pension cost	6(14)	35,257	1	29,071	1
Other noncurrent liabilities		207	-	97	-
Total Other Liabilities		655,423	9	331,191	5
TOTAL LIABILITIES		3,922,778	51	3,305,212	46
EQUITY	6(15)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		799,014	10	796,054	11
Capital surplus		909,204	12	885,735	12
Retained earnings					
Appropriated as legal capital reserve		548,516	7	492,188	7
Special reserve		30,177	–	–	–
Unappropriated earnings		1,523,376	20	1,803,156	24
Total Retained Earnings		2,102,069	27	2,295,344	31
Other					
Foreign currency translation adjustments		(42,309)	-	(30,177)	-
Total others		(42,309)	-	(30,177)	-
Treasury stock		-	-	-	-
Equity attributable to shareholders of the parent		3,767,978	49	3,946,956	54
NONCONTROLLING INTERESTS		16,923	-	12,826	-
TOTAL EQUITY		3,784,901	49	3,959,782	54
TOTAL LIABILITIES AND EQUITY		$ 7,707,679	100	$ 7,264,994	100

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2017 and 2016

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

Items	Note	January 1 ~ December 31,2017 Amounts	%	January 1 ~ December 31,2016 Amounts	%
OPERATING REVENUE, NET	7				
Sales revenue		$ 4,078,376	92	$ 4,532,993	91
Less: sales returns		(15,136)	(1)	(2,531)	-
sales discounts and allowances		(1,117)	-	(34)	-
Commission revenue		28,638	1	99,065	2
Processing Fees revenue		357,693	8	332,262	7
Operating Revenue, net		4,448,454	100	4,961,755	100
OPERATING COSTS	6(4).7	(2,688,543)	(60)	(2,665,069)	(54)
GROSS PROFIT		1,759,911	40	2,296,686	46
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		276	-	176	-
GROSS PROFIT, NET		1,760,187	40	2,296,862	46
OPERATING EXPENSES	7				
Selling expenses		(492,501)	(12)	(443,492)	(9)
General & administrative expenses		(284,549)	(6)	(318,812)	(6)
Research and development expenses	6(7)	(803,458)	(18)	(848,616)	(17)
Operating expense, net		(1,580,508)	(36)	(1,610,920)	(32)
OPERATING INCOME		179,679	4	685,942	14
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(17)	(8,752)	-	(61,394)	(1)
Finance costs	6(17)	(17,474)	-	(19,490)	(1)
Share of profits of subsidiaries and associates	6(5)	9,782	-	4,341	-
Interest income	7	1,831	-	1,725	-
Rent income	7	2,902	-	7,565	-
Other non-operating revenue-other items	7	36,862	1	32,799	1
Total Non-operating Income		25,151	1	(34,454)	(1)
INCOME BEFORE INCOME TAX		204,830	5	651,488	13
INCOME TAX BENEFIT(EXPENSE)	6(18)	(55,563)	(2)	(90,651)	(2)
NET INCOME		149,267	3	560,837	11
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(4,699)	-	(1,665)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(11,535)	-	(57,619)	(1)
Other comprehensive income for the year, net of income tax		(16,234)	-	(59,284)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 133,033	3	$ 501,553	10
NET INCOME(LOSS) ATTRIBUTABLE TO：					
Shareholers of the parent		$ 145,767	3	$ 563,279	11
Noncontrolling interests		3,500	-	(2,442)	-
		$ 149,267	3	$ 560,837	11
TOTAL COMPREHENSIVE INCOME(LOSS)					
Shareholers of the parent		$ 128,936	3	$ 504,565	10
Noncontrolling interests		4,097	-	(3,012)	-
		$ 133,033	3	$ 501,553	10
		After-tax		After-tax	
EARNINGS PER COMMON SHARE(NTD)	6(19)				
Basic earnings per share		$ 1.83		$ 7.09	
Diluted earnings per share		$ 1.83		$ 6.49	

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31, 2017 and 2016

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

Items	Capital- Common Stock	Capital Surplus	Retained Earnings			Others	Treasury Stock	Total	Non-controlling	Total Equity
			Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve				
BALANCE,JANUARY,1,2016	$ 796,054	$ 871,572	$ 462,706		$ 1,509,840	$ 26,872	$ (34,454)	$ 3,632,590	$ 15,838	$ 3,648,428
Legal capital reserve			29,482		(29,482)			-		-
Cash Dividends of Common Stock					(238,816)			(238,816)		(238,816)
Net Income in 2016					563,279			563,279	(2,442)	560,837
Other comprehensive income in 2016, net of income tax					(1,665)	(57,049)		(58,714)	(570)	(59,284)
Total comprehensive income in 2016	-	-	-	-	561,614	(57,049)	-	504,565	(3,012)	501,553
Issuance of stock from exercise of employee stock options		14,163					34,454	48,617		48,617
BALANCE,DECEMBER,31,2016	$ 796,054	$ 885,735	$ 492,188		$ 1,803,156	$ (30,177)	$ -	$ 3,946,956	$ 12,826	$ 3,959,782
BALANCE,JANUARY,1,2016	$ 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 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	-	-	-	-	141,068	(12,132)	-	128,936	4,097	133,033
Convertible Bonds Transferred To Common Stock	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

(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, 2017 and 2016

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

Items	Jan 1 ~ Dec 31,2017	Jan 1 ~ Dec 31,2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 204,830	$ 651,488
Adjustments to reconcile net income to net		
Depreciation	417,423	361,936
Amortization	59,265	57,161
(Reversal) allowance for doubtful receivables	654	1,726
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	55	(1,742)
Interest expense	17,474	19,490
Interest revenue	(1,831)	(1,725)
Compensation cost of employee stock options	-	14,268
Loss (gain) on equity-method investments	(9,782)	(4,341)
(Gain) loss on disposal of property, plant and equipment	2,246	191
Gains on disposal of investments	(1,870)	-
Loss (gain) on disposal of equity-method investments	(15,557)	-
Loss on valuation of nonfinancial asset	-	45,533
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(276)	(176)
Adjustments-exchange (Gain) loss on prepayments for equipment	2,032	(564)
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	11,006	8,567
Decrease (Increase) in accounts receivable	(174,656)	(5,804)
Decrease (Increase) in accounts receivable-related parties	36,303	45,398
Decrease (Increase) in other receivables	5,639	4,780
Decrease (Increase) in inventories	(319,783)	(318,509)
Decrease (Increase) in prepayments	7,569	24,183
Decrease (Increase) in other current assets	1,066	(666)
(Decrease) Increase in notes payable	-	(56)
(Decrease) Increase in accounts payable	(10,856)	31,592
(Decrease) Increase in accounts payable-related parties	3,581	(2,900)
(Decrease) Increase in other accounts payable	(144,423)	161,361
(Decrease) Increase in other accounts payable-related parties	4,533	(6,325)
(Decrease) Increase in provision of liabilities	615	1,355
(Decrease) Increase in sales revenue received in advance	100,425	204,798
(Decrease) Increase in other current liabilities	10,744	2,826
Decrease(Increase) in accrued pension cost	1,487	1,392
Cash generated from operations	207,913	1,295,237
Interest received	1,833	1,726
Cash dividends received	554	13,192
Interest (excluding capitalization of interest)	(6,973)	(8,393)
Cash dividends	(334,343)	(238,816)
Income taxes paid	(95,097)	(93,622)
Net cash Provided By Operating Activities	(226,113)	969,324

(Continue)

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2017 and 2016

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

Items	Jan 1 ~ Dec 31,2017	Jan 1 ~ Dec 31,2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of equity-method investments	18,918	-
Proceeds from disposal of Subsidiary Company	1,870	-
Net cash flow from acquisition of subsidiaries	(814,894)	(332,669)
Proceeds from sale of property, plant and equipment	18	482
Intangible assets	(29,605)	(22,966)
Increase in other financial assets	-	(344)
Decrease in other non-current assets	5,766	-
(Increase) in other non-current assets	-	(181,299)
Decrease in other non-current assets	196,265	-
Cash dividends received from equity-method investees	-	(123)
Net cash Provided Used In Investing Activities	(621,662)	(536,919)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	785,949	-
(decrease) in short-term loans	-	(170,165)
Repurchase of convertible bonds	(574,000)	-
Increase in long-term borrowings	548,728	-
Repayments of long-term loans	-	(9,428)
Increase in other nocurrent liabilities	110	-
(decrease) in other nocurrent liabilities	-	(1,159)
Employees to repurchase of treasury stock	-	34,349
Increase (decrease) in noncontrolling interests	597	(570)
Net cash (Used In) Financing Activities	761,384	(146,973)
Effects of exchange rate change on cash	(6,007)	(9,998)
Net increase in cash and cash equivalents	(92,398)	275,434
Cash and cash equivalents at beginning of year	749,227	473,793
Cash and cash equivalents at end of year	$ 656,829	$ 749,227

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

MPI CORPORATION and its Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

(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, 2017. Upon resolution of the special shareholders' meeting on December 28, 2006, the Company raised the authorized capital as NT$1,000,000,000, divided into 100,000,000 shares at par value of NT$10 per share. The board of directors is authorized to issue the stock in lots. NT$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.

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

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

2. Date and procedure for ratification of financial report

The consolidated financial statements have been approved and released by the Board of Directors on March 20, 2018.

3. Application of new standards, amendments and interpretations

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016

Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016

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

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2018 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
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

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

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

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

New Standards, Interpretations and Amendments	Effective date by International Accounting Standards Board
Prepayment features with negative compensation (amendments to IFRS 9)	January 1, 2019
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by IASB
IFRS 16 Leases	January 1, 2019
IFRS 17Insurance Contracts	January 1, 2021
Amendments to IAS 19, 'Plan amendment, curtailment or settlement'	January 1, 2019
Long-terminterests in associates and joint ventures (amendments to IAS 28)	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 followings, the above standards and interpretations have no significant 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.

IFRS 16, 'Leases'

IFRS 16, 'Leases', replaces IAS 17, 'Leases' and related interpretations and SICs. The standard requires lessees to recognize 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.

4. Summary of Significant Accounting Policies

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

(1) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and IFRSs recognized by FSC to disclose all of the necessary to be disclosed in the annual consolidated financial statements.

(2) Basis for preparation

A. Basis for measurement

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

(1) Financial instruments at fair value through profit or loss (including derivative financial instruments);

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

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

B. Functional currency and presentation of currency

The functional currency of each of the Group's entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The consolidated financial statements should be presented based on the Company's functional currency, NTD. Unless otherwise noted, all of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(3) Basis for consolidation

A. Principles for preparation of consolidated financial statements

(a) The Group included all of the subsidiaries into the consolidated financial statements. Subsidiaries mean the entities controlled by the Group (including structured entities). When the Group is exposed to the changes of remuneration participated by the entities or is entitled to changes of remuneration, and is able to influence the remuneration by virtue of its power over the entities, the Group is held controlling the entities. The subsidiaries are included into the consolidated financial statements on the date when the Group acquires the controlling power, and the consolidation shall be suspended as of the date when the Group forfeits the controlling power.

(b) Unrealized gains on transactions between the Group companies are eliminated to the extent of the Group’s interest in the associates. Accounting policies of the subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Elements of the income and other comprehensive income shall be vested in parent company shareholders and non-controlling equity. The total comprehensive income shall be vested in parent company shareholders and non-controlling equity, even if the non-controlling equity suffers loss.

