

MPI Corporation 2018 General Shareholders' Meeting Minutes

Time: 10am, Tuesday, June 12, 2018

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

Attendance: The total number of shares represented by attending shareholders and proxies at the meeting was counted at 55,859,981 shares, which represented 69.91% of the Company's 79,901,388 outstanding shares and exceeded the statutory requirement. Attending members of the board included: Chairman Ko, Chang-Lin, Director Chen, Szu-Kuei, Director Scott Kuo, Independent Director Kao, Chin-Cheng, Independent Director Hsu, Mei-Fang, Supervisor Li, Tu-Cheng, Supervisor Tsai, Chang-Shou, and Supervisor Liu, Fang-Sheng, which exceeded 1/3 of the 8 seats on board.

Invited presence: Wu, Kuei-Chen (CPA)

Chairperson: Ko, Chang-Lin (Chairman) Minute taker: Tang, Fu-Ping (Manager)

I. Announcement of session

II. Address of the Chairman: skipped.

III. Reports

1. 2017 Business Report. (See Appendix I)
2. 2017 Supervisors Review Report. (See Attachment II)
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.

IV. 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.

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

Resolution: Motion vote results: A total of 55,859,981 voting rights were present at the time of vote (including 13,548,682 rights executed in electronic form); 55,395,537 votes or 99.17% were in favor of the motion, 9,135 votes or 0.02% were against the motion, 0 vote or 0.00% was invalid, and 455,309 votes or 0.81% were abstained. The motion was approved as initially proposed, based on the outcome of the vote.

Motion No. 2

Proposed by the Board

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

Note: (I) The Company concluded after-tax earnings of NT\$145,766,957 for year 2017. Please refer to Appendix V - Earnings Appropriation Chart for details of earnings allocation.

(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: Motion vote results: A total of 55,859,981 voting rights were present at the time of vote (including 13,548,682 rights executed in electronic form); 55,363,338 votes or 99.11% were in favor of the motion, 41,334 votes or 0.07% were against the motion, 0 vote or 0.00% was invalid, and 455,309 votes or 0.82% were abstained. The motion was approved as initially proposed, based on the

outcome of the vote.

V. 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) Please refer to Appendix VI for a comparison of "Articles of Incorporation" clauses before and after amendment.

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

Resolution: Motion vote results: A total of 55,859,981 voting rights were present at the time of vote (including 13,548,682 rights executed in electronic form); 55,333,532 votes or 99.06% were in favor of the motion, 71,142 votes or 0.13% were against the motion, 0 vote or 0.00% was invalid, and 455,307 votes or 0.81% were abstained. The motion was approved as initially proposed, based on the outcome of the vote.

VI. Special motions: MJC (shareholder ID: 76) raised 4 questions with regards to the Company's operations.

Q1: What were the reasons that attributed to the decline of business performance from 2016 to 2017?

Company's reply: The Company was undergoing a restructuring of product portfolio, and previous investments had yet to yield favorable results during this time.

Q2: What are the Company's plans for the market of memory testing?

Company's reply: The Company will participate in memory testing eventually, but not in the short run.

Q3: How is the sale of 3DS?

Company's reply: The Company currently offers many types of probe card. 3DS is one of them but does not constitute a significant part of sales revenues.

Q4: What are the Company's plans for new products other than 3DS?

Company's reply: The Company will continue to invest into the Vertical line, which is expected to generate more profits for the Company.

VII. Adjournment: 10:28 am, June 12, 2018.

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	-74.19%
		after retroactive adjustment	7.09	1.83	-74.19%

(III) Research and development

Research and development findings in 2017:

1. Precision automated photoelectric equipment:
 - A. Fully automated multi-stop LED test system
 - B. 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, imaging detection, and automated equipment provide complete testing application solutions to meet the need for mass production of the photoelectric and semi-conductor industries.
- (II) With the possession of temperature control technology, the Company will continue to explore opportunities in environmental temperature testing for semiconductor and fiber optic communication components, and develop new product varieties to satisfy new market applications.

