



Stock Code:6223

# MPI Corporation

General Shareholders' Meeting 2018

## Parliamentary Procedure Handbook

Date and time: June 12, 2018 (Tuesday), 10:00 am

Venue: 2F, No. 26, Taiyuan Street, Zhubei City, Hsinchu County (Tai Yuen Hi-Tech  
Industrial Park Conference Center)

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# MPI Corporation

## 2018 General Shareholders' Meeting Proceeding

I. Announcement of session

II. Address of Chairman

III. Points of report

IV. Points of ratification

V. Points of discussion

VI. Impromptu motions

VII. Adjournment of meeting

**MPI Corporation**

**2018 General Shareholders' Meeting Agenda**

Date and time: June 12, 2018 (Tuesday), 10:00 am

Venue: 2F, No. 26, Taiyuan Street, Zhubei City, Hsinchu County (Tai Yuen Hi-Tech Industrial Park Conference Center)

Address of the Chairman

**I. Reports:**

1. 2017 Operation Review.
2. 2017 Supervisors Review Report.
3. 2017 Employee, Director and Supervisor Remuneration.

**II. Points of ratification**

1. 2017 Operation Review and Financial Statements.
2. 2017 Motion for allocation of earnings

**III. Points of discussion**

1. Amendment to the "Articles of Incorporation" of MPI Corporation.

**IV. Impromptu Motion**

**V. Adjournment of meeting**

## I. Reports:

### 1. 2017 Operation Review

Note: refer to Appendix I on p. 5-8 and of this handbook for information on 2013 operation review, financial report, and prospect of operation.

### 2. 2017 Supervisors' Report

Note: refer to Appendix II on p. 9 of this handbook for information on 2013 Supervisors Review Report.

### 3. 2017 Employee, Director and Supervisor Remuneration.

Note: (I) Pursuant to Article 20 of the Company's Articles of Incorporation, pre-tax profits concluded by the Company in a financial year are subject to employee remuneration of 5%~15%, and director/supervisor remuneration of no more than 3%.

(II) The board of directors meeting dated March 20, 2018 passed a resolution to distribute the Company's 2017 employee remuneration at 5.13% and director/supervisor remuneration at 0%.

(III) The Company's 2017 pre-tax profit before employee, director and supervisor remuneration was concluded at NT\$181,727,186, from which NT\$9,323,000 shall be allocated as employee remuneration and NT\$0 as director/supervisor remuneration.

(IV) The NT\$9,323,000 employee remuneration mentioned above shall be paid in cash.

## II. Points of ratification

### Motion No. 1

Proposed by the Board

Cause of motion: propose for action in favor of the 2017 operation review and financial statements.

Note: (I) The Company's 2017 business report and individual financial statements (including consolidated financial statements) have been prepared and passed by the board of directors, and reviewed by supervisors. The individual financial statements (including consolidated financial statements) have been audited by Wu, Kuei-Chen (CPA) and Chen, Tsan-Huang (CPA) of Nexia Sun Rise CPAs & Co., to which they issued an unqualified opinion. Please refer to Appendices III and IV presented in pages 10 to 32 of this handbook.

(II) This proposal was passed during the 2nd board of directors meeting in 2018.

Resolution:

### Motion No. 2

Proposed by the Board

Motion: Acknowledgment to the Company's 2017 earnings appropriation.

- Note: (I) The Company generated after-tax earnings of NT\$145,766,957 in 2017. Please refer to Appendix V in page 33 for detailed earnings appropriation proposal.
- (II) In consideration of the Company's future business development, a proposal was made to pay out NT\$39,950,694 of cash dividends and NT\$0 of stock dividends from the 2017 distributable earnings. Based on a total of 79,901,388 shares outstanding on the day of the board of directors meeting, cash dividends were tentatively set at NT\$0.5 per share.
- (III) In the event that MPI Corporation elects to convert convertible corporate bonds into common stock, or repurchase the Company's outstanding shares, assign, or transfer and cancel treasury stock, to the extent that the total quantity of outstanding shares and the dividends to shareholders are being affected, the Board shall be authorized to deal with it with full power in session to discuss such matter for solution.
- (IV) This motion was passed during the 2nd board of directors meeting in 2018.

Resolution:

### III. Points of discussion

Motion No.1:

Submitted by the Board of Directors

Cause of motion: the amendment to the "Articles of Incorporation" of MPI Corporation is presented for discussion.

Note: (I) Proposal to amend Articles 5 and 20 of the "Articles of Incorporation" to accommodate the Company's future operational and capital planning requirements.

(II) The mapping of the provisions of the "Articles of Incorporation" is attached for your information. Please refer to Appendix VI on page 34 of this handbook.

(III) This motion was passed during the 2nd board of directors meeting in 2018.

Resolution:

### IV. Impromptu Motion

### V. Adjournment of meeting

## Appendix I

# MPI Corporation Operation Review

### 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 reality 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 ratio (%)	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 retroactive adjustment	7.09	1.83
		after retroactive adjustment	7.09	1.83

### (III) Research and development

Research and development findings in 2017:

1. Precision automated photoelectric equipment:
  - A. Fully automated multi-stop LED test system
  - B. Fully 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 and imaging detection, 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.

I wish

you all

joy and the best of luck.

Ko, Chang-Lin, Chairman

Scott Kuo, President

Rose Jao, Chief Accounting Officer

## Appendix II

# 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  
Supervisor: Li, Tu-Cheng  
Liu, Fang-Sheng  
Tsai, Chang-Shou

March 20, 2018

## Appendix III

### **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 annual 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.