(d) Where the changes in shareholdings of subsidiaries don't result in forfeiture of controlling power (transactions with non-controlling equity), they shall be processed as equity transactions, which are identified as the transactions with parent company shareholders. The price difference between the adjustment value of non-controlling equity and fair value of paid or collected consideration shall be stated into equity directly.

(e) When the Group forfeits control over its subsidiaries, its residual investment in the subsidiaries shall be re-measured based on fair value, and identified as the fair value of financial asset recognized initially or cost of the investment in affiliates or joint ventures recognized initially. The price difference between the fair value and book value is stated into current income. Where the accounting treatment for the values related to the subsidiaries as stated into other comprehensive income previously is identical with the basis for the Group's direct disposition of related assets or liabilities, namely, if the gain or loss stated into other comprehensive income previously would be reclassified into income when the related assets or liabilities are disposed of, the gain or loss shall be reclassified into income from equity, when the Group forfeits control over the subsidiaries.

B. Subsidiaries included into the consolidated financial statements and status of change thereof:

Investor	Name of Subsidiary	Nature of business	Equity (%) 2017. 12.31	Equity (%) 2016. 12.31	Note
The Company	Chain-Logic International Corp.	Professional agent and trading of semi-conductor	100%	100%	Founded on March 1, 1994
The Company	MPI TRADING CORP.(Samoa)	Trading of probe cards and semi-automatic probers	100%	100%	Founded on December 22, 2000
The Company	MMI HOLDING CORP.(Samoa)	General investment	100%	100%	Founded on August 7, 2002 (Note 3)

The Company	MEGTAS CO.,LTD.	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	60%	60%	Founded on September 1, 2010
The Company	Chia Hsin Investment Co., Ltd.	General investment	-	-	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on July 15, 2016. (Note 2)
The Company	Yi Hsin Investment Co., Ltd.	General investment	-	-	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on July 15, 2016. (Note 2)
The Company	Won Tung Technology Co., Ltd.	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	100%	100%	Founded on December 22, 2010
The Company	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	Established in March 31, 2006. The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
MPI	MPA TRADING CORP.	Investment activities	100%	-	Established in April 12, 2017. (Note 4)
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. Mauritius	International trading	100%	100%	Founded on November 19, 2001
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	General investment	-	-	Established in April 30, 2004. The company set June 27, 2016 as the dissolution date and completed liquidation on July 15, 2016. (Note 2)
CHAIN-LOGIC TRADING CORP.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	International trading	100%	100%	Founded on February 8, 2002
MMI HOLDING CORP.	LEDA-ONE (Shenzhen) Co.	Production, management and development of new electronic components, et al.	-	100%	Founded on May 7, 2010.(Note 6)
MMI HOLDING CORP.	Lumitek (Changchou) Co. Ltd.	Design, development, production and sale of LED dice production process	100%	100%	Founded on January 10, 2014. (Note 1)

MMI HOLDING CO., LTD.	MPI (Suzhou) CORPORATION	Selling and manufacturing of high-tech industry such as LED.	100%	-	Established in July 11, 2017. (Note 7)
MPA TRADING CORP.	MPI America Inc.	Selling Probe Card and Test Equipment	100%	-	Established in March 29, 2017. (Note 5)

(Note1) To develop the market of China, the Group through MMI HOLDING CO., LTD invested Lumitek (Chan gzhou) Co., Ltd. And increased investment US1, 000,000 (NT$31,980 thousand) holding 100% of shares in 2016.

(Note2) By resolution of the board of directors on May 11, 2016, the Group would sell 17.87% of LUMITED Corporation’s equity shares owned by its three subsidiaries (JIA-SIN INVESTMENT CORP., YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP.) to ultimate parent company, MPI CORPORATION, which was in the event of liquidation. According to the legal interpretation of Ministry of Economic Affairs, original shareholders have the right to transfer their shares to others during company liquidation and it does not violate corporate law. The Group has migrated and integrated in MPI CORPORATION, and the Uni-President Enterprises Corporation deal with the proportional distribution of LUMITED CORPORATION of residual property claims request. It is unnecessary to keep the three subsidiaries in operation after their equity shares of LUMITED CORPORATION were all transferred. Therefore, the three subsidiaries were closed down.

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

(Note4) To develop the market of The USA, the Group invested MPA TRADING CORP increased capital by US$650,000 (equivalent to NT$19,689 thousand) in May 2017; Increased capital by US$450,000 (equivalent to NT$13,686 thousand) in July 2017 and increased capital by US$150,000 (equivalent to NT$4,506 thousand) in September 2017.

(Note5) To develop the market of The USA, the Group invested MPI America Inc. via the Group's subsidiary, MPA TRADING CORP increased capital by US$600,000 (equivalent to NT$18,174 thousand) in May 2017; Increased capital by US$450,000 (equivalent to NT$13,686 thousand) in July 2017 and increased capital by US$150,000 (equivalent to NT$4,506 thousand) in September 2017.Tthe Investment been approved by Commission on MOEA had the investment approved document.

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

(Note7) To develop the market of China, the Group through MMI HOLDING CO., LTD invested

MPI (Suzhou) CORPORATION US$2,000,000 (NT$60,180 thousand) holding 100% of shares. The Investment been approved by Commission on MOEA had the investment approved document.

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 2017 and 2016 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$5,250 thousand and (NT$3,663) thousand.

The financial statements 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$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 available-for-sale financial assets, financial liabilities designated as net investment hedge for foreign operations or qualified cash flow hedging, which shall be stated as other comprehensive income, any difference shall be stated as income.

B. Foreign operations

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

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

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

(5) Current and non-current assets and liabilities

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

A. Assets expected to be realized, or intent to be sold or consumed, in the Company's normal operating cycle.

B. Assets primarily held for the purpose of trading.

C. Assets expected to be realized within 12 months after the date of the balance sheet.

D. Cash or cash equivalent, exclusive of the assets to be used for an exchange or to settle a liability, or otherwise remain restricted at more than 12 months after the date of the balance sheet.

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

A. Liabilities expected to be repaid in the Company's normal operating cycle.

B. Assets primarily held for the purpose of trading.

C. Assets expected to be discharged within 12 months after the date of the balance sheet.

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

(6) Cash and cash equivalent

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

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

(7) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a part to the financial instrument contract.

A. Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and accounts receivable.

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

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

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

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

Financial instrument with embedded derivatives.

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

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

(b) Account receivables

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

(c) Impairment on financial assets

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

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

For some accounts receivable was held unimpaired upon individual evaluation, the impairment should be evaluated on a combined basis again. The combined objective evidence for accounts receivable might include the Company's past experience in collection, the increase in overdue payment, and observable national or regional economic changes related to the defaulted accounts receivable.

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

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

(d) Derecognition of financial assets

The Group will derecognize financial assets only when the contractual rights toward the cash flow of the assets are terminated or the financial assets are transferred and the risk and return over the ownership of the assets are transferred to another enterprise.

B. Financial liabilities and equity instruments

(a) Classification of liabilities or equity

The obligation and equity instruments issued by the Company are classified into financial liabilities or equities according to definitions of the financial liabilities and equity instruments referred to in an agreement.

The equity instruments mean any contracts signifying the residual equity of the Group's assets less its liabilities. The equity instruments issued by the Group should be recognized based on the payment of acquisition less the direct issuing cost.

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

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

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

The interest and loss or gain related to financial liabilities should be recognized as income and stated into non-operating revenue and expenses. The financial liabilities shall be re-classified into equity at the time of conversion, and no income is generated from the conversion.

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

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

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

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

Financial instrument with embedded derivatives.

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

(c) Other financial liabilities

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

(d) Derecognition of financial liabilities

The Group will derecognize financial liabilities upon performance, cancellation or expiration of contractual obligations.

(e) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported in the balance sheet in net amount only when the Group is entitled to the right to offset exercisable under laws and intends to settle in net amount, or assets are realized and liabilities are repaid at the same time.

(8) Inventory

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

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

(9) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) Cost of borrowing

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

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

(19) 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.

(20) 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.

(21) 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.

(22) Income tax

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

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

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

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

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

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

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

(23) Business combination

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

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

(24) 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.

(25) Information by department

The Group consists of various members including the operations engaged in operating activities likely to earn revenue and incur expense (including the revenue and expense from the transactions with the other members within the Group). The operating results of all operations are rechecked by the Group's operating decision maker periodically for making of the decision to allocate resources to each operation and evaluation of each operation's performance. Each operation's financial information is independent from that of the others.

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

The accounting estimations made by the Group were based on the reasonable expectation toward future events subject to current circumstances on the balance sheet date; nevertheless, the actual results might be different from the estimations. The estimations and hypotheses about the risk over material adjustment of book value of assets and liabilities in next fiscal year please see the following notes:

(1) Allowance for bad debt of receivable accounts

The Group evaluates and estimates the collectible receivable accounts and allowance for bad debt according to the loan quality and collection of debt from customers and based on the past experience in collecting bad debt. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for bad debt. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and bad debt expenses in the year in which the estimation is changed. Until December 31, 2017, the book value of receivable accounts has been NT$955,375 thousand (exclusive of the allowance for bad debt, NT$13,081 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, 2017, the book value of the Group's inventories has been NT$2,274,469 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT$245,313 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, 2017, the deferred income tax assets recognized by the Group have been NT$72,726 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, 2017, the reserve for liabilities recognized by the Group have been NT$3,210 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, 2017, the book value of accrual pension liabilities of the Group amounted to NT$35,257 thousand.

(6) Goodwill impairment evaluation

The impairment on goodwill is evaluated by the Group to its sole discretion, including identifying the cash-generating units and amortizing assets, liabilities and goodwill into the related cash-generating units, and deciding the recoverable amount of related cash-generating units. For the evaluation on goodwill impairment, please refer to Note 6(7). The Group recognized goodwill impairment at NT$45,533 thousand in 2017. As of December 31, 2017, the book value of the Group's goodwill amounted to NT$0 thousand.

6. Notes to Major Accounting Titles

(1) Cash and cash equivalents

	December 31, 2017	December 31, 2016
Cash:		
Cash on hand	$ 4,363	$ 3,955
Bank deposit:		
Check deposit	10	10
Demand deposit	625,881	708,090
Time deposit	26,575	37,172
Total	$ 656,829	$ 749,227

The bank deposits provided by the Group as collateral have been re-stated as other current assets. Please see Note 8.