- (III) With respect to semiconductor engineering testing applications, the Company will continue developing more competitive products that are based on micro signal, high frequency and high capacity testing technologies.
- (IV) In response to consumers' demand for lighter, smaller, faster, more feature-rich and more power efficient applications and to cater for the uprise of new smart technologies, the Company has developed micro pitch and high-speed probe cards as means to improve test frequency and performance to customers' satisfaction, and thereby secure competitiveness in the industry.

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

After last year's strong growth, many research institutions expect growth of the semiconductor market to level this year. However, as described above, uses of new technologies such as AI, self-driving, virtual currency etc should continue to drive growth of the semiconductor industry. In the future, MPI shall continue to utilize its R&D strengths in providing customers with precise and fast testing solutions. As a participant of the semiconductor testing industry, we desire nothing more than to grow alongside our customers and maximize value for our shareholders.

I wish

you all

joy and the best of luck.

Ko, Chang-Lin, Chairman

Scott Kuo, President

Rose Jao, Chief Accounting Officer

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 its 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.

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

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

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

MPI CORPORATION
CONSOLIDATED BALANCE SHEETS (ASSETS)

DECEMBER 31, 2017 AND 2016

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

ASSETS	Note	December 31, 2017		December 31, 2016	
		Amounts	%	Amounts	%
CURRENT LIABILITIES					
Cash and cash equivalents	6(1)	\$ 297,363	4	\$ 475,399	7
Current financial assets at fair value through profit or loss	6(12)	-	-	60	-
Notes receivable, net	6(2)	-	-	5	-
Accounts receivable, net	6(3)	625,523	8	543,350	8
Accounts receivable -related parties, net	6(3),7	264,990	3	185,119	3
Other receivables		8,464	-	12,808	-
Other receivables -related parties	7	34,805	1	28,253	-
Income tax receivable		676	-	-	-
Inventories, net	6(4)	2,227,493	29	1,920,323	27
Prepayments		53,611	1	51,798	1
Other current assets	8	3,694	-	9,468	-
Total Current Assets		<u>3,516,619</u>	<u>46</u>	<u>3,226,583</u>	<u>46</u>
NONCURRENT ASSETS					
Investments accounted for using equity method	6(5)	915,223	12	809,405	11
Property, plant and equipment	6(6),7,8	2,931,444	38	2,612,388	37
Intangible assets	6(7)	40,955	1	35,293	-
Deferred income tax assets	6(18)	72,002	1	62,330	1
Other noncurrent assets	6(8)	152,665	2	385,169	5
Total Noncurrent Assets		<u>4,112,289</u>	<u>54</u>	<u>3,904,585</u>	<u>54</u>
TOTAL ASSETS		<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 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	%
CURRENT LIABILITIES					
Short-term loans	6(9)	\$ 1,170,000	15	\$ 380,000	5
Accounts payable		388,552	5	405,426	6
Accounts payable-related parties	7	8,656	-	747	-
Payables on equipment		82,660	1	129,342	2
Other payables	6(10)	444,972	6	602,208	9
Other payables-related parties	7	138,321	2	85,971	1
Income tax payable		-	-	42,644	1
Provisions	6(11)	3,210	-	2,595	-
Sales revenue received in advance	7	752,536	10	648,794	9
Corporate bonds payable – current portion	6(12)	-	-	590,647	8
Current portion of long-term liabilities	6(13)	225,787	3	9,328	-
Other current liabilities		10,214	-	9,886	-
Total Current Liabilities		3,224,908	42	2,907,588	41
NONCURRENT LIABILITIES					
Long-term loans	6(13)	572,909	8	240,640	4
Deferred income tax liabilities	6(18)	14,591	-	8,433	-
Accrued pension cost	6(14)	31,697	1	27,454	-
Credit balance of investments account for using equity method	6(5)	16,728	-	-	-
Other noncurrent liabilities		97	-	97	-
Total Other Liabilities		636,022	9	276,624	4
TOTAL LIABILITIES		3,860,930	51	3,184,212	45
EQUITY					
6(15)					
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		799,014	11	796,054	11
Capital surplus		909,204	12	885,735	12
Retained earnings					
Appropriated as legal capital reserve		548,516	7	492,188	7
Special reserve		30,177	-	-	-
Unappropriated earnings		1,523,376	20	1,803,156	25
Total Retained Earnings		2,102,069	27	2,295,344	32
Other					
Foreign currency translation adjustments		(42,309)	(1)	(30,177)	-
Total others		(42,309)	(1)	(30,177)	-
Treasury stock		-	-	-	-
TOTAL EQUITY		3,767,978	49	3,946,956	55
TOTAL LIABILITIES AND EQUITY		\$ 7,628,908	100	\$ 7,131,168	100