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Sun Rise CPAs & Company  
Taipei, Taiwan, Republic of China  
March 20, 2018

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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)

ASSETS	Note	December 31, 2017		December 31, 2016	
		Amounts	%	Amounts	%
<b>CURRENT LIABILITIES</b>					
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		<u>3,516,619</u>	<u>46</u>	<u>3,226,583</u>	<u>46</u>
<b>NONCURRENT ASSETS</b>					
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		<u>4,112,289</u>	<u>54</u>	<u>3,904,585</u>	<u>54</u>
TOTAL ASSETS		<u><u>\$ 7,628,908</u></u>	<u><u>100</u></u>	<u><u>\$ 7,131,168</u></u>	<u><u>100</u></u>

(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)

LIABILITIES AND EQUITY	Note	December 31, 2017		December 31, 2016	
		Amounts	%	Amounts	%
<b>CURRENT LIABILITIES</b>					
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		<u>3,224,908</u>	<u>42</u>	<u>2,907,588</u>	<u>41</u>
<b>NONCURRENT LIABILITIES</b>					
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		<u>636,022</u>	<u>9</u>	<u>276,624</u>	<u>4</u>
<b>TOTAL LIABILITIES</b>		<u>3,860,930</u>	<u>51</u>	<u>3,184,212</u>	<u>45</u>
<b>EQUITY</b>	6(15)				
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>					
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		<u>2,102,069</u>	<u>27</u>	<u>2,295,344</u>	<u>32</u>
Other					
Foreign currency translation adjustments		(42,309)	(1)	(30,177)	-
Total others		<u>(42,309)</u>	<u>(1)</u>	<u>(30,177)</u>	<u>-</u>
Treasury stock		-	-	-	-
<b>TOTAL EQUITY</b>		<u>3,767,978</u>	<u>49</u>	<u>3,946,956</u>	<u>55</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 7,628,908</u>	<u>100</u>	<u>\$ 7,131,168</u>	<u>100</u>

(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		January 1 ~ December 31, 2016	
		Amounts	%	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)				
Shareholders 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-			Retained Earnings			Others			Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Treasury Stock			
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	<u>\$ 796,054</u>	<u>\$ 885,735</u>	<u>\$ 492,188</u>	<u>\$ -</u>	<u>\$ 1,803,156</u>	<u>\$ (30,177)</u>	<u>\$ -</u>			<u>\$ 3,946,956</u>
 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	<u>\$ 799,014</u>	<u>\$ 909,204</u>	<u>\$ 548,516</u>	<u>\$ 30,177</u>	<u>\$ 1,523,376</u>	<u>\$ (42,309)</u>	<u>\$ -</u>			<u>\$ 3,767,978</u>

(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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>(410,463)</u>	<u>856,189</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	<u>(532,301)</u>	<u>(469,146)</u>

(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
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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	<u>764,728</u>	<u>(146,238)</u>
Net increase in cash and cash equivalents	(178,036)	240,805
Cash and cash equivalents at beginning of year	<u>475,399</u>	234,594
Cash and cash equivalents at end of year	<u>\$ 297,363</u>	<u>\$ 475,399</u>

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

## Appendix IV

# 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 annual 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 valued 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.

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Sun Rise CPAs & Company  
Taipei, Taiwan, Republic of China

March 20, 2018

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

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

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (ASSETS)**  
**DECEMBER 31 ,2017 AND 2016**  
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

ASSETS	Note	December 31,2017		December 31,2016	
		Amounts	%	Amounts	%
<b>CURRENT LIABILITIES</b>					
Cash and cash equivalents	6(1)	\$ 656,829	9	\$ 749,227	10
Current financial assets at fair value through profit or loss	6(12)	-	-	60	-
Notes receivable, net	6(2)	6,995	-	18,001	-
Accounts receivable, net	6(3)	947,622	12	774,020	11
Accounts receivable -related parties, net	6(3).7	758	-	36,613	1
Other receivables		9,303	-	14,944	-
Income tax receivable		814	-	1,736	-
Inventories, net	6(4)	2,274,469	30	1,954,686	27
Prepayments		94,101	1	101,670	1
Non-current assets held for sale	6(5)	71,302	1	-	-
Other current assets	8	4,763	-	11,596	-
Total Current Assets		<u>4,066,956</u>	<u>53</u>	<u>3,662,553</u>	<u>50</u>
<b>NONCURRENT ASSETS</b>					
Investments accounted for using equity method	6(5)	29,999	-	96,221	1
Property, plant and equipment	6(6).7.8	3,294,748	43	2,971,021	41
Intangible assets	6(7)	41,424	-	35,923	1
Deferred income tax assets	6(18)	72,726	1	65,622	1
Other noncurrent assets	6(8)	201,826	3	433,654	6
Total Noncurrent Assets		<u>3,640,723</u>	<u>47</u>	<u>3,602,441</u>	<u>50</u>
TOTAL ASSETS		<u><u>\$ 7,707,679</u></u>	<u><u>100</u></u>	<u><u>\$ 7,264,994</u></u>	<u><u>100</u></u>

(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)