(2) Note receivables, net

	December 31, 2017	December 31, 2016
Receivable notes	$ 6,995	$ 18,001
Less: Allowance for bad debt	-	-
Receivable notes, net	$ 6,995	$ 18,001

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

(3) Accounts receivable, net

	December 31, 2017	December 31, 2016
Receivable accounts	$ 956,974	$ 783,479
Less: Allowance for bad debt	(9,352)	(9,459)

	December 31, 2017	December 31, 2016
Receivable accounts, net	$ 947,622	$ 774,020

	December 31, 2017	December 31, 2016
Receivable accounts-related party	$ 758	$ 37,060
Less: Allowance for bad debt	-	(447)
Receivable accounts-related party, net	$ 758	$ 36,613

	December 31, 2017	December 31, 2016
Receivable on demand (stated as other non-current assets)	$ 3,729	$ 2,951
Less: Allowance for bad debt	(3,729)	(2,951)
Receivable on demand, net	$ -	$ -

A. The Group's receivable accounts were incurred for business and never been provided as collateral.

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

	Impairment loss evaluated by group	Impairment loss evaluated individually	Total
January 1, 2017	$ 12,708	$ 149	$ 12,857
Impairment loss provided in the current period	676	(22)	654
Impairment loss reversed in the current period	-	-	-
Accounts written off and uncollected in the current period	(322)	(60)	(382)
Foreign exchange rate effect	(48)	-	(48)
December 31, 2017	$ 13,014	$ 67	$ 13,081
January 1, 2016	$ 17,982	$ 60	$ 18,042
Impairment loss provided in the current period	1,637	89	1,726
Impairment loss reversed in the current period	-	-	-
Accounts written off and uncollected in the current period	(6,462)	-	(6,462)
Foreign exchange rate effect	(449)	-	(449)
December 31, 2016	$ 12,708	$ 149	$ 12,857

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

	December 31, 2017		December 31, 2016	
	Total	Impairment	Total	Impairment
Undue	$ 851,942	$ -	$ 747,358	$ -
Overdue for 1~90 days	105,909	7,414	70,117	4,908
Overdue for 91~180 days	2,997	449	12,465	1,870
Overdue for 181~360 days	1,802	450	4,685	1,171
Overdue for 1~2 years	2,077	1,039	3,915	1,957
Overdue for more than 2 years	3,729	3,729	2,951	2,951
Total	$ 968,456	$ 13,081	$ 841,491	$ 12,857

(4) Inventories

	December 31, 2017	December 31, 2016
Raw material	$ 428,647	$ 345,398
Supplies	119,794	76,234
Work in progress	384,103	338,417
Semi-finished goods	319,612	280,973
Finished goods	1,197,903	1,067,543
Commodity	60,950	55,182
Materials and supplies in transit	8,773	10,316
Less: Allowance for inventory devaluation and obsolescence losses	(245,313)	(219,377)
Inventory, net	$ 2,274,469	$ 1,954,686

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

	2017	2016
Cost of sold inventory	$ 2,640,387	$ 2,615,728
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	35,019	(763)
Inventory retirement loss	12	13,445
Other operating cost - employee remuneration	8,064	33,376
Estimated maintenance and warranty cost	5,061	3,283
Sale cost, net	$ 2,688,543	$ 2,665,069

B. Before December 31, 2017 and December 31, 2016, the Group's inventories have never been provided as collaterals.

(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:

Investee	December 31, 2017 Book value	December 31, 2016 Book value
Affiliates:		
Mjc Microelectronics (Shanghai) Co., Ltd.	$ 29,999	$ 30,155
MMK (Kunshan)	-	62,706
Lumitek Co.,LTD	-	3,360
Total	$ 29,999	$ 96,221
Re-stated as Non-current assets (or disposal groups) held for sale		
MMK (Kunshan)	$ 71,302	$ -

A. Changes in investment under equity method:

	2017	2016
Balance, beginning	$ 96,221	$ 112,301
Cash dividend	(554)	(13,192)
Investment income (loss) recognized under equity method	9,782	4,341
Exchange difference arising from translation of the financial statement of foreign operations	(1,063)	(7,526)
Realized (unrealized) income from downstream transactions with affiliates	276	176
Loss (gain) on disposal of equity -method investments- Lumitek Corporation	15,557	-
Proceeds from disposal of investments - Lumitek Corporation	(18,918)	-
Transfer to Non-current assets (or disposal groups) held for sale - MMK (Kunshan)	(71,302)	-
Other	-	121

Balance, ending	$ 29,999	$ 96,221

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

Name of Affiliate	Nature of relationship with consolidated company	Principal business place/country where the company is registered	Proportion of ownership and voting right December 31, 2017	Proportion of ownership and voting right December 31, 2016	Measurement method
Mjc Microelectronics (Shanghai) Co., Ltd.	Primarily engaged in selling semi-conductor testing probe cards, under the strategic alliance for development of the market in territories of Mainland China by consolidated companies.	Mainland China	40%	40%	Equity method
MMK (Kunshan)	Primarily engaged in selling semi-conductor testing probe cards, under the strategic alliance for development of the market in territories of Mainland China by consolidated companies.	Mainland China	40%	40%	Equity method
Lumitek Co.,LTD	To dismiss in Feb.28,2015 (liquidated in August 8, 2017)	Taiwan	-	20.15%	Equity method

C. Book value and share of operating result of the affiliates not important to the Group individually

The financial information about the Group's affiliates under equity method not important the Company individually is summarized as following. Said financial information refers to the figures included into the Group's consolidated financial statements:

	December 31, 2017	December 31, 2016
Summarized total book value of the equity of individual unimportant affiliates	$ 29,999	$ 96,221

	2017	2016
Shares attributed to the Group:		
Net profit (net loss) of continuing department	$ 9,782	$ 4,341
Income after tax of discontinued department	-	-
Other consolidated income/loss	-	-
Total comprehensive income	$ 9,782	$ 4,341

D. 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.

For the year of 2016, apart from Lumitek Co., LTD. that has already applied for dissolution and is under the liquidation process (the Group has recognized the share of affiliated enterprise with the equity methods according to the invested Group's non-CPA audited financial statements, and the Group's management believes that no major adjustment will be made to the said statements even after a CPA audit), the Group has recognized invested companies' shares of investment gains and losses with the equity methods according to their financial statements audited by CPA.

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

F. 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-liquid asset item on its combined balance sheet as of Dec. 31, 2017.

(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	cons p
Cost:									
At January 1, 2017	$ 763,767	$ 1,403,676	$ 1,097,608	$ 2,600	$ 82,625	$ 583,521	$ 51,982	$ 83,485	$
Acquisition through	-	-	-	-	-	-	-	-	
Additions	7,196	30,004	162,543	-	21,064	51,610	1,420	-	
Disposals	-	-	(38,315)	-	(26,735)	(67,116)	(3,119)	(1,460)	
Reclassifications	-	76,989	183,030	-	1,276	199,225	-	-	
effect of movements in	-	(567)	(5,312)	(27)	(94)	23	12	(878)	
At December 31, 2017	$ 770,963	$ 1,510,102	$ 1,399,554	$ 2,573	$ 78,136	$ 767,263	$ 50,295	$ 81,147	$
Cost:									
At January 1, 2016	$ 763,767	$ 1,294,595	$ 1,024,363	$ 4,189	$ 94,639	$ 559,075	$ 51,336	$ -	$
Acquisition through	-	-	-	-	-	-	-	-	
Additions	-	20,908	76,903	-	9,933	12,484	7,972	86,900	
Disposals	-	-	(40,290)	(1,374)	(22,366)	(19,461)	(5,003)	-	
Reclassifications	-	91,387	78,025	-	536	31,402	120	-	
effect of movements in	-	(3,214)	(41,393)	(215)	(117)	21	(2,443)	(3,415)	
At December 31, 2016	$ 763,767	$ 1,403,676	$ 1,097,608	$ 2,600	$ 82,625	$ 583,521	$ 51,982	$ 83,485	$
Accumulated depreciation									
At January 1, 2017	$ -	$ 247,350	$ 470,078	$ 1,517	$ 50,072	$ 332,061	$ 23,304	$ 16,697	$
Acquisition through	-	-	-	-	-	-	-	-	
Additions	-	55,035	215,921	647	17,742	100,708	10,859	16,511	
Disposals	-	-	(36,235)	-	(26,697)	(67,116)	(2,974)	(486)	
Reclassifications	-	-	-	-	-	-	-	-	
effect of movements in	-	(164)	(1,934)	(20)	77	23	143	(263)	
At December 31, 2017	$ -	$ 302,221	$ 647,830	$ 2,144	$ 41,194	$ 365,676	$ 31,332	$ 32,459	$
Accumulated depreciation									
At January 1, 2016	$ -	$ 202,323	$ 331,938	$ 1,617	$ 53,737	$ 273,007	$ 18,480	$ -	$
Acquisition through	-	-	-	-	-	-	-	-	
Additions	-	46,122	189,913	732	18,764	78,526	10,499	17,380	
Disposals	-	-	(40,290)	(732)	(22,338)	(19,458)	(5,003)	-	
Reclassifications	-	-	(105)	-	-	-	-	-	
effect of movements in	-	(1,095)	(11,378)	(100)	(91)	(14)	(672)	(683)	
At December 31, 2016	$ -	$ 247,350	$ 470,078	$ 1,517	$ 50,072	$ 332,061	$ 23,304	$ 16,697	$
Book value									
At December 31, 2017	$ 770,963	$ 1,207,881	$ 751,724	$ 429	$ 36,942	$ 401,587	$ 18,963	$ 48,688	$
At December 31, 2016	$ 763,767	$ 1,156,326	$ 627,530	$ 1,083	$ 32,553	$ 251,460	$ 28,678	$ 66,788	$

B. The Group in September 2014 to non-related party purchased pre - sale housing, the sale of a total of RMB 4,320 thousand (equivalent to NT$21,988 thousand). And settled transfer in October 2016.

C. The Group to non-related party purchased pre-sale housing in 2015, the sale of a total of RMB 1,642 thousand (equivalent to NT$8,202 thousand). And settled transfer in May 2017.

D. 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.

E. About Leased assets as follows：

(a) Leased assets, net：

	2017	2016
Cose		

Machinery	$ 82,025	$ 86,900
Less：Accumulated depreciation	(32,722)	(17,380)
effect of movements in exchange rate	(615)	(2,732)
Leased assets, Net.	$ 48,688	$ 66,788

(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	$ 16,868	$ 639	$ 16,229
Non-current			
1 to 5 years	33,737	1,278	32,459
Total	$ 50,605	$ 1,917	$ 48,688

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

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

(7) Intangible assets

The details about changes in the cost, amortization and impairment loss of intangible assets in 2017 and 2016 were stated as follows:

	Goodwill	Computer software	Total
January~December 2017			
January 1, 2017	$ -	$ 35,923	$ 35,923

	Goodwill	Computer software	Total
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

January~December 2016	**Goodwill**	**Computer software**	**Total**
January 1, 2016	$ 45,533	$ 35,934	$ 81,467
Addition	-	22,966	22,966
Reclassification	-	-	-
Amortization expenses	-	(22,944)	(22,944)
Impairment	(45,533)	-	(45,533)
Exchange difference, net	-	(33)	(33)
December 31, 2016	$ -	$ 35,923	$ 35,923

	Goodwill	
	December 31, 2017	**December 31, 2016**
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) 2017 and 2016 were stated as the following items in the comprehensive income statement:

	2017	**2016**
Operating cost	$ 26,650	$ 23,647
Operating expense	32,615	33,514
Total amortization expenses	$ 59,265	$ 57,161

B. R&D expenditure

In FY2017 and FY2016, the R&D spending deriving from intangible assets internally developed amounted to NT$803,458 thousand and NT$848,616 thousand, respectively, recognized under the title of “Operating expenses –R&D expenses” in the comprehensive income statement.

C. Acquisition of subsidiaries

Allstron Corp is the specialty manufacturer of high frequency wafer foundry measuring probing. We are able to improve the product production because using Allstron Corp patented technology by taking over Allstron Corp. In addition, we expect to increase the market share for the semi-conductor products and testing equipment that we have gained the customers through the acquired company. Therefore, we highly expect cost down by economic scale.

The Company started on January 1, 2014 as the acquisition date.

The consideration for the business combination and the fair values of identifiable assets and liabilities accounted for on acquisition date were as follows:

(a) Transfer pricing：$50,000 thousand.

(b) Fair values of identifiable net assets acquired on acquisition date: NT$ 4,467 thousand.

