Stock Code:**6223**

MPI Corporation

General Shareholders' Meeting 2014

Annual Report 2013

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Company Website: http://www.mpi.com.tw
Market Observation Post System Website: http://mops.twse.com.tw

I. Company spokesman and deputy spokesman:
Spokesman's Name: Chen, Hung-Lin
Job Title: Special Assistant of the Chairman of Board
Tel. No.: 03-5551771
Email: charlie.chen@mpi.com.tw

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

II. Address of the Company's Head Office, Branch and Plant, and Tel. Nos.:
Head Office: No. 151, No. 153 & No. 155, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
2nd Plant in Zhubei: No. 129, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
Branch in Southern Taiwan: No. 7, Luke 1st Road, Luzhu Dist., Kaohsiung City
Tel. No.: 07-9559966

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

IV. External Auditors in the most recent year:
CPA's Name: Chang, Yu-Ming & Chen, Shih-Yuan, CPAs
CPA Firm: Nexia Sun Rise CPAs & Co.
Address: 2F, No. 33, Fuxing N. Road, Taipei City
Website: http://nexia.otc.gs
Tel. No.: 02-27510306

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

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

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One. A Message to Shareholders

I. 2013 operation in review

(I) Business Plan and Result

In FY 2013, we had net sales amounting to NT$3,035,778 thousand, which was an increase of 6% or NT$2,865,212 thousand from the same period of 2012. Corporate earnings in FY 2013 amounted to NT$271,033 thousand or an increase of 3% of NT$261,931 thousand from the same period of 2012 with earnings per share at NT$3.52.

The pursuit of QE policy in USA and obvious global economic recovery, coupled with the positive growth in GDP in the development countries, contributed to the increase in demand for the consumption of consumer eletronics. Accordingly, capital expenditure in the semiconductor sector sustained growth, to the extent that such growth in the semiconductor sector in 2014 to 2015 will be much better than before at the global level. In the quest for global energy saving, LEDs emerged as the policy guideline for most countries. It is expected that the LED industry will move towards another cycle of capital spending. We will continue to commit our resource in research and development and maintain the competitive power of the company through ceaseless innovation. In the area of the research and development of advanced technologies, our new products have successfully penetrated into the supply chain of a world-class company in 2013. The OEM production of wafer foundries in Taiwan and the world will have sizable capital spending in 2014-2015. This will be improved by the increase in purchase orders from Northeast Asia with Taiwan, which adds to the momentum of further growth. As such, the growth in the demand for wafer prober cards could be anticipated. In the testing application of LED, we have successfully developed the fully automated high-speed integrated wafer testing device. This device is in conformity to the requirement of the customers in flip-chip encapsulation and