LIABILITIES AND EQUITY	Note	December 31, 2017		December 31, 2016	
		Amounts	%	Amounts	%
<b>CURRENT LIABILITIES</b>					
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		<u>3,267,355</u>	<u>42</u>	<u>2,974,021</u>	<u>41</u>
<b>NONCURRENT LIABILITIES</b>					
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		<u>655,423</u>	<u>9</u>	<u>331,191</u>	<u>5</u>
<b>TOTAL LIABILITIES</b>		<u>3,922,778</u>	<u>51</u>	<u>3,305,212</u>	<u>46</u>
<b>EQUITY</b>					
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		<u>2,102,069</u>	<u>27</u>	<u>2,295,344</u>	<u>31</u>
Other					
Foreign currency translation adjustments		(42,309)	-	(30,177)	-
Total others		<u>(42,309)</u>	<u>-</u>	<u>(30,177)</u>	<u>-</u>
Treasury stock		-	-	-	-
Equity attributable to shareholders of the parent		3,767,978	49	3,946,956	54
NONCONTROLLING INTERESTS		<u>16,923</u>	<u>-</u>	<u>12,826</u>	<u>-</u>
<b>TOTAL EQUITY</b>		<u>3,784,901</u>	<u>49</u>	<u>3,959,782</u>	<u>54</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u>\$ 7,707,679</u>	<u>100</u>	<u>\$ 7,264,994</u>	<u>100</u>

(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		January 1 ~ December 31, 2016	
		Amounts	%	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)		(55,563)	(2)	(90,651)	(2)
NET INCOME	6(18)	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 :					
Shareholders 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)					
Shareholders of the parent		\$ 128,936	3	\$ 504,565	10
Noncontrolling interests		4,097	-	(3,012)	-
		\$ 133,033	3	\$ 501,553	10
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-		Retained Earnings			Others		Non-controlling	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Treasury Stock		
BALANCE,JANUARY,1,2016	\$ 796,054	\$ 871,572	\$ 462,706		\$ 1,509,840	\$ 26,872	\$ (34,454)	\$ 3,632,590	\$ 15,838 \$ 3,648,428
Legal capital reserve			29,482		(29,482)			-	-
Cash Dividends of Common Stock					(238,816)			(238,816)	(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	<u>\$ 796,054</u>	<u>\$ 885,735</u>	<u>\$ 492,188</u>		<u>\$ 1,803,156</u>	<u>\$ (30,177)</u>	<u>\$ -</u>	<u>\$ 3,946,956</u>	<u>\$ 12,826</u> <u>\$ 3,959,782</u>
 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	<u>\$ 799,014</u>	<u>\$ 909,204</u>	<u>\$ 548,516</u>	<u>\$ 30,177</u>	<u>\$ 1,523,376</u>	<u>\$ (42,309)</u>	<u>\$ -</u>	<u>\$ 3,767,978</u>	<u>\$ 16,923</u> <u>\$ 3,784,901</u>

(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
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>207,913</u>	<u>1,295,237</u>
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	<u>(95,097)</u>	<u>(93,622)</u>
Net cash Provided By Operating Activities	<u>(226,113)</u>	<u>969,324</u>

(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
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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	<u>(621,662)</u>	<u>(536,919)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
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 noncurrent liabilities	110	-
(decrease) in other noncurrent liabilities	-	(1,159)
Employees to repurchase of treasury stock	-	34,349
Increase (decrease) in noncontrolling interests	597	(570)
Net cash (Used In) Financing Activities	<u>761,384</u>	<u>(146,973)</u>
Effects of exchange rate change on cash	<u>(6,007)</u>	<u>(9,998)</u>
Net increase in cash and cash equivalents	(92,398)	275,434
Cash and cash equivalents at beginning of year	<u>749,227</u>	<u>473,793</u>
Cash and cash equivalents at end of year	<u>\$ 656,829</u>	<u>\$ 749,227</u>

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

## Appendix V

**MPI Corporation**  
**Disposition of Net Earnings**  
**2018**

Unit: NTD

Item	Amount	
	Subtotal	Total
Unallocated earnings at the ending		\$ 1,382,308,630
Less: Other consolidated income (actuarial income under defined benefit plan 2017)	( 4,699,232)	
Add: Net profit after tax this year	145,766,957	
<b>Subtotal:</b>		<b>1,523,376,355</b>
Provision:		
Less: Provision of 10% legal reserve	( 14,576,696)	
Less: Special reserve (contra equity item - financial statement translation differences arising from foreign operations)	( 12,131,589)	
<b>Subtotal of allocable earnings:</b>		<b>1,496,668,070</b>
Item of distribution:		
Shareholder bonus - cash	( 39,950,694)	
Shareholder bonus - stock	( 0)	
<b>Unallocated earnings at the ending</b>		<b>\$ 1,456,717,376</b>

Chairman: Ko, Chang-Lin      President: Scott Kuo      Chief Accounting Officer: Rose Jao

## Appendix VI

### MPI Corporation

#### Mapping of the clauses of the Articles of Incorporation before and after amendment

Clause	Before amendment	After amendment	Cause of amendment
Article V	<p>The Company has an authorized capital of One Billion New Taiwan Dollars in one hundred million shares. Each share has a face value of Ten New Taiwan Dollars. The board of directors is authorized to issue this capital in multiple offerings.</p> <p>The amount of NTD 50 million (NT\$50,000,000) will be retained and this amount is equally split up into 5 million shares (5,000,000) at face value of NTD 10 per share for the issuance of stock options. The Board of Directors has been authorized to issue the stock options in tranches.</p>	<p>The Company has an authorized capital of <u>One Billion and Two Hundred Million New Taiwan Dollars in one hundred and twenty million shares</u>. Each share has a face value of Ten New Taiwan Dollars. The board of directors is authorized to issue this capital in multiple offerings.</p> <p>The amount of NTD 50 million (NT\$50,000,000) will be retained and this amount is equally split up into 5 million shares (5,000,000) at face value of NTD 10 per share for the issuance of stock options. The Board of Directors has been authorized to issue the stock options in tranches.</p>	Keep abreast with the changes in applicable legal rules
Article XX	<p>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.</p> <p>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.</p> <p>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.</p> <p>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</p>	<p>Any pre-tax profits concluded from a financial year shall be subject to employee remuneration of <u>0.1%~15%</u>, 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.</p> <p>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.</p> <p>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.</p> <p>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</p>	Revised the percentage of employee remuneration