(c) Goodwill

Transfer pricing	$	50,000
Less：Fair value of net assets		(4,467)
Goodwill	$	45,533

The goodwill of acquisition Allstron Corp mainly comes from Allstron Corp's measurement application of product line in electronics industry. For example, the measurement of RFM skills uses the wide spacing probe in order to accord the changeful demands of the market and also the value of employer. Furthermore, transfer the consideration relationship includes the expect of business to business semiconductor manufacturing and integrate the testing equipment to produce combined synergy, the growth of income and the future development.

The goodwill resulted from the merger of Allstron Corp. The Transfer pricing is determined through the income approach by an independent appraisal company.

Income approach is the five-year cash flow of Allstron Corp. and based on the discount rate used to calculate the asset recoverable.

(d) Goodwill Impairment Charges

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

(e) Goodwill Impairment Test

For the purpose of impairment test, goodwill acquired from amalgamation already amortized to cash generating units. The goodwill in account books is as follows:

	Cash Generating Unit - Allstron	
	December 31, 2016	**December 31, 2015**
Goodwill	$ -	$ 45,533

Cash Generating Unit - Allstron

As Allstron has been evaluated as an independent cash generating unit at the end of December, 2016, its recoverable amount shall be decided according to its use value. Allstron’s recoverable amount was measured according to its forecasted cash flow (in a five-year financial forecast approved by the management) applied with a discount rate; the forecasted growth of the sixth-year cash flow is zero and the demand for an increase of net working capital is zero. The cash flow forecast is already updated to reflect changes to the needs for relevant products; discount rate adopted for the cash flow forecast is based on the pre-tax value. The management already, according to the analysis results, recognized goodwill impairment loss with a value of NT$45,533 thousand at the end of 2016.

Key Assumptions Used to Calculate Cash Generating Unit's Recoverable Amount

Ⓐ The forecast of cash flow is based on the past experience, past performance and the five-year business plan with regard to the market development. The management believes that the forecast period, which is from 2017 to 2021, is reasonable.

Ⓑ The first-year revenue in the business plan is forecasted according to the past experience. Besides, the growth rate of forecasted annual revenue from 2018 to 2021 is based on the prediction of market performance. The management believes that such forecast is reasonable.

Ⓒ The gross margin in the business plan is forecasted based on the past experience and the management believes that such forecast is reasonable.

Ⓓ The purpose of applying a discount rate is to interpret risks to be taken over and required necessary returns for the future operation or use.

Values of these key assumptions represent the management's evaluation on Allstron's future trend and are based on both of external and internal information (historical information).

(8) Other non-current assets

	December 31, 2017	December 31, 2016
prepayments for equipment	$ 95,842	$ 326,688
Refundable deposit	25,000	22,937
Deferred Charges	80,984	84,029
Total	$ 201,826	$ 433,654

The costs of Deferred Charges, amortization, and the impairment loss of the Group as of and for the ended of December 31, 2017 and 2016 were as follows:

	Deferred Charges		Deferred Charges
January 1, 2017	$ 84,029	**January 1, 2016**	$ 108,312
Addition	32,518	Addition	13,092
Reclassification	-	Reclassification	-
Amortization expenses	(35,168)	Amortization expenses	(34,217)
Impairment	-	Impairment	-
Exchange difference, net	(395)	Exchange difference, net	(3,158)
December 31, 2017	$ 80,984	**December 31, 2016**	$ 84,029

(9) Short-term loan

Nature of loan	December 31, 2017 Amount	Interest rate	December 31, 2016 Amount	Interest rate
Credit loan	$ 210,000	0.87% ~0.895%	$ 184,052	0.92% ~4.44%
Mortgage loan	960,000	0.89% ~0.895%	200,000	1.00%
Total	$ 1,170,000		$ 384,052	

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, 2017	December 31, 2016
Payable expenses	$ 460,896	$ 503,750
Payable employees' remuneration	9,673	61,960
Short-term employee benefits	—	53,632
Others (all less than 5%)	26,076	21,012
Total	$ 496,645	$ 640,354

(11) Reserve for liabilities

	Warranty		Warranty
Balance, January 1, 2017	$ 2,595	**Balance, January 1, 2016**	$ 1,240
Increase (decrease)	615	Increase (decrease)	1,355
Balance, December 31, 2017	$ 3,210	**Balance, December 31, 2016**	$ 2,595
Current	$ 3,210	Current	$ 2,595
Non-current	-	Non-current	-
Balance, December 31, 2017	$ 3,210	**Balance, December 31, 2016**	$ 2,595

The Group's reserve for warranty and liabilities in 2017 and 2016 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranty and liabilities was estimated based on the historical warranty information. The Group expects that the liabilities would be mostly incurred in the following year of the sale.

(12) Corporate bonds-payable

	December 31, 2017	December 31, 2016
Total amount of 3rd domestic unsecured convertible corporate bond	$ 700,000	$ 700,000
Less: Conversion amount	(126,000)	(99,300)
Less：Convertible corporate bonds repayment due	(574,000)	-
Less: Corporate bond discount	-	(10,053)
Corporate bond payable, net	$ -	$ 590,647
Current	$ -	$ 590,647
Non-current	-	-
Total	$ -	$ 590,647
Embedded financial derivatives - financial liabilities (assets)	$ -	$ (60)
Elements of equity	$ -	$ 28,261

A. In order to purchase factory premises and machine & equipment and repayment of bank loan, the Company issued 3rd domestic unsecured convertible corporate bonds upon resolution of the board of directors on October 16, 2014, and upon approval of FSC via its approval letter under Ching-Kuan-Chen-Fa-Tze No. 1030042656 dated November 4, 2014. The issuance conditions are stated as following:

(a) Total issued amount: NT$700 million

(b) Duration: 3 years (November 18, 2014~November 18, 2017)

(c) Coupon rate: 0%

(d) Duration: The day following expiration of one month after the date of issuance (December 19, 2014) until the expiry date (November 18, 2017).

(e) Conversion price and adjustment thereof:

Ⓐ The conversion price at the time of issuance shall be NT$100 per share.

Ⓑ In the case of changes in shares of common stock (e.g. capital increase in cash, recapitalization of earnings and recapitalization from capital surplus, et al.); the conversion price shall be adjusted relatively.

Ⓒ The Company's board of directors resolved on August 7, 2015 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 13, 2015, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$93.4 per share.

Ⓓ The Company's board of directors resolved on July 11, 2016 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of August 26, 2016, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$90.2 per share.

Ⓔ The Company's board of directors resolved on August 11, 2017 to authorize the Chairman to issue 3rd domestic unsecured convertible corporate bonds. According to Article 11 of the Company's Regulations

Governing Issuance and Conversion of 3rd Domestic Unsecured Convertible Corporate Bonds, where the cash dividend of common stock to the market price per share is more than 1.5%, the conversion price shall be cut based on the cash dividend to the market price per share on the ex-dividend date. Upon verification, as of September 15, 2017, the Company's 3rd domestic unsecured convertible corporate bonds shall be adjusted as NT$85.6 per share.

(f) Bondholders' put option: The bondholders may exercise the put option of the bonds earlier on the record date for exercise of put option, namely, November 18, 2016, upon expiration of two years after issuance of the bonds. The bondholders may ask the Company to redeem the bonds at 100% of the book value thereof in cash within 40 days prior to the record date for exercise of put option.

(g) The Company's right of redemption:

Ⓐ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the closing price of the Company's common shares at Taipei Exchange exceeds the current conversion price by more than 30% for 30 consecutive business days, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

Ⓑ From the date following expiration of one month upon offering of the bonds (December 19, 2014) until 40 days prior to expiration of the duration (October 9, 2017), if the balance of the outstanding bonds is less than 10% of the initial total issue price, the Company may exercise the call option to repurchase the bonds from the bondholders at the book value thereof in cash.

(h) Date and method of repayment of principal: Except those converted to the Company’s common stock by the bondholders according to the Regulations, or those redeemed upon exercise of the put option, or those redeemed by the Company earlier pursuant to the Regulations, or those repurchased by the Company from securities firms for cancellation, the others would be repaid in cash in full amount upon maturity.

B. 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.

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

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

The elements of equity were stated into capital surplus-stock option at the time of issuance. At the time of issuance, the fair value of embedded non-equity derivative was re-evaluated at the end of 2016, which was stated into the "financial asset (liability) held for trading". The "gain (loss) from financial assets and liabilities at fair value through profit or loss" was NT$(55) thousand and NT$1,742 thousand in 2017 and 2016.

The effective interest rate for the 3rd domestic unsecured convertible corporate bonds was 1.9183%. The interest expenses of convertible corporate bond recognized in 2017 and 2016 were NT$9,787 thousand and NT$11,214 thousand.

(13) Long-term Loans

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%

Lender	Nature	Amount	Period	December 31, 2016
Land Bank –East Shichu Branch	Secured bank borrowings	$ 201,100	2015.09.30~2020.09.30	$ 201,100

Land Bank –East Shichu Branch	Secured bank borrowings	$ 163,000	2009.03.02~2022.03.02	48,868
Less: Long-term Loans payable-current portion				(9,328)
Long-term Loans, net				$ 240,640
Interest rates for long-term loans				1.28 %~1.32%

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

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

(14) <u>Pension Benefits</u>

A. Defined benefit plan

(a) The Company and its domestic subsidiaries have instituted regulations for the defined pension plan under the "Labor Standards Law" applicable to the years of services of employees before July 1, 2005, which is the day that the new "Labor Pension Act" came into full force, and the following years of services of employees who choose to continue applying the Labor Standard Law upon enforcement of the Labor Pension Act. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last six (6) months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The Company and its domestic subsidiaries contribute 2% of the total salaries of the employees to the special pension fund account with Bank of Taiwan supervised by the Employee Pension Fund Reserve Supervisory Committee. Until the end of December 2017, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was $60,772 thousand.

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

	December 31, 2017	December 31, 2016
Present value of defined benefit obligation	$ 96,029	$ 85,151
Fair value of planned assets	(60,772)	(56,080)
Net defined benefit liability	$ 35,257	$ 29,071

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

	2017	2016
Present value of defined benefit obligation, January 1	$ 85,151	$ 77,509
Service cost in current period	5,164	5,165
Interest cost	1,448	1,395
Actuarial loss/gain		
Actuarial loss (gain) from changes of financial hypotheses	2,245	1,413
Empirical adjustment	2,021	(331)
Present value of defined benefit obligation, December 31	$ 96,029	$ 85,151

(d) Changes in fair value of planned assets:

	2017	2016
Fair value of planned assets, January 1	$ 56,080	$ 51,495
Interest revenue	988	962
Return (loss) on remuneration of planned assets	(432)	(582)
Contribution by employer	4,136	4,205
Benefit payment-from planned assets	-	-
Fair value of planned assets, December 31	$ 60,772	$ 56,080

(e) Total expenses recognized in comprehensive income statement:

	2017	2016
Service cost in current period	$ 5,164	$ 5,165
Interest cost of defined benefit obligation	1,448	1,395
Interest revenue from planned assets	(988)	(962)
Defined benefit cost stated into income	$ 5,624	$ 5,598

(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, 2017 and 2016, 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)

	2017	2016
Discount rate	1.55%	1.70%
Future salary and benefit level	2.25%~2.75%	2.25%~2.75%

Until December 31, 2017, the weighted average duration of the pension plan has been 16~19 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, 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)
December 31, 2016				
Effect on defined benefit obligation %	(3.85%) ~ (4.12%)	4.02% ~4.33%	17.00% ~18.62%	(14.45%) ~ (15.48%)
Amount of effect on defined benefit obligation	$ (3,481)	$ 3,655	$ 15,690	$ (13,076)

Said analysis of sensitivity refers to the analysis of the effect produced by any change of single hypothesis under the circumstance that the other hypotheses remain unchanged. In practice, a lot of changes in hypotheses might be linked with each other. The analysis of sensitivity adopted the same method used for calculation of net pension liability on the balance sheet.