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

MPI CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2017 and 2016

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

Items	Note	January 1 ~ December 31, 2017		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	\$ 796,054	\$ 885,735	\$ 492,188	\$ -	\$ 1,803,156	\$ (30,177)	\$ -	\$ 3,946,956
BALANCE,JANUARY,1,2017	\$ 796,054	\$ 885,735	\$ 492,188	\$ -	\$ 1,803,156	\$ (30,177)	\$ -	\$ 3,946,956
Legal capital reserve			56,328		(56,328)			-
Special reserve				30,177	(30,177)			-
Cash Dividends of Common Stock					(334,343)			(334,343)
Capital Reserve From Stock Warrants		(1,256)						(1,256)
Net Income in 2017					145,767			145,767
Other comprehensive income in 2017, net of income tax					(4,699)	(12,132)		(16,831)
Total comprehensive income	-	-	-	-	141,068	(12,132)	-	128,936
Issuance of stock from exercise of employee stock options	2,960	24,725						27,685
BALANCE,DECEMBER,31,2017	\$ 799,014	\$ 909,204	\$ 548,516	\$ 30,177	\$ 1,523,376	\$ (42,309)	\$ -	\$ 3,767,978

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

MPI CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
From January 1 to December 31, 2017 and 2016
(All amounts are expressed in thousands of New Taiwan Dollars unless otherwise stated)

Items	Jan 1 ~ Dec 31,2017	Jan 1 ~ Dec 31,2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 172,404	\$ 633,615
Adjustments to reconcile net income to net		
Depreciation	287,056	232,438
Amortization	45,568	44,731
(Reversal) allowance for doubtful receivables	867	(235)
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	55	(1,742)
Interest expense	16,779	18,608
Interest revenue	(707)	(540)
Compensation cost of employee stock options	-	12,937
Loss (gain) on equity-method investments	(12,918)	(18,596)
(Gain) loss on disposal of property, plant and equipment	2,233	175
Gains on disposal of investments	(15,557)	-
Loss on valuation of nonfinancial asset	-	45,533
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(12,525)	(23,501)
Adjustments-exchange (Gain) loss on prepayments for equipment	2,032	(564)
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	5	5,398
Decrease (Increase) in accounts receivable	(83,486)	11,050
Decrease (Increase) in accounts receivable-related parties	(79,423)	144,186
Decrease (Increase) in other receivables	4,343	4,835
Decrease (Increase) in other receivables-related parties	(6,552)	(6,754)
Decrease (Increase) in inventories	(307,170)	(329,489)
Decrease (Increase) in prepayments	(1,814)	(7,093)
Decrease (Increase) in other current assets	(1)	(210)
Net changes in operating assets and liabilities		
(Decrease) Increase in accounts payable	(16,874)	35,752
(Decrease) Increase in accounts payable-related parties	7,909	(3,672)
(Decrease) Increase in other accounts payable	(157,950)	158,008
(Decrease) Increase in other accounts payable-related parties	52,350	22,401
(Decrease) Increase in provision of liabilities	615	1,355
(Decrease) Increase in sales revenue received in advance	103,742	195,469
(Decrease) Increase in other current liabilities	329	(2,785)
Decrease(Increase) in accrued pension cost	1,613	1,548
Cash generated from operations	<u>2,923</u>	<u>1,172,858</u>
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>
CASH FLOWS FROM INVESTING ACTIVITIES		
Addition of investments accounted for using equity method	(98,061)	(48,555)
Disposal of investments accounted for using equity method	18,918	13,254
Proceeds from capital return of investments accounted for using equity method	4,677	-
Additions to property, plant and equipment	(657,061)	(211,447)
Proceeds from sale of property, plant and equipment	1	482
Intangible assets	(29,605)	(22,402)
Increase in other financial assets	5,775	(38)
(Increase) in other non-current assets	-	(205,440)
Decrease in other non-current assets	210,880	-
Cash dividends received from equity-method investees	12,175	5,000
Net cash Provided Used In Investing Activities	<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
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	790,000	-
(decrease) in short-term loans	-	(170,000)
Repurchase of convertible bonds	(574,000)	-
Increase in long-term borrowings	548,728	-
Repayments of long-term loans	-	(9,428)
Increase (decrease) in nocurrent liabilities	-	(1,159)
Employees to repurchase of treasury stock	-	34,349
Net cash (Used In) Financing Activities	<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	475,399	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 its 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.