Clause	Before amendment	After amendment	Cause of amendment
	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.	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 XXII	The Articles of Incorporation were instituted on July 20, 1995. Amendment was made for the 1st instance on September 20, 1996. (skipped)	The Articles of Incorporation were instituted on July 20, 1995. Amendment was made for the 1st instance on September 20, 1996. (skipped) <u>The 21st amendment was made on June 12, 2018</u>	Addition of the date of the last amendment

## Attachment I

# MPI Corporation Articles of Incorporation

## Chapter I General Provision

- Article I: The Company has been duly incorporated in accordance with the Company Act and titled MPI Corporation.
- Article II: The Company is engaged in the principal business specified below:
- I. CB01010 Machinery and Equipment Manufacturing.
  - II. CC01080 Electronic Parts and Components Manufacturing.
  - III. F119010 Wholesale of Electronic Materials.
  - IV. F113050 Wholesale of Computing and Business Machinery Equipment.
  - V. E605010 Computing Equipments Installation Construction.
  - VI. F113010 Wholesale of Machinery.
  - VII. F213080 Retail Sale of Machinery and Equipment.
  - VIII. F401010 International Trade.
  - IX. JE01010 Rental and Leasing Business.
  - X. ZZ99999 All business items that are not prohibited or restricted by law, except those that are subject to special approval.
- Article III: The Company may make direct investment up to 40% of the paid-in capital and may act as a guarantor in favor of a third party outside the company for business purpose.
- Article IV: The Company is headquartered in Zhubei city, Hsinchu County, and may establish branches at home and abroad under the resolution of the Board of Directors, where necessary.

## Chapter II Shares of Stock

- Article V: The Company has stated capital of NTD 1 billion (NT\$1,000,000,000) equally divided into 100 million shares (100,000,000) at face value of NTD 10 per share. The Board of Directors has been authorized to issue the shares in tranches. The amount of NTD 50 million (NT\$50,000,000) will be retained and this amount is equally split up into 5 million shares (5,000,000) at face value of NTD 10 per share for the issuance of stock options. The Board of Directors has been authorized to issue the stock options in tranches.
- Article V-1: In the event the Company shall repurchase its outstanding shares as dictated by law, the Board of Directors shall be authorized for the repurchase.
- Article VI: The Company issues registered shares with the authorized signatures/specimen seals of at least three (3) Directors affixed to each stock certificate subject to certification as required by law before issuance. The Company may also issue shares without printing physical stock certificate, or consolidated all the outstanding shares for printing stock certificates for the issuance of the aforementioned shares, and register with the central depository of securities.
- Article VII: Any change of the content contained in the shareholders registry shall be prohibited within 60 days prior to a regular session of the General Meeting of Shareholders, or within 30 days prior to a special session of the General Meeting of Shareholders, or within 5 days prior to the dividend or bonus announcement day or the day on which

other benefits are released.

## Chapter III General Meeting of Shareholders

- Article VIII: The General Meeting of Shareholders may convene in regular sessions or special sessions. Regular session will usually be convened once a year within six (6) months after the end of a fiscal year. Special session may be convened at any time as needed. The Company may adopt the system of voting by correspondence or electronic means in a session of the General Meeting and the procedure shall be instituted in accordance with applicable laws.
- Article IX: If specific shareholder cannot attend the General Meeting of Shareholders in person, such shareholder may use the authorization of agent printed by the Company and specify the scope of authorization for appointing a proxy to attend the meeting.
- Article X: Shareholders are entitled to one vote for each share of holding except for holding the shares as specified in Article 179 of the Company Act or unless otherwise the law requires.
- Article XI: Unless applicable laws specified otherwise, resolutions of the General Meeting of Shareholders shall be made by a simple majority of the shareholders representing more than half of the total outstanding shares in the meeting, or at the unanimous consent of the shareholders who are present in the meeting.

## Chapter IV Directors and Supervisors

- Article XII: The Company shall establish 5 seats directors and 3 seats of supervisors, who shall be nominated using the nomination system and elected during the General Meeting of Shareholders from the list of nominated director and supervisor candidates. Directors and supervisors shall serve a tenure of 3 years and may assume a second term of office if reelected. Of all the seats of directors as mentioned, there shall be at least two (2) seats of independent directors who shall be elected from a nomination of candidates system and the number of seats for independent directors shall constitute at least 1/5 of the total seats of directors. The professional qualification, quantity of shareholding, limitation of job position, methods of nomination and election and other issues for compliance shall be handled in accordance with the requirements of the competent authority of securities. The Company may purchase liability insurance to protect itself from claims made against its directors by shareholders or other related parties. The same applies to supervisors.
- Article XIII: The Board of Directors shall be organized by the Directors one of whom shall be elected as the Chairman in a session with the presence of at least two-thirds of the Directors and the consent under a simple majority. A vice chairman shall also be elected likewise. The Chairman shall preside over the sessions of the General Meeting and the Board internally and represents the company externally.
- Article XIV: In the absence of the Chairman or the Chairman is unable to perform its duties, proceed to Article 208 of the Company Act. The Directors shall attend the sessions of the Board in person, or appoint another Director to attend the meeting with the authorization of agent and specify the scope of authorization. Each Director may appoint one Director to act as proxy in the meeting.