The methods and hypotheses used by the analysis of sensitivity prepared in the current period are identical with those used in the previous period

(j) The Group is expected to contribute NT$4,080 thousand to the Plan in the reporting period of next year.

B. Defined contribution plans

(a) As of July 1, 2005, the Group instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Group shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the "Labor Pension Act" chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.

(b) Foreign subsidiaries shall contribute specific ratio of the local employees' total salary, on a monthly basis, as the pension or fund of endowment insurance according to the local government regulations. The pension of each employee shall be arranged and managed by government. Except that the subsidiaries shall be obligated to contribute the fund on a monthly basis, the subsidiaries shall bear no other obligations.

(c) The pension expenses recognized under the Group's defined contributed pension regulations were NT$58,726 thousand and NT$57,355 thousand in 2017 and 2016.

(15) EQUITY

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

	2017	2016
Balance, January 1	79,605,392	79,005,392
Transfer of treasury stock to employees	-	600,000
Corporate bond conversion	295,996	-
Balance, December 31	79,901,388	79,605,392

B. Capital surplus

(a) Pursuant to the R.O.C. Company Law amended in January 2012, capital surplus shall be first used to offset a deficit and then new shares or cash may be allocated based on realized capital surplus subject to shareholdings. Realized capital surplus referred to in the preceding paragraph included the surplus generated from donations and the excess of the issuance price over the par value of capital stock. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the capital surplus may be transferred to common stock up to an annual limit of 10% of the paid-in capital.

(b) The balance of the Company's capital surplus:

	December 31, 2017	December 31, 2016
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	569,216
Treasury stock trading	58,236	58,236
May be used to offset a deficit only (Note2)		
Donation from shareholders	1	1
Invalidated employee shareholding pledging	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)	-	28,261
Total	$ 909,204	$ 885,735

(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 the first and second Domestic unsecured convertible corporate bonds; The company recognized NT$35,596 thousand as paid-in capital in excess of par-common stock.

Ⓒ The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT$1 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's Articles of Incorporation, if the Company has profits after final account for the concerning fiscal year, the profits shall be allocated in the following order: (1) Payment of tax. (2) Covering of loss; (3) 10% set aside as legal reserve; (4) Provision of special reserve pursuant to laws; (5) The remainder, if any, plus allocable earnings at the end of the year may be subject to the motion for distribution of allocable earnings prepared by the board of directors and submitted to a shareholders' meeting for resolution. Where the earnings are resolved to be allocated, they shall be allocated in the following manners:

- Employee remuneration: at least 12% of the allocable earnings.
- Remuneration to directors/supervisors: no more than 3% of the allocable earnings.
- Shareholders remuneration: the remainder less the allocated amount referred to in the preceding two sub-paragraphs.

The counterparts whom the stock dividends may be allocated to shall include the employees of affiliated companies.

(b) The shareholders' meeting resolved to amend the Company Act of Incorporation as following on June 17, 2011: For the time being, the Company's industrial development is still growing, the dividend policy requires that the board of directors shall draft the motion for allocation of earnings each year and submit the same to a shareholders' meeting for ratification, subject to the Company's present and future investment environments, funding demand, status of competition domestically/overseas and capital budget and by taking care of shareholders' interest, balanced stock dividend and the Company's long-term financial planning into consideration. The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

(c) According to the company laws amended in May 2015, employee remuneration and remuneration to directors/supervisors shall not be allocated from earnings any longer. The Company has had the amended Articles of Incorporation resolved and approved by the board of directors on June 16, 2016. Therefore, if the Company has a profit at the year’s final accounting, it shall first pay profit-seeking enterprise income tax and make up any losses from past years, and then make contribution of 10% of the balance to the statutory reserve, unless the statutory reserve reaches the amount of the Company paid-in capital, and also make provision/reversal of special reserves pursuant to laws. The residual balance shall be added to undistributed earnings carried from previous years. The Board shall draft a motion for allocation of the residual balance plus the undistributed earnings, and submit the same to a shareholders' meeting to resolve whether shareholder bonus shall be allocated or the earnings shall be retained.

(d) Legal reserve

According to the Company Law amended in January 2012, the Company shall contribute 10% from the income after tax as the legal reserve until it is equivalent to the gross capital. When the Company suffers no loss, new shares or cash may be allocated from the legal reserve upon resolution of the shareholders’ meeting, provided that the new shares or cash allocated shall be no more than 25% of the paid-in capital.

(e) Special reserve

Following a company’s adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders’ equity. For any subsequent reversal of other net deductions from shareholders’ equity, the amount reversed may be distributed.

The Company doesn't need to provide special reserve, pursuant to the related laws in, in December 31, 2016.

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

(f) The Company resolved to allocate the cash dividend, NT$334,343 thousand (NT$4.2 per share), to shareholders from earnings 2016 on June 13, 2017. The Company resolved to allocate the cash dividend, NT$238,816 thousand (NT$3 per share), to shareholders from earnings 2015 on June 16, 2016.

(g) The information about allocation of retained earning approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the "MOPS".

(h) For the information about remuneration to employees and remuneration to directors/supervisors, please see Note 6(20)

D. Treasury stock

(a) Cause of repurchase and increase/decrease in quantity:

	2017			
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	-	-	-	-

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

(b) According to the Securities and Exchange Act, the number of outstanding shares repurchased may not exceed ten percent of the Company's total number of issued shares. The total amount of the repurchased shares may not exceed the amount of retained earnings plus premium on capital stock and realized capital surplus. The Company repurchased the treasury stock totaling 600,000 shares, i.e. NT$34,454 thousand, from August to October 2015.

(c) According to the Securities and Exchange Act, the treasury stock held by the Company shall not be pledged. Before the transfer, the treasury stock shall not be entitled to any shareholder right.

(d) According to the Securities and Exchange Act, the shares repurchased by a company for transfer of the same to employees shall be transferred within three years from the date of repurchase. The shares not transferred within the said time limit shall be deemed as not issued by the company, and amendment registration shall be processed.

(e) In order to recruit and retain the technical and professional talents for the Company, and encourage their long-term service, loyalty, productivity and sense of belonging to create interest for the Company and shareholders jointly, the Company established the "Third time Regulations Governing Share

Repurchase and Transfer of Shares to Employees", in accordance with Article 28-2 of Securities and Exchange Act, and the Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies promulgated by FSC. The Regulations were approved upon resolution of the board of directors on March 9, 2016. The treasury stock, totaling 600,000 shares, was transferred to employees of the Company and Chain-Logic International Corp. wholly owned by the Company on the record date of stock option, namely March 9, 2016, at NT$54.72 per share. According to the estimation under Black-Scholes evaluation model, the fair value was NT$23.78 per share on the grant date. The Company recognized the remuneration cost, NT$14,268 thousand (stated as salary expenses). The parameters adopted by the evaluation model are stated as following:

		2016 Treasury stock transferred to employees
Evaluation Model	Black-Scholes option-pricing model	
	Vesting period	March 9~14,2016
	Dividend yield rate	4.42 %
	Exercise price	$ 57.42
	Stock price	$ 81.20
	Expected price volatility	49.60 %
	Risk-free interest rate	0.210 %

The price difference between the transfer consideration less necessary trading cost, NT$34,349 thousand, and capital surplus-employee stock option, NT$14,268 thousand, and the repurchase cost, NT$34,454 thousand, was stated into the capital surplus-treasury stock exchange, NT$14,163 thousand.

(16) Share-based payment－employee compensation plan

As of December 31, 2017, information on outstanding ESO is shown below: N/A

(17) NON-OPERATING INCOME AND EXPENSES

A. Other gains and losses, net

	2017	2016
Gain (loss) from disposition of property, plant and equipment	$ (13)	$ (191)
Gain on disposition of investment	17,427	-
Gain (debt) from financial assets at fair value through profit or loss	-	1,742
Debt (loss) from financial assets at fair value through profit or loss	(55)	-
Foreign currency exchange gain (loss), net	(25,780)	(14,344)
Loss on valuation of nonfinancial asset	-	(45,533)
Others	(331)	(3,068)
Total	$ (8,752)	$ (61,394)

(a) For the notes to gain on disposition of investment please refer to Note 6(5) and Note13 (3).

(b) For the notes to loss on valuation of Investments accounted for using equity method, please refer to Note 6(7).

B. Financial cost

	2017	2016
Interest expenses		
Bank loan	$ 9,470	$ 10,135
Convertible corporate bond	9,787	11,214
Financial leasing interest	648	684
Subtotal	19,905	22,033
Less: capitalized interest	(2,431)	(2,543)
Total	$ 17,474	$ 19,490
Capitalized interest rate	0.62%~1.12%	1.04%~1.57%

(18) Income Tax

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

	2017	2016
Income tax in the current period		
Generated in the current period	$ 58,517	$ 97,175
Overestimated (underestimated) income tax in previous year	851	292
Total income tax in the current period	59,368	97,467
Deferred income tax		
Occurrence and reversal of temporary difference	(3,805)	(6,816)
Effect of changes in tax rate	-	-
Total deferred income tax	(3,805)	(6,816)
Total	$ 55,563	$ 90,651

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

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

D. Relations between income tax expenses (gains) and accounting profit

	2017	2016
Net profit (loss) before tax	$ 204,380	$ 651,488
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated (17%)	$ 34,821	$ 110,753
Tax rate difference effect in foreign jurisdiction	17,009	20,982
Income tax effect included into the items that shall not be recognized pursuant to tax laws	5,158	(6,618)
Income tax effect on deferred income tax assets/liabilities	(3,805)	(6,816)
Changes of foreign exchange rate of deferred income tax assets/liabilities	-	-
Unrecognized deferred income tax assets	116	58
Tax-free income	-	(47,598)
Maximum foreign-tax deduction	-	—
Income tax effect on investment credit	(12,875)	(16,897)
Imposition of 10% income tax on undistributed earnings	14,178	2,636

Income tax effect under minimum tax system	110	33,859
Overestimated (underestimated) income tax in previous year	851	292
Total	$ 55,563	$ 90,651

E. Deferred income tax assets and liabilities

(a) Recognized deferred income tax assets and liabilities

	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	$ 36,369	$ 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
Bad debt 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)

	2016				
	January1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 38, 216	$ (1,847)	-	-	$ 36,369
Unrealized exchange loss	276	1,934	-	-	2,210
Unrealized warranty cost	211	230	-	-	441
Bad debt loss		7,741	-	-	7,741

Impairment loss	252	(251)	-		-	1
Unrealized gain on inter-affiliate accounts	20,044	(4,064)	-		-	15,980
Tax difference on depreciation expenses	13	-	-		-	13
Recognition of pension expenses (excess)	181	(26)	-		-	155
Loss carry forwards	-	2,712	-		-	2,712
Total	$ 59,193	$ 6,429				$ 65,622
Deferred income tax liabilities						
Temporary difference						
Unrealized exchange (gain)	$ (1,219)	$ 462	-	-	-	$ (757)
Unrealized net investment income (foreign)	(6,144)	(338)	-	-	-	(6,482)
Recognition of pension expenses (deficit)	(4,316)	263	-	-	-	(4,053)
Total	$ (11,679)	$ 387				$ (11,292)

(b) Unrecognized deferred income tax assets

	December 31, 2017	December 31, 2016
Loss carry forwards	$ 84	$ 53
Investment credit	-	-
Amount of unrecognized deferred income tax assets	$ 84	$ 53

According to the Income Tax Act, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the local collection authority-in-charge from the current income. Said items were not recognized as deferred income tax assets, because it is still uncertain whether said companies are not likely to have sufficient taxable income to cover the temporary difference.