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

March 20, 2018

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

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

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	%
CURRENT LIABILITIES					
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>
NONCURRENT ASSETS					
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>\$ 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 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	%
CURRENT LIABILITIES					
Short-term loans	6(9)	\$ 1,170,000	15	\$ 384,052	5
Accounts payable		414,918	5	425,773	6
Accounts payable-related parties	7	3,673	-	92	-
Payables on equipment		87,846	1	134,487	2
Other payables	6(10)	496,645	7	640,354	9
Other payables-related parties	7	4,875	-	342	-
Income tax payable		10,110	-	46,762	1
Provisions	6(11)	3,210	-	2,595	-
Sales revenue received in advance	7	797,292	10	696,866	10
Corporate bonds payable – current portion	6(12)	-	-	590,647	8
Current portion of long-term liabilities	6(13)	225,787	3	9,328	-
Lease obligations payable – current	6(6)	16,229	-	16,697	-
Other current liabilities		36,770	1	26,026	-
Total Current Liabilities		<u>3,267,355</u>	<u>42</u>	<u>2,974,021</u>	<u>41</u>
NONCURRENT LIABILITIES					
Long-term loans	6(13)	572,909	8	240,640	3
Deferred income tax liabilities	6(18)	14,591	-	11,292	-
Lease obligations payable – noncurrent	6(6)	32,459	-	50,091	1
Accrued pension cost	6(14)	35,257	1	29,071	1
Other noncurrent liabilities		207	-	97	-
Total Other Liabilities		<u>655,423</u>	<u>9</u>	<u>331,191</u>	<u>5</u>
TOTAL LIABILITIES		<u>3,922,778</u>	<u>51</u>	<u>3,305,212</u>	<u>46</u>
EQUITY					
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		<u>3,767,978</u>	<u>49</u>	<u>3,946,956</u>	<u>54</u>
NONCONTROLLING INTERESTS		16,923	-	12,826	-
TOTAL EQUITY		<u>3,784,901</u>	<u>49</u>	<u>3,959,782</u>	<u>54</u>
TOTAL LIABILITIES AND EQUITY		<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	<u>(2,688,543)</u>	<u>(60)</u>	<u>(2,665,069)</u>	<u>(54)</u>
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		<u>1,760,187</u>	<u>40</u>	<u>2,296,862</u>	<u>46</u>
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		<u>(1,580,508)</u>	<u>(36)</u>	<u>(1,610,920)</u>	<u>(32)</u>
OPERATING INCOME		<u>179,679</u>	<u>4</u>	<u>685,942</u>	<u>14</u>
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		<u>25,151</u>	<u>1</u>	<u>(34,454)</u>	<u>(1)</u>
INCOME BEFORE INCOME TAX		204,830	5	651,488	13
INCOME TAX BENEFIT(EXPENSE)	6(18)	<u>(55,563)</u>	<u>(2)</u>	<u>(90,651)</u>	<u>(2)</u>
NET INCOME		<u>149,267</u>	<u>3</u>	<u>560,837</u>	<u>11</u>
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		<u>(16,234)</u>	<u>-</u>	<u>(59,284)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 133,033</u>	<u>3</u>	<u>\$ 501,553</u>	<u>10</u>
NET INCOME(LOSS) ATTRIBUTABLE TO :					
Shareholders of the parent		\$ 145,767	3	\$ 563,279	11
Noncontrolling interests		3,500	-	(2,442)	-
		<u>\$ 149,267</u>	<u>3</u>	<u>\$ 560,837</u>	<u>11</u>
TOTAL COMPREHENSIVE INCOME(LOSS)					
Shareholders of the parent		\$ 128,936	3	\$ 504,565	10
Noncontrolling interests		4,097	-	(3,012)	-
		<u>\$ 133,033</u>	<u>3</u>	<u>\$ 501,553</u>	<u>10</u>
EARNINGS PER COMMON SHARE(NTD)	6(19)				
Basic earnings per share		<u>\$ 1.83</u>		<u>\$ 7.09</u>	
Diluted earnings per share		<u>\$ 1.83</u>		<u>\$ 6.49</u>	