The Board shall convene with the cause of the session specified in the notice 7 days in advance to the acknowledgment of all Directors and Supervisors. In case of emergency, the Board may call for special session with notice in writing, fax, or e-mail.

The Board may convene via teleconferencing and the Directors participating in the teleconference shall be deemed attending the Board session in person.

**Article XV:** Unless the Company Act specifies otherwise, resolutions of the Board may be made by a session with the presence of at least half of the seats of Directors and by a simple majority of these Directors.

**Article XVI-1:** The remunerations to the Chairman, Vice Chairman, Directors, and Supervisors shall commensurate with their level of participation and contribution to the operation of the company with reference to industry standard, and shall be determined by the Board under authorization.

**Article XVI:** The Board of Directors shall perform the following functions:

- I. Review and approval of the corporate policy and the development plan in the mid to long run.
- II. Review and supervision of the execution of annual business plan.
- III. Review and approval of budget and account settlement.
- IV. Review and approval of the plan of capitalization and decapitalization of the company.
- V. Review and approval of the proposal for income distribution or covering loss carried forward.
- VI. Review and approval essential contracts with external parties.
- VII. Review and approval of the Articles of Incorporation and amendment thereto.
- VIII. Review and approval of the organizational code and important rules and regulations of the company.
- IX. Approval of the establishment, reorganization, and revocation of branches.
- X. Approval of major capital spending plans.
- XI. Planning for the acquisition and disposition of vital assets of the company.
- XII. The appointment and dismissal of the general manager and deputy general managers.
- XIII. Execution of the resolutions of the General Meeting of Shareholders.
- XIV. Review and approval of the proposals from the general manager.
- XV. Convention of the General Meeting of Shareholders and report on operation.
- XVI. Any other duties to be performed under law.

**Article XVII:** The Supervisors shall perform the following functions:

- I. Review of the account settlement.
- II. Supervision of the operation and financial position of the company, and may request the Board or the managers to report.
- III. Review and audit of the journal books and documents of the company.
- IV. Calling for special sessions of the General Meeting of Shareholders in accordance with applicable laws where necessary.
- V. Supervision on any other issues as required by law.

## Chapter V      Managers

**Article XVIII:** The Company shall employ several managers and the appointment and dismissal of whom shall be carried out pursuant to Article 29 of the Company Act.

## **Chapter VI Accounting Policy**

- Article XIX: At the end of the fiscal year, the Board shall prepare (I) Operation in review; (II) Financial Statements; (III) proposals of income distribution or covering loss carried forward and related document, and forward these materials to the Supervisors for review 30 days prior to the scheduled date of the regular session of the General Meeting for ratification.
- Article XX: 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 XX-I: The Company is now at the growth stage of industrial development. As such, the dividend policy shall be conditioned by the investment environment, capital needs, domestic and international competition, and capital budgeting of the company at present moment and in the futures. Shareholders interest, balance of dividend payment and long-term financial planning shall also be considered with the Board of Directors to design the plans for income distribution annually as required by law, and present before the General Meeting of Shareholders for ratification.  
The earnings will be allocated in the form of cash dividend or stock dividend, subject to the funding demand and level of dilution of EPS. The cash dividend to be allocated, if any, shall be no less than 10% of the total stock dividend.

## **Chapter VII Bylaw**

- Article XXI: Anything not covered by this Articles of Incorporation shall be governed by the Company Act and other applicable legal rules.
- Article XXII: Instituted on July 20 1995.  
Amendment was made for the 1st instance on September 20, 1996.  
Amendment was made for the 2nd instance on January 9, 1998.  
Amendment was made for the 3rd instance on September 11, 1998.  
Amendment was made for the 4th instance on January 4, 1999.  
Amendment was made for the 5th instance on June 1, 2000.  
Amendment was made for the 6th instance on April 16, 2001.

Amendment was made for the 7th instance on December 12, 2001.  
Amendment was made for the 8th instance on April 18, 2002.  
Amendment was made for the 9th instance on June 3, 2004.  
Amendment was made for the 10th instance on June 3, 2005.  
Amendment was made for the 11th instance on June 23, 2006.  
Amendment was made for the 12th instance on December 28, 2006.  
Amendment was made for the 13th instance on June 15, 2007.  
Amendment was made for the 14th instance on June 6, 2008.  
Amendment was made for the 15th instance on June 15, 2010.  
Amendment was made for the 16th instance on June 17, 2011.  
Amendment for the 17th instance was made on June 17, 2014.  
Amendment for the 18th instance was made on June 12, 2015.  
Amendment for the 19th instance was made on June 16, 2014.  
Amendment for the 20th instance was made on June 13, 2017.