The taxation loss which has not been recognized by the Group before December 31, 2017 shall be deducted by the following deadline:

Item	Balance to be credited	Last year of credit
Loss in 2011	$ 85	2021
Loss in 2012	38	2022
Loss in 2013	24	2023
Loss in 2014	24	2024
Loss in 2015	24	2025
Loss in 2016	115	2026
Loss in 2017	184	2027
Total	$ 494	

(c) Unrecognized deferred income tax liabilities

	December 31, 2017	December 31, 2016
Taxable temporary difference	$ -	$ -
Amount of unrecognized deferred income tax liabilities	$ -	$ -

F. The investment credit tax on deferred income tax assets which has been recognized by the Company before December 31, 2017 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in	Balance to be credited	Last year of credit

			current period		
R&D expenditure (projected) in 2017	$ 86,919	$ -	$ 12,875	$ -	(non-deferred)
	$ 86,919	$ -	$ 12,875	$ -	

(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	2015
Chain-Logic International Corp.	2015
WANG-TONG CORP.	2015
Allstron Corp	2015

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

	December 31, 2017	December 31, 2016
Deductible tax account-Balance	$ 238,268	$ 229,656

	2017 (Projected)	2016 (Actual)
Deductible rate of earnings allocation	Note 1	15.32 %

Said information about the two-in-one tax policy refers to the amount treated according to t he letter of Ministry of Finance under Tai-Tsai-Shui No. 10204562810 dated October 17, 2013.

According to Article 66-6 of the amended Income Tax Law, the tax deduction applicable to individual shareholders residing within the territories of the R.O.C. may be discounted at 50% as of January 1, 2015 when the earnings are allocated.

Note 1：With the abolishment of the imputation tax system under the amendments to the Income Tax Act promulgated by the President of the Republic of China in February, 2018, the information on unappropriated retained earnings and the balance of the imputation credit account as of December 31, 2017, as well as the estimated creditable tax rate for the year ended December 31, 2017 is no longer disclosed.

I. Information about the Company's undistributed earnings

Except the balance, NT$322 thousand, before 1997, the remainder of the Company's undistributed earnings refers to those after 1998.

(19) Earnings Per Common Share

A. Basic EPS

The basic EPS is calculated based on the income vested in the Company's common stock holders dividing by the weighted average number of outstanding common stock.

B. Diluted EPS

The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the weighted average number of outstanding common stock.

C. The Company's basic EPS and diluted EPS are calculated as follows:

	2017			2016		
	Amount after tax	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**	**Amount after tax**	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 145,767	79,812	$ 1.83	$ 563,279	79,480	$ 7.09
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 145,767	79,812		$ 563,279	79,480	
Effect of all potential diluted common stocks						
3rd domestic unsecured convertible corporate bond	-	-			6,660	
Employee stock option exercise adjustment	-	-		-	-	
Employee stock bonus	-	137		-	717	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 145,767	79,949	$ 1.83	$ 563,279	86,857	$ 6.49

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	2017			2016		
	Operating cost	**Operating expense**	**Total**	**Operating cost**	**Operating expense**	**Total**

Employee benefit expense						
Salary expense (including employee remuneration)	732,343	617,851	1,350,194	805,443	753,429	1,558,872
Labor/health insurance expenses	56,293	45,302	101,595	56,972	51,539	108,511
Pension expenses	37,331	27,019	64,350	34,906	26,064	60,970
Other employee benefit expenses (Note)	70,301	25,141	95,442	76,149	25,650	101,799
Depreciation expenses	329,710	87,713	417,423	289,983	71,953	361,936
Depletion expenses	—	—	—	—	—	—
Amortization expenses	26,650	32,615	59,265	23,647	33,514	57,161

(Note) The other employee benefit expenses including meal expenses, overtime pay and workers' benefits.

A. According to the Company's existing articles of incorporation, the Company shall allocate remuneration to employees and remuneration to directors/supervisors when allocating the earnings. For the details about capital increase, please see Note 6(15).

B. The Company has approved the motion for amendments to the Articles of Incorporation on June 16, 2016:
Where the Company retains income before tax after the account settlement, it shall allocate 5%~15% thereof as the remuneration to employees, and not be lower than 3% thereof as the remuneration to directors/supervisors. However, profits must first be taken to offset against cumulative losses, if any. The remainder, if any, shall be allocated as the remuneration to employees and directors/supervisors on a pro rata basis as referred to in the preceding paragraph.
The allocation of remuneration to employees and directors/supervisors shall be resolved and approved by a majority of the directors present at a directors' meeting attended by more than two-thirds of the whole directors, and reported to a shareholders' meeting.
Employees’ remuneration may be paid in the form of stock or in cash, and can be paid to employees of affiliated companies that satisfy certain criteria.

C. The Company estimated the remuneration to employees was NT$9,323 thousand and NT$61,660 thousand, respectively, in 2017 and 2016, and the remuneration to directors/supervisors NT$0 and NT$14,760 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 2016 resolved to be allocated at the shareholders' meeting on June 13, 2017 were NT$61,660 thousand and NT$14,760 thousand, respectively, identical with that recognized in the financial statement 2016, and the remuneration to employees will be paid in cash. The Board of Directors of MPI held on June 13, 2017 approved the profit sharing bonus to employees in 2016. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of

2017.

E. The remuneration to employees and directors/supervisors 2015 resolved to be allocated at the directors' meeting on June 16, 2016 were NT$28,640 thousand and NT$7,160 thousand, respectively, identical with that recognized in the financial statement 2015, and the remuneration to employees will be paid in cash. The remuneration will be paid after the amended Articles of Incorporation is resolved at the general shareholders' meeting 2016.

F. The information about remuneration to employees and remuneration to directors/supervisors approved by the Board of Directors and resolved by a shareholders' meeting may be viewed at the “MOPS”.

(21) Supplemental cash flow information

A. Investing activities paid in cash in part only:

	2017	2016
Purchase of property, plant and equipment	$ 750,153	$ 406,876
Add: Payables for equipment, beginning	134,487	127,068
Add: Acquisition trough business combination	66,788	-
Less: Payables for equipment, ending	(87,846)	(134,487)
Less: Acquisition through business combination	(48,688)	(66,788)
Cash paid in current period	$ 814,894	$ 332,669

B. Financing activities not affecting cash flow:

	2017	2016
Conversion of corporate bond conversion into capital stock	$ 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)	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
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD (MET)	Associates –a subsidiary of MMS (liquidated in December 27, 2017)
MMK (Kunshan)	Associates
Lumitek Co.,LTD	Associates (liquidated in August 8, 2017)

(3) Important transactions with related parties

The balance and transaction between the Company and its subsidiaries have been derecognized from the consolidated financial statements and were not disclosed accordingly. The details about transactions between the Group and other related parties are disclosed as following:

A. Operating revenue

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

Type	2017	2016
Sale of products:		
-Affiliates	$ 34,109	$ 58,019
-Essential related party (Director of the original Company)	266,104	356,503
Sale of labor services:		
-Essential related party (Director of the original Company)	26,322	97,524
Total	$ 326,535	$ 512,046

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	2017	2016
Affiliates	$ 980	$ 666
-Essential related party (Director of the original Company)	3,932	75,460
Total	$ 4,912	$ 76,126

The price of the Group's purchase from related parties was not significantly different from the Company's price of purchase from the general suppliers.

C. Receivable accounts-related parties

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

Title	Type	December 31, 2017	December 31, 2016
Receivable accounts	Affiliates	$ -	$ 14,670
Receivable accounts	Essential related party Director of the original Company)	758	22,390
subtotal		758	37,060
Less: Allowance for bad debt		-	(447)
Total		$ 758	$ 36,613

D. Payable accounts-related parties

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

Title	Type	December 31, 2017	December 31, 2016
Accounts payable	Affiliates	$ -	$ 11
Accounts payable	Essential related party(Director of the original Company)	3,673	81
Other payable accounts	Essential related party Director of the original Company)	4,875	342
Total		$ 8,548	$ 434

E. Exchange of property

(a) Acquisition of property, plant, and equipment

Type	Nature	2017	2016
Essential related party(Director of the original Company)	Machine & equipment	$ -	$ 224
Total		$ -	$ 224

(b) Disposition of property, plant, and equipment: N/A.

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

The Group's loans from related parties are stated as follows:

2017: N/A

2016: N/A

G. Purchase of labor services from related parties

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

Type	2017	2016
Promotion-expenditure in commission:		
-Affiliates	$ 2,307	$ 2,770
-Essential related party (Director of the original Company)	5,103	3,978
Total	$ 7,410	$ 6,748

H. Others

(a) Payment on behalf of others (stated as other current assets)

Related parties	December 31,2017	December 31,2016
Essential related party (Director of the original Company)	$ -	$ 22

Payment of goods on behalf of others for triangle trade

(b) Sales revenue received in advance

Type	December 31, 2017	December 31, 2016
Affiliates	$ -	$ 2,413
-Essential related party (Director of the original Company)	265	611
Total	$ 265	$ 3,024

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

Related parties	December 31, 2017	December 31, 2016
Essential related party (Director of the original Company)-Others	$ 23,137	$ 7,726

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

(d) Manufacturing expenses (stated as operating cost)

Type	Nature	2017	2016
Affiliates	Processing expenses	$ 50	$ 2,795
Essential related party (Director of the original Company)-Others	Other expenses	$ -	$ 4

(e) Selling expenses

Type	Nature	2017	2016
Affiliates	Other expenses	$ 3,663	$ 1,794
Essential related party (Director of the original Company)-Others	Repair expenses	$ 46	$ -
Essential related party (Director of the original Company)-Others	Other expenses	$ -	$ 964

(f) Management expenses：None.

(g) Research and development expense：None.

(h) Lease

Type	2017	2016
Affiliates	$ 45	$ 450

The main contents of lease contract:

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

(i) Other revenue

Type	2017	2016
-Essential related party		
(Director of the original Company	$ 544	$ 272
Affiliates	$ 46	$ 812

(3) Information about remuneration to the management

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

	2017	2016
Salary and other short-term employee benefits	$ 14,067	$ 10,540
Resignation benefits	-	-
Retirement benefits	-	-
Other long-term benefits	-	-
Total	$ 14,067	$ 10,540

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

8. Pledged assets

The following assets have been provided to the Group as the collaterals for bank loans, import business tax and sale commitment. The book value thereof is stated as follows:

	December 31, 2017	December 31, 2016
Land	$ 763,767	$ 699,538
Building	884,374	910,837
Pledged time deposit (stated as other current assets)	3,546	9,312
Total	$ 1,651,687	$ 1,619,687

9. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: N/A.

(2) Commitment:

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

B. The Group’s significant long-term rent:

(a) The Group rented the land lots in Tainan Science Park from Southern Taiwan Science Park Administration for construction of Luchu 1st Plant and 2nd Plant. 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 shall expire on August 31, 2018. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

(d) The Group rented the land and the construction at Guangfu Rd, Hukou Township, Hsinchu Country from a non-related party for parking lots and plants. The lease shall expire on September 30, 2021. According to the lease contract, upon expiration of the lease, the company has the priority to rent under the same conditions.