(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-		Legal Capital Reserve	Retained Earnings		Others		Treasury Stock	Total	Non-controlling	Total Equity
	Common Stock	Capital Surplus		Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve					
BALANCE, JANUARY, 1, 2016	\$ 796,054	\$ 871,572	\$ 462,706		\$ 1,509,840	\$ 26,872	\$ (34,454)	\$ 3,632,590	\$ 15,838	\$ 3,648,428	
Legal capital reserve			29,482		(29,482)			-		-	
Cash Dividends of Common Stock					(238,816)			(238,816)		(238,816)	
Net Income in 2016					563,279			563,279	(2,442)	560,837	
Other comprehensive income in 2016, net of income tax					(1,665)	(57,049)		(58,714)	(570)	(59,284)	
Total comprehensive income in 2016					561,614	(57,049)		504,565	(3,012)	501,553	
Issuance of stock from exercise of employee stock options		14,163					34,454	48,617		48,617	
BALANCE, DECEMBER, 31, 2016	\$ 796,054	\$ 885,735	\$ 492,188		\$ 1,803,156	\$ (30,177)	\$ -	\$ 3,946,956	\$ 12,826	\$ 3,959,782	
BALANCE, JANUARY, 1, 2016	\$ 796,054	\$ 885,735	\$ 492,188	\$ -	\$ 1,803,156	\$ (30,177)	\$ -	\$ 3,946,956	\$ 12,826	\$ 3,959,782	
Legal capital reserve			56,328		(56,328)			-		-	
Special reserve				30,177	(30,177)			-		-	
Cash Dividends of Common Stock					(334,343)			(334,343)		(334,343)	
Capital Reserve From Stock Warrants		(1,256)						(1,256)		(1,256)	
Net Income in 2017					145,767			145,767	3,500	149,267	
Other comprehensive income in 2017, net of income tax					(4,699)	(12,132)		(16,831)	597	(16,234)	
Total comprehensive income					141,068	(12,132)		128,936	4,097	133,033	
Convertible Bonds Transferred To Common Stock	2,960	24,725						27,685		27,685	
BALANCE, DECEMBER, 31, 2017	\$ 799,014	\$ 909,204	\$ 548,516	\$ 30,177	\$ 1,523,376	\$ (42,309)	\$ -	\$ 3,767,978	\$ 16,923	\$ 3,784,901	

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

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
From January 1 to December 31, 2017 and 2016