MPI Corporation  
Chairman: Ko, Chang-Lin

## Attachment II

### MPI Corporation Parliamentary Procedure for General Meeting of Shareholders

- Article 1: The General Meeting of Shareholders shall be governed by this procedure unless the law otherwise specified.
- Article 2: The Board of Directors shall call for the sessions of the General Meeting of Shareholders unless the law otherwise specified.  
The company shall prepare the electronic version of the notice of meeting, appointment of agent form, information on motions for ratification, discussion, the election or discharge of Directors and Supervisors, and the motions and causes of motions and upload the aforementioned information to MOPS at least 30 days before a regular session or at least 15 days before a special session of the General Meeting. In addition, the company shall also prepare the parliamentary procedure handbook and supplementary materials for the meeting in electronic version and upload the information to MOPS at least 21 days before a regular session or 15 days before a special session is scheduled, and prepare the hard copies of parliamentary procedure handbook and supplementary materials for the meeting and make these materials available at the offices of the Company and the professional share registration agent commissioned by the Company, or release the materials on the site of the meeting. The aforementioned notice and announcement shall contain information on the cause of the session, and may be made in electronic form at the consent of the respondents. Motions of election or discharge of Directors, Supervisors, alteration of the Articles of Incorporation, dissolution, merger, split up of the company, or anything as stated in Article 185-1, Article 26-1, Article 43-6 of the Securities and Exchange Act, and Article 56-1 and Article 60-2 of the Regulations Governing the Offering and Issuance of Securities by Securities Issuers shall be explicitly stated in the cause of calling for the session and cannot be proposed as impromptu motions.  
Shareholders holding 1% or more of the total outstanding shares of the company propose motions in a regular session in writing but each shareholder is permitted to propose one motion only. Any more motions will not be included into the agenda of the meeting. For proposal of motions pertinent to any conditions as specified in Article 172-1-(4) of the Company Act may be declined by the Board for including into the agenda.  
The company shall announce the motions proposed by the shareholders, the place and time for handling the motions before the date on which shares are stopped for transactions before a regular session is scheduled. At least 10 days shall be allowed for handling the motions.  
Each motion is limited to 300 words or it will not be included into the agenda. Shareholders shall attend the regular session in person or appointing a proxy to attend and engaged in the discussion of the motion being proposed.  
The company shall inform the shareholders of the motions being proposed and handled before the date of notice of the General Meeting and list the motions meeting the requirements of this clause into the meeting notice. For motions proposed by shareholders not being listed into the agenda, the Board shall explain the reasons for noting including such motions as a part of the agenda.
- Article 3: Each shareholder may present the authorization of agent document prepared by the company with the scope of authorization defined to appoint a proxy to attend each session of the General Meeting. One shareholder may appoint one proxy and present one authorization of agent only and such document shall be delivered to the

company no later than five (5) days prior to the scheduled date of the General Meeting. For repeated authorization of agent, the initial authorization shall prevail unless otherwise the previous authorization has been declared for revocation. After the delivery of the authorization of agent to the company and that the shareholder desire to attend the meeting in person, or cast the vote in correspondence or electronic form, such shareholder may inform the company for the revocation of the authorization previous made in writing no later than two (2) days prior to the scheduled date of the meeting. Any late arrival of the petition for revocation of the authorization agent will not be accepted. Accordingly, the proxy shall attend the meeting and cast the vote.

Notice to the company for revocation of the authorization of agent must be made in writing. For the expression of such intent beyond the deadline, the vote cast by the proxy in the meeting under the authorization of agent shall stand.

- Article 4: The company shall present the parliamentary handbook, annual report, attendance card, speech memo, ballots, and other materials for the meeting to shareholders attending the meeting. If there is an election of Directors and Supervisors to be held, attach a ballot for such purpose.  
The shareholders shall bring with them the attendance card, sign-in card, or other documents for attending the meeting. The Company shall not add the requirement for additional identification documents for a shareholder's attendance to the meeting. Persons requesting for authorization of agent instrument shall bring their ID documents for confirmation.  
Where the shareholders may be the government or institutions, more than one representative may be assigned to attend the meeting.
- Article 5: The attendance of shareholders in the General Meeting and the votes shall be based on the quantity of shares being represented in the calculation. The quantity of shares represented by the shareholders attending the meeting shall be based on the information of the sign-in book or the sign-in cards being surrendered, plus the votes representing the shares cast by correspondence or electronic mean.
- Article 6: The place for the General Meeting of Shareholders shall be at the locality of the company or a place convenient for the shareholders to attend. The time for the meeting shall not be earlier than 9:00 am or later than 3:00 pm of the day.
- Article 7: Where the Board of Directors may call for the General Meeting, the Chairman shall preside over the meeting. In the absence of the Chairman or the Chairman cannot perform its duties, the Vice Chairman shall act on behalf of and in the name of the Chairman to preside over the meeting. Where there is no seat of a vice chairman, in the absence of the Vice Chairman or where the Vice Chairman cannot perform his duties, the Chairman shall appoint an agent to preside over the meeting, or, the Directors shall nominate one among themselves to preside over the meeting.  
Where an entitled third party other than the Board of Directors may call for the General Meeting, such party shall preside over the meeting. In case there are two entitled parties calling for the General Meeting, one of them shall be nominated to preside over the meeting.
- Article 8: The Company may appoint its retained lawyers, certified public accountants or related personnel to attend the General Meeting as observers.  
Personnel administering the General Meeting shall wear ID badge or arm badge at the venue of the meeting.
- Article 9: The minutes of the General Meeting shall be kept on record by voice recording or videotaping. Such minutes of General Meeting on record shall be retained for at

least 1 year, If legal action is instituted by shareholders pursuant to Article 189 of the Company Act, the ballots shall be retained until the final ruling of the action.