(e) The Group rented the land and the construction at Wujin Hi-Tech Industrial Zone from a non-related party for business. 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 land were stated as NT$19,559 thousand and NT$10,842 thousand in 2017 and 2016 The future payable rent for important long-term operating lease is stated as follows:

	December 31, 2017
Less than one year	$ 15,417
One year to five years	41,733
More than five years	8,658
Total	$ 65,808

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

	December 31, 2017	December 31, 2016
Purchase of property, plant and equipment	$ 30,724	$ 196,205

10. Significant disaster loss: N/A.

11. Significant subsequent events: N/A.

12. Others

(1) Fair value of financial instruments

A. Financial instruments not at fair value

The carrying amounts of the Group' (including cash and cash equivalents, accounts receivable, other receivables, Pledged time deposit ,short-term loans, notes payable, accounts payable and other payables are approximate to their fair values.

Noncurrent financial instrument (including refundable deposit, deposits received, long-term loans, term accounts payable)，The effect of discounting is minor, thus, the book value are approximate their the fair values. Fair value recognized in the consolidated balance sheet:

B. Fair value measurements recognized in the consolidated balance sheets

The Group applied the input which was observable in the market as possible as it could when measuring its assets and liabilities. The level of fair value is concluded as following based on the input used by the valuation technology:

1st level: Open quotation of the same assets or liabilities in an active market on the date when the assets or liabilities may be acquired (before adjustment). The active market means the market in which there are frequent and large volumes of transactions to provide the information about pricing on an ongoing basis.

2nd level: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

3rd level: Inputs for the asset or liability that are not based on.

	1st level	2nd level	3rd level	Total
December 31, 2017				
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
December 31, 2016				
Financial assets				
Financial Assets held for trading - current Convertible corporate bond	-	$ 60	-	$ 60
Financial liabilities	-	-	-	-

(a) The methods and hypotheses used by the Group to measure fair value are stated as following:

With respect to more complicate financial instruments; the Group applied the evaluation models consisting of the evaluation methods and technologies extensively employed in the same trade to measure the fair value. Such evaluation model is used to applying to the debt instruments or securitization products, including financial derivatives and embedded derivatives.

(b) There was no transfer between Level 1 and Level 2 for the measurement of fair value from January 1 to December 31, 2017 and 2016.

(c) Among the total gains (losses) stated into the income, the gains (losses) related to the financial derivatives were (NT$55) thousand and NT$1,742 thousand until December 31, 2017 and 2016.

(2) Financial risk management

A. Purpose

(a) The Group's financial risk management aims to manage the market risk, credit risk and liquidity risk related to operating activities, and to identify measure and administer said risks based on policies and risk preference.

(b) The Group has established adequate policies, procedures and internal controls pursuant to the related regulations, in order to manage said financial risk. The important financial activities shall be audited and approved by the board of directors according to the related regulations and internal control system. In the duration of financial management activities, the Group shall strictly comply with the requirements related to financial risk management defined by the Company.

B. Nature and degree of important financial risk

(a) Market risk

The Group's market risk arises from market price fluctuation resulting in fluctuation of the fair value or cash flow of financial instruments. The market risk primarily includes foreign exchange risk, interest rate risk and other pricing risks.

Practically, few single risk variances would change independently. Additionally, changes of various risk variances are generally correlative to each other. Notwithstanding, the sensitivity analysis of the following risks does not take the interaction of related risk variances into consideration.

Ⓐ Foreign exchange risk

The Group's foreign exchange risk arises primarily from the operating activities (revenue or expense denominated in the currency different from the Group's functional currency) and net investment in foreign operations. The Group's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. Considering that said natural hedging did not meet the hedging accounting policy, the Group did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Group's income and equity. The Group's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen and Euro.

The Group's business lines involved some non-functional currencies (the functional currency of the Company and some of its subsidiaries was NTD, and that of some subsidiaries is USD, RMB or Won). Therefore, the Company would be subject to the effect produced by fluctuation in foreign exchange rate. The information about assets denominated in foreign currency exposed to significant effect produced by fluctuation in foreign exchange rate is stated as follows:

	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

	December 31, 2016			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 9,688	31.423	$ 304,442
	NTD/JPY	$ 5,834	0.2727	$ 1,591
	NTD/EUR	$ 157	33.775	$ 5,293
	NTD/RMB	$ 31,310	4.618	$ 144,576
	NTD/KRW	$ 327	0.02701	$ 9
	NTD/HKD	$ 4	4.1055	$ 16
	NTD/MYR	$ 11	6.905	$ 70
	NTD/THB	$ 5	0.868	$ 4

Financial liabilities	NTD/USD	$ 3,581	31.815	$ 113,941
	NTD/JPY	$ 16,934	0.273	$ 4,618
	NTD/EUR	$ 344	33.775	$ 11,619
	NTD/SGD	$ 10	22.17	$ 211
	NTD/GBP	$ 1	39.495	$ 52
	NTD/RMB	$ 96	4.618	$ 443

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$25,780) thousand and (NT$14,344) thousand in 2017 and 2016.

Ⓑ Interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Group's interest rate risk arises primarily from the loan with floating interest rate.

The Group maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

Ⓒ Pricing risk

Due to the fact that in the investment held by the Group indicated in the individual balance sheet, the Group did not hold the financial assets including equity instruments. Therefore, the Group did not suffer significant pricing risk.

Ⓓ Other risks over market value

In addition to meeting expected consumption and sale needs, the Group did not sign any product contract which did not apply net settlement.

Ⓔ Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2017 and 2016 is stated as following:

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

December 31, 2016

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-10,770 thousand
Interest rate risk	Loan with floating	+/- 1,585

interest rate +/- 0.25% thousand

(b) Credit risk

Ⓐ Credit risk represents the financial loss that would be incurred by the Group if its customers or financial instrument trading counterparts fail to perform the contracts.

Ⓑ According to the loan policy expressly defined internally in the Group, each business dept. Within the Group shall conduct the management and credit risk analysis on each new customer before setting payment and proposing the delivery terms and conditions. The internal risk control evaluates customers' credit quality by taking into consideration the customers' financial position, and past experience and other factors. The individual risk limit is set by the management according to the internal or external ratings. The management will also control the periodic drawdown of credit limits. The main credit risk results from derivative financial instruments and the balance deposited in banks and financial organizations, and customers' credit risk, including the unearned accounts receivable and undertaken transactions. The Group also applied some credit enhancement instruments (e.g. advance sale receipts) in a timely manner to reduce customers' credit risk.

Ⓒ For the year ended December 31, 2017 and 2016, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.

Ⓓ The Group grants the loan period varying based on the evaluation on each trading customer, generally O/A 90 days or 150 days. For the information about the changes of bad debt provided for the Group's impairment on receivable accounts and account age analysis on loans, please see Note 6(3).

Ⓔ The Group's Finance Dept. Manages the credit risk over the deposits in banks and other financial instruments according to the Group's policy. The Group's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.

Ⓕ Guarantee

According to the Group's policy, the Group may only make financial guarantee for the subsidiaries wholly owned by the Group. Before December 31, 2017 and 2016, the Group has never made any endorsements/guarantees.

(3) Liquidity risk

Ⓐ The liquidity risk arises when the Group fails to deliver cash or other financial assets to repay financial liabilities and to perform the related obligation. The Group managed the liquidity in a manner ensuring that the Company has sufficient working fund to repay matured liabilities under the general and critical circumstances, so as to avoid unacceptable loss or impairment on the Group's goodwill.

Ⓑ The Group's will call the management meeting periodically to assist Financial Accounting Dept. Control the need for cash flow and the optimal investment return in cash. Generally, the Group will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Group's loan totaled NT$506,000 thousand on December 31, 2017.

Ⓒ The following table refers to the non-derivative financial liabilities and grouped subject to the relevant expiry dates. The non-derivative financial liabilities are analyzed based on the residual period from the date of balance sheet until the expiry date. Nevertheless, the Group did not hold derivative financial liabilities.

	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

	December 31, 2016			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 384,052	$ -	$ -	$ 384,052
Payable accounts (including related party)	425,865	-	-	425,865
Other payable accounts (including related party)	775,183	-	-	775,183
Long-term loan (including the current portion)	9,328	9,328	231,312	249,968
Corporate bond payable	590,647	-	-	590,647
Rent payable	16,697	16,697	33,394	66,788
Total	$2,201,772	$ 26,025	$ 264,706	$2,492,503

(3) Capital risk management

The Group’s capital management objective is intended to protect the Group's continued operation and ensure maintenance of well-founded credit ratings and optimal capital structure to reduce capital cost, in order to support the enterprise's operation and maximization of shareholders' return. The Group manages and adjusts the capital structure subject to the economic condition. The Group might adjust the stock dividend to be paid, refund of capital, issuance of new shares or realization of assets to reduce liabilities, in order to maintain and adjust the capital structure.

The Group controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Group maintained the same strategy in 2017 as that in 2016, dedicated to maintaining the debt/equity ratio less than 70%~120%. The Company's debt ratios on December 31, 2017 and 2016 are stated as follows:

	December 31, 2017	December 31, 2016
Total liabilities	$ 3,922,778	$ 3,305,212
Total net worth	3,784,901	3,959,782
Debt/equity ratio	104%	83%

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 2017
1	Loans to others	Attached table 1
2	Endorsement/guarantees made for others	N/A
3	Marketable securities-ending	N/A
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period.	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital.	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 2
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	N/A
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between parent company and subsidiaries.	Attached table 3

Attached table 1: Loans to others

No. (Note 1)	Lender	Borrower	Account titles	Related party	Maximum balance in current period (Note 2)	Balance, ending	Drawdown (Note 3)	Interest rate range	Nature of loans to others	Amount of transaction	Reasons necessary for offering short-term loans	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 5)	Limit of total loans (Note 5)
													Name	Value		
0	The Company	MEGTAS CO.,LTD.	Other receivable accounts-rel	Yes	$4,634	$4,634	$4,634	4.99%	Short-term loans	–	Working capital	–	–	–	$394,696	$1,578,782

			ated party														

Note 1: 〝0〞 for the Company and each investee are numbered in sequential order starting from 1.

Note 2: The maximum balance of the loan to others accumulated in the current year until the reporting month.

Note 3: The facility of the loan to others still effective until the reporting month

Note 4: The Company's board of directors resolved on March 24, 2017 to loan the fund to its subsidiary, MEGTAS CO., LTD., in the amount of NT$4,634 thousand. The Contract term is from March 28, 2017 to March 28, 2018.