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

Items	Jan 1 ~ Dec 31,2017	Jan 1 ~ Dec 31,2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 204,830	\$ 651,488
Adjustments to reconcile net income to net		
Depreciation	417,423	361,936
Amortization	59,265	57,161
(Reversal) allowance for doubtful receivables	654	1,726
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	55	(1,742)
Interest expense	17,474	19,490
Interest revenue	(1,831)	(1,725)
Compensation cost of employee stock options	-	14,268
Loss (gain) on equity-method investments	(9,782)	(4,341)
(Gain) loss on disposal of property, plant and equipment	2,246	191
Gains on disposal of investments	(1,870)	-
Loss (gain) on disposal of equity-method investments	(15,557)	-
Loss on valuation of nonfinancial asset	-	45,533
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(276)	(176)
Adjustments-exchange (Gain) loss on prepayments for equipment	2,032	(564)
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	11,006	8,567
Decrease (Increase) in accounts receivable	(174,656)	(5,804)
Decrease (Increase) in accounts receivable-related parties	36,303	45,398
Decrease (Increase) in other receivables	5,639	4,780
Decrease (Increase) in inventories	(319,783)	(318,509)
Decrease (Increase) in prepayments	7,569	24,183
Decrease (Increase) in other current assets	1,066	(666)
(Decrease) Increase in notes payable	-	(56)
(Decrease) Increase in accounts payable	(10,856)	31,592
(Decrease) Increase in accounts payable-related parties	3,581	(2,900)
(Decrease) Increase in other accounts payable	(144,423)	161,361
(Decrease) Increase in other accounts payable-related parties	4,533	(6,325)
(Decrease) Increase in provision of liabilities	615	1,355
(Decrease) Increase in sales revenue received in advance	100,425	204,798
(Decrease) Increase in other current liabilities	10,744	2,826
Decrease(Increase) in accrued pension cost	1,487	1,392
Cash generated from operations	207,913	1,295,237
Interest received	1,833	1,726
Cash dividends received	554	13,192
Interest (excluding capitalization of interest)	(6,973)	(8,393)
Cash dividends	(334,343)	(238,816)
Income taxes paid	(95,097)	(93,622)
Net cash Provided By Operating Activities	(226,113)	969,324

(Continue)

MPI CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2017 and 2016

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

Items	Jan 1 ~ Dec 31,2017	Jan 1 ~ Dec 31,2016
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of equity-method investments	18,918	-
Proceeds from disposal of Subsidiary Company	1,870	-
Net cash flow from acquisition of subsidiaries	(814,894)	(332,669)
Proceeds from sale of property, plant and equipment	18	482
Intangible assets	(29,605)	(22,966)
Increase in other financial assets	-	(344)
Decrease in other non-current assets	5,766	-
(Increase) in other non-current assets	-	(181,299)
Decrease in other non-current assets	196,265	-
Cash dividends received from equity-method investees	-	(123)
Net cash Provided Used In Investing Activities	(621,662)	(536,919)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term loans	785,949	-
(decrease) in short-term loans	-	(170,165)
Repurchase of convertible bonds	(574,000)	-
Increase in long-term borrowings	548,728	-
Repayments of long-term loans	-	(9,428)
Increase in other nocurrent liabilities	110	-
(decrease) in other nocurrent liabilities	-	(1,159)
Employees to repurchase of treasury stock	-	34,349
Increase (decrease) in noncontrolling interests	597	(570)
Net cash (Used In) Financing Activities	761,384	(146,973)
Effects of exchange rate change on cash	(6,007)	(9,998)
Net increase in cash and cash equivalents	(92,398)	275,434
Cash and cash equivalents at beginning of year	749,227	473,793
Cash and cash equivalents at end of year	\$ 656,829	\$ 749,227

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

MPI Corporation
Disposition of Net Earnings
2017

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	
Subtotal:		1,523,376,355
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)	
Subtotal of allocable earnings:		1,496,668,070
Item of distribution:		
Shareholder bonus - cash	(39,950,694)	
Shareholder bonus - stock	(0)	
Unallocated earnings at the ending		\$ 1,456,717,376

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 Dillars 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>	<p>Keep abreast with the changes in applicable legal rules</p>
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 10% of the balance to the statutory reserve, unless the statutory reserve</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 years, and then make contribution of 10% of the balance to the statutory</p>	<p>Revised the percentage of employee remuneration</p>

Clause	Before amendment	After amendment	Cause of amendment
	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.	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