- Article 10: The Chairman of the General Meeting shall announce for the session on the exact time scheduled for the meeting. If however the presence of shareholders at that point of time represent less than one-half of the total outstanding shares, the Chairman may announce to postpone the meeting up to two instances and the total time lapsed cannot exceed one hour. If postponement has been made for twice and the shareholders present in the meeting cannot represent one-half but represent more than one-third of the total outstanding shares, the Chairman shall call off the meeting. In the event of that postponement has been made twice and the shareholders present in the meeting cannot represent one-half but represent more than one-third of the total outstanding shares, Article 175-1 of the Company Act shall be applicable whereby provisional resolution could be made. If the session is still in progress with the eventual presence of shareholders representing more than half of the total outstanding shares, the Chairman shall refer the provisional resolution to the General Meeting for finalization pursuant to Article 174 of the Company Act.
- Article 11: For General Meeting being called for by the Board of Directors, the Board of Directors shall prepare the agenda and the meeting shall be proceeded in accordance with the agenda unless otherwise the General Meeting of Shareholders resolved to make change. If only the rearrangement of the orders of the meeting is required, the Chairman shall make such arrangement. The same principle shall be applicable to General Meeting being called for by parties other than the Board of Directors. Before the parliamentary procedure is accomplished in accordance with the agenda (including the impromptu motions) as stated in the preceding two paragraphs, the Chairman cannot announce for the adjournment of the meeting unless at the resolution of the shareholders in session. However, the Chairman may announce for the adjournment of the meeting for maintaining order of the session, or there is something that cannot allow for the smooth progress of the meeting. After the meeting is adjourned, shareholders cannot nominate another chairman or seek another venue for continuation of the meeting.
- Article 12: Before a shareholder who is present in the meeting may take the floor, he or she shall prepare the speech memo by specifying the summary and the shareholder account number (or attendance card number) and account title. The Chairman shall then arrange for the priority of the shareholders to deliver their speeches. Shareholders who have just prepared the speech memo without taking the floor for delivery of speech shall be deemed no delivery of speech. In case the content of the speech delivered on the floor is irrelevant with the content in the speech memo, the latter shall stand. When a shareholder is having the floor, all other shareholders shall not interfere unless at the consent of the Chairman or the shareholder who is taking the floor. Any unrestrained action shall be discouraged by the Chairman.
- Article 13: Each shareholder may express their opinion on a particular motion twice only, unless otherwise approved by the Chairman and the duration of each instance of expression of opinion shall be up to 5 minutes. The Chairman shall prevent further speech of a particular shareholder who violates the aforementioned requirements or where the content of the speech is irrelevant to the motion in point.

- Article 14: Where an institutional shareholder may be appointed as a proxy to attend the General Meeting, such institutional shareholder may appoint only one representative to the meeting. For institutional shareholders appointing two (2) or more representatives to the General Meeting, only one representative may express opinion on particular motion.
- Article 15: After specific shareholder in the meeting has expressed an opinion, the Chairman may respond to the issue personally or appoint specific personnel to respond to the issue.
- Article 16: The votes cast by the shareholders shall be calculated in terms of the quantity of shares being represented. For resolution of the General Meeting, the quantity of shares held by shareholders without voting rights is excluded as a part of the total outstanding shares. For motions where specific shareholders have a conflict of interest with the company, these shareholder shall be excused from voting and cannot act as the proxy of another shareholder to exercise the voting right. The quantity of shares bearing no voting right is excluded from the quantity of shares represented by shareholders attending the meeting in the calculation. If particular person who has been appointed by two (2) or more shareholders as proxy to attend the meeting, the voting right being represented under the authorization of agent shall not exceed 3% of the total quantity of outstanding shares bearing voting rights or the voting right in excess of relevant quantity shall not be counted.
- Article 17: Shareholders are entitled to one voting right for the holding of each share except those who are under restriction or having no voting right as stated in Article 179-2 of the Company Act. When the General Meeting is in session, votes can be cast by correspondence or electronic means. Where the company may adopt an electronic means of voting pursuant to Article 177-1-(1) of the Company Act in exception, it shall adopt both voting by correspondence or electronic means. In so doing, the company shall specify the detail of voting by correspondence or electronic means in the notice of General Meeting. Shareholders casting their votes by correspondence or electronic means shall be deemed attending the meeting in person but votes on impromptu motions or amendment to original motions shall be deemed their abstention from voting of these motions. Shareholders who elect to cast their votes by correspondence or electronic means shall express their intents to the company at least two (2) days before the scheduled date of the meeting. In case of repeated expression of intent, the initial intent so expressed shall stand unless declaration for the revocation of the previous expression of intent is made. Where specific shareholder may decide to attend the meeting in person after expressing the intent of casting votes by correspondence or electronic means, such shareholder shall express the intent of revoking the intent previously expressed in the same manner two days before the scheduled date of the meeting. For shareholders who cannot revoke the intents previously made, the votes cast by correspondence or electronic means shall stand. If an expression of intent to vote by correspondence or electronic means has been made and at the same time, a proxy has been appointed to attend the meeting, the votes cast by the proxy in the meeting shall stand.
- Article 18: Where the discussion on specific motion has been deemed accomplished, the Chairman shall call the discussion to an end and proceed to voting. If there is no adverse opinion upon the inquiry of the Chairman on the scene, it shall be deemed the motion in point is passed. Where the Chairman may announce to make decision by voting, motions may be referred to voting in the same procedure but votes shall

- be cast on separate motions.
- Article 19: The Chairman shall appoint the staff to supervise the casting of votes and the counting of votes on condition that such staff is shareholders.  
The result of voting shall be announced on the scene immediately and tracked on record.
- Article 20: The Chairman may announce for recess during the session.
- Article 21: Resolution shall be made by a simple majority of the shareholders with voting right in session unless the Company Act or the Articles of Incorporation otherwise specified.  
At the point of voting, the Chairman or designated personnel shall announce the total quantity of voting rights represented by the shareholders before proceeding to voting. For motions that have no adverse opinions from the shareholders in session as announced, it shall be deemed action in favor of the motions has been taken and the effect shall be the same as casting votes for resolution. For motions that triggered adverse opinions, decision shall be made by voting as stated in preceding paragraphs.
- Article 22: Where specific motion may have amendment or a substitute, the Chairman shall refer the amendment or substitute to voting in the same priority as the original motion. If one of these motion, amendment or substitute is being passed, all other options shall be deemed vetoed and no further voting is necessary.
- Article 23: In the event that an election of Directors and Supervisors is held in a session, follow the procedure and regulation of the company for election and term of office and announce the election result on the scene. The ballots for the aforementioned election shall be kept in the box, sealed and signed by the witness, and retained for at least one year. If legal action is instituted by shareholders pursuant to Article 189 of the Company Act, the ballots shall be retained until the final ruling of the action.
- Article 24: All resolutions of the General Meeting of Shareholder s shall be kept as minutes of the meeting on record, signed or sealed by the Chairman, and release to all shareholders within 20 days after the meeting. The preparation and the circulation of the minutes of meeting on record may be made electronically.  
The minutes of meeting on record as mentioned may be uploaded to MOPS for announcement.  
The content of the minutes of meeting on record shall contain information on the date, month, year, venue, name of chairman, method of resolution, the process of discussion, the summary and result, and shall be kept during the entire perpetuity of the company.  
Where the method of resolution as mentioned is the inquiry by the chairman for opinions from the shareholders and that the shareholders expressed no adverse opinions, specify as “passed at unanimous consent of the shareholders upon the inquiry of the chairman”. In case of adverse opinion from the shareholders, specify the method of voting and the number of votes in favor of the motion and the proportion to the voting rights.
- Article 25: The Company shall prepare relevant table in designated format for compilation of the statistical data on the quantity of shares represented by proxies or parties requesting for representation to the meeting on the day of the General Meeting and release the data at the venue of the meeting. Where the motions for resolutions may involve materiality under law or Taiwan Stock Exchange Corporation (Taipei Exchange, TPEx (Gre Tai Securities Market, GTSM)), the company shall upload the information to MOPS within stipulated time.

- Article 26: Administrative personnel of General Meeting shall wear ID badge or arm badge at the venue of the meeting. The Chairman may instruct a prefect team (or security personnel) to maintain order of the meeting. In maintaining order at the venue of the meeting, the prefect team (or security personnel) shall wear arm badge marking the word “prefect”. Where the meeting place may be equipped with sound amplifier equipment, the Chairman shall stop any speech delivered by shareholders not using the equipment installed by the company. In the event of insubordination to the correction of the Chairman, obstruction of the progress of the meeting and failure to take corrective action upon persuasion, the respective shareholder shall be escorted by the prefect or security personnel to leave the venue on the order of the Chairman.
- Article 27: This Procedure was instituted on March 5, 2001 under the resolution of the Board of Directors and ratification of the General Meeting of Shareholders for coming into full force. The same procedure shall be applicable to any amendment thereto. Amendment for the 2nd instance was made on March 20, 2006 under the resolution of the Board of Directors and presented to the General Meeting for ratification on June 23, 2006. Amendment for the 3rd instance was made on March 28, 2011 under the resolution of the Board of Directors and presented to the General Meeting for ratification on June 17, 2011. Amendment for the 4th instance was made on March 13, 2012 under the resolution of the Board of Directors and presented to the General Meeting for ratification on June 15, 2012. Amendment for the 5th instance was made on March 24, 2015 under the resolution of the Board of Directors and presented to the General Meeting for ratification on June 12, 2015. The 6th amendment was made on March 24, 2017 with the approval of the board of directors, and ratified during the General Meeting dated June 13, 2017.

Attachment III

**MPI Corporation**  
**Shareholding of all Directors and Supervisors and the minimum requirement of shareholding**

- I. The mandatory requirement of shareholding by the Directors and the Supervisors of MPI Corporation current in office is shown below:

Outstanding shares of common stocks issued	79,901,388 (shares)
Minimum quantity of shareholding required for all Directors under law	6,392,111 (shares)
Minimum quantity of shareholding required for all Supervisors	639,211 (shares)

- II. Shares held by the Company's directors and supervisors as at the book closure date of General Meeting (April 14, 2018) are shown below:

Job title	Name	Quantity of shareholding (share)	Proportion of shareholding
Chairman of the Board	MPI Investment Co., Ltd. Representative of corporate entity: Ko, Chang-Lin	8,334,626	10.43 %
Director	MPI Investment Co., Ltd. Representative: Steve Chen	8,334,626	10.43 %
Director	MPI Investment Co., Ltd. Representative: Scott Kuo	8,334,626	10.43 %
Independent director	Hsu, Mei-Fang	244,441	0.31 %
Independent director	Kao, Chin-Cheng	162,414	0.20 %
Supervisor	Liu, Fang-Sheng	255,471	0.32 %
Supervisor	Li, Tu-Cheng	539,349	0.67 %
Supervisor	Tsai, Chang-Shou	21,630	0.03 %
Quantity (shares) and proportion of shareholding by all Directors		8,741,481	10.94 %
Quantity (shares) and proportion of shareholding by all Supervisors		816,450	1.02 %

## Appendix IV

Impacts of proposed stock dividends on the company's business performance and earnings per share: Not applicable as no stock dividend was proposed for the General Meeting.