Note 5: According to the Company's Operating Procedure for Loaning to Others, the limit of loan shall be set in the following manners:

(a) The limit of total loans 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

Purchaser/seller	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Duration of loan	Unit price	Duration of loan	Balance	Percentage in total accounts/ notes receivable (payable)	
The Company	MJC Electronics Corporation	Subsidiary of the Company's director, MJC	Sale	$ 253,212	6 %	same as that applicable to the general customer	—	—	Receivable accounts $ 758	—	

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

a. 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 Other receivable accounts Rent revenue Administrative and general expenses－other expenses, less Other gains (losses)	$ 22 $ 1,296 $ 3,844 $ 38 $ 925	Note 4 Note 8 Note 7 Note 7 Note 4	－ － － － －
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts Other gains (losses)	$ 41,150 $ 26,418 $ 177	Note 4 Note 6 Note 4	1% － －
0	MPI Corporation	MEGTAS CO.,LTD.	1	Other receivable accounts Interest revenue	$ 4,629 $ 172	Note 9 Note 9	－ －
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sale revenue Receivable accounts Other gains (losses) Other receivable accounts	$ 64,255 $ 118,048 $ 37,039 $ 27,228	Note 4 Note 6 Note 4 Note8	1% 2% 1% －
0	MPI Corporation	MPI TRADING CORP.	1	Sale revenue	$ 634	Note 4	－
0	MPI Corporation	MPI America Inc	1	Sale revenue Receivable accounts Others revenue	$ 119,117 $ 111,349 $ 1,453	Note 4 Note 6 Note 4	3% 1% －
0	MPI Corporation	MPI (SUZHOU) CORPORATION	1	Sale revenue Receivable accounts Other receivable accounts Other gains (losses)	$ 4,159 $ 4,126 $ 1,651 $ 1,829	Note 4 Note 6 Note 9 Note 4	－ － － －
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue Receivable accounts Revenue from commission Receivable commission Other receivable accounts	$ 7,928 $ 10,696 $ 72,323 $ 116,335 $ 652	Note 4 Note 6 Note 5 Note 6 Note 9	－ － 2% 2% －
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts	$ 7,190 $ 3,130	Note 4 Note 6	－ －
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue Receivable accounts	$ 1,056 $ 369	Note 4 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 Receivable accounts	$ 803 $ 795	Note 4 Note 6	— —
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Revenue from commission Revenue from repair and maintenance Receivable accounts	$ 6,022 $ 104 $ 8,637	Note 5 Note 4 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 Receivable accounts Other receivable accounts	$ 9,773 $ 11,373 $ 1,325	Note 4 Note 6 Note 8	— — —
3	MEGTAS CO.,LTD.	MPI Corporation	2	Sale revenue Receivable accounts	$ 217 $ 36	Note 4 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	— —

b. 2016

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	To consolidated operating revenue or total assets (Note 3)
0	MPI Corporation	Chain-Logic International Corp.	1	Sale revenue	$ 24,975	Note 4	1%
				Receivable accounts	$ 9,116	Note 6	—
				Other receivable accounts	$ 4,863	Note 8	—
				Rent revenue	$ 3,859	Note 7	—
				Administrative and general expenses — other expenses, less	$ 38	Note 7	—
				Other gains (losses)	$ 305	Note 4	—
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$ 32,705	Note 4	1%
				Receivable accounts	$ 13,427	Note 6	—
				Advance sale receipts	$ 3,360	Note 4	—
				Other gains (losses)	$ 763	Note 4	—
0	MPI Corporation	MEGTAS CO.,LTD.	1	Interest revenue	$ 40	Note 9	—
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sale revenue	$ 22,307	Note 4	—
				Receivable accounts	$ 125,963	Note 6	2%
				Other gains (losses)	$ 29,635	Note 4	1%
				Other receivable accounts	$ 23,389	Note8	—
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue	$ 11,152	Note 4	—
				Receivable accounts	$ 6,718	Note 6	—

				Other receivable accounts	$	475	Note 8	—
				Revenue from commission	$	58,894	Note 5	1%
				Receivable commission	$	61,910	Note 6	1%
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue	$	15,989	Note 4	—
				Receivable accounts	$	8,468	Note 6	—
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	$	1,287	Note 5	—
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	$	355	Note 4	—
				Receivable accounts	$	225	Note 6	
2	MPI TRADING CORP.	MPI Corporation	2	Sale revenue	$	468	Note 4	—
3	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Sale revenue	$	335	Note 4	—
				Revenue from commission	$	21,627	Note 5	1%
				Receivable accounts	$	16,357	Note 6	—
3	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Lumitek (Changchou) Co. Ltd.	3	Sale revenue	$	1,772	Note 4	—
				Receivable accounts	$	118	Note 6	—
4	MEGTAS CO.,LTD.	MPI Corporation	2	Sale revenue	$	49	Note 4	—
4	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue	$	10,431	Note 4	—
				Receivable accounts	$	1,193	Note 6	—
4	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue	$	2,141	Note 4	—
				Receivable accounts	$	392	Note 6	—
5	Lumitek (Changchou) Co.	CHAIN LOGIC (SHANGHAI)	3	Sale revenue - maintenance	$	445	Note 4	—

	Ltd.	INTERNATIONAL CORP.		Receivable accounts	$ 314	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) in 2017 is stated as following:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			

MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 62,325	$ 8,714	$ 8,714	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO.,LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 686,177	$ 635,844	22,061,857 (Note6)	100%	$ 587,125	$ 23,116	$ 23,963	Subsidiary of MPI Corporation (Note 4)
MPI Corporation	MEGTAS CO.,LTD.	134 Gunseo-ri, Jikson-eub, Seobuk-gu, Cheonan, Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	$ 39,906	$ 39,906	300,000	60%	$ 25,255	$ 8,750	$ 5,285	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%	$ 238,519	$ 21,861	$ 18,947	Subsidiary of MPI Corporation
MPI Corporation	Won Tung Technology Co., Ltd.	1F, No. 100, Jiaren Street, Zhubei City, Hsinchu County	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	$ 500	$ 500	50,000	100%	$ 4	$ (184)	$ (184)	Subsidiary of MPI Corporation
MPI Corporation	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	—	$ 18,551	7,473,968	—	—	$ 2,350	—	MPI adopted the evaluation under equity method. (Note 7)

MPI Corporation	Allstron Corporation	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Xinan Vil., Zhubei City, Hsinchu County	High-frequency wafer measurement probe card manufacturer	$ 50,000	$ 50,000	1,550,000	100%	$ 1,995	$ (501)	$ (501)	Subsidiary of MPI Corporation
MPI Corporation	MPA TRADING CORP.	Vistra (Anguilla) Limited, Vistra Corporate Services Centre, Albert Lake Drive, The Valley, Anguilla, British West Indies.	Holding company	$ 37,881	—	1,250,000	100%	$ (16,728)	$ (43,307)	$ (43,307)	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%	$ 54,994	$ (17,274)	—	Subsidiary of Chain-Logic International Corp.
MPI Corporation	MPI America Inc	2360 QUME DRIVE,SUITE C,SAN JOSE,CA	Trading of probe cards and semi-automatic probers	$ 36,366	—	1,200,000	100 %	$ (5,760)	$ (43,217)	—	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$1,000,000 (equivalent to NT$31,980 thousand) in December 2016; Increased capital by US$2,000,000 (equivalent to NT$60,180 thousand) in December 2017. So far, the Group has invested a total of US$22,061,857 in the subsidiary, MMI HOLDING CO., LTD., totaling 22,061,857 shares, at the par value of US$1 per share. The Company's shareholding was 100%.

In order to expand the market in Mainland China, the Group invested Lumitek (Changchou) Co. Ltd. via the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$1,000,000 (equivalent to NT$31,980 thousand) in December 2016. Until now, a total of US$16,000,000 has been invested in Lumitek (Changchou) Co. Ltd., and the subsidiary, MMI HOLDING CO., LTD., held it wholly. The investment project was approved by Investment Commission, Ministry of Economic Affairs.

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

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

In order to expand the market in USA, the Group invested MPI America Inc. via the Group's subsidiary, MPI America Inc increased capital by US$600,000 (equivalent to NT$18,174 thousand) in May 2017; Increased capital by US$450,000 (equivalent to NT$13,686 thousand) in July 2017 and increased capital by US$150,000 (equivalent to NT$4,506 thousand) in September 2017. Until now, a total of US$1,200,000 in the subsidiary, MPI America Inc., totaling 1,200,000 shares, at the par value of US$1 per share, and the subsidiary, MPA TRADING CORP held it wholly.

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

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

Note 7：The group assessed Lumitek Corporation by equity method which was liquidated and written off on August 8, 2017. The distribution of surplus property to be allocated at the shareholders' meeting on August 23, 2017. The group obtained recover payment a total of NT$18,918 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)	$ (17,284)	100 %	$ (17,284)	$ 49,901	$15,852
Mjc Microelectronics (Shanghai) Co., Ltd.	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	–	–	USD 600,000 ($ 20,813)	$ 1,865	40 %	$ 746	$ 29,999	$40,273
MMS ELECTRONICS TECH. (SHANGHAI) CO., LTD	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	–	–	–	–	$ 1,807	40 %	$ 723	–	–
LEDA-ONE (Shenzhen) Co.	Production of new electronic components, LED prober, LED sorting machine, and LED spectrometer, and development of new electronic	USD 1,800,000 ($54,111)	(Note 2)	USD 1,800,000 ($ 54,111)	–	USD 1,800,000 ($ 54,111)	– (Note 5)	$ (174)	100 %	$ (174)	–	–

	components											
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,960,000 ($ 57,423)	—	—	USD 1,960,000 ($ 57,423)	$ 22,592	40 %	$ 9,037	$ 71,302	—
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)	$ 23,833	100 %	$ 23,833	$ 494,480	—
MPI (Suzhou) Corporation	R&D and production of LED	USD 2,000,000 ($60,180)	(Note 2)	—	USD 2,000,000 ($60,180)	—	USD 2,000,000 ($60,180)	$ (11,016)	100 %	$(11,016)	$ 49,264	—

	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.	Registered capital USD 3,000,000 ($ 90,270)										

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP.

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD.

Note 3: Reinvest the company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd. (The Company decide liquidated on July 7, 2017 and was liquidated on December 27, 2017)

Note 4: The investment income was recognized based on the financial statements audited by the parent company's external auditors.

Note 5: The motion for liquidation of LEDA-ONE (Shenzhen) Co. submitted by the Company and approved by the directors' meeting on September 5, 2014.

The Company was liquidated and Write off in May 2017 and remit the surplus investment USD 155,857.58 (equivalent to NT$4,677 thousand).Has cut it up till now, the Investment not been approved by Commission on MOEA had the investment approved document. MMI HOLDING CO., LTD., recognized gains on disposal of investments were NT1,870 thousand.

B. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 21,960,000 (NTD 687,803)	USD 24,604,142.42 (NTD 767,327)	NTD 2,270,941

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

Note2：Investment amount approved by the Investment

LEDA-ONE (Shenzhen) Co. was liquidated and Written off in May 2017 and remitted the surplus investment US$155,857.58 (equivalent to NT$4,677 thousand) to offset the investment amount approved by the MOEA. The original investment amount at US$1,800,000 is still in total of US$1,644,142.42(equivalent to NT$49,434 thousand) that could not be offset the investment amount.

C. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, in 2017 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries”.

14. Information by department

(1) General information

The Group primarily engages in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.

(2) To report the information about department income, assets and liabilities, and basis of measurement and reconciliation

The department income, department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(3) By product and labor service:

The Group engages in a single industry. Its revenue from customers is primarily generated from the sale of semi-conductor production process and testing equipment.

(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.

	2017		2016	
By territory	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Taiwan	$ 1,708,366	$ 3,129,484	$ 2,309,807	$ 3,038,366
China	1,144,462	394,757	974,673	393,717
U.S.A.	743,496	8,441	775,843	－
Malaysia	228,875	－	393,928	－
Korea	35,644	5,316	29,366	8,515
Other countries	587,611	－	478,138	－
Total	$ 4,448,454	$ 3,537,998	$ 4,961,755	$ 3,440,598

(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:

2017：None.

2016：

Customer	**2016**
Customer S	$ 574,946

MPI Corporation

Chairman: Ko, Chang-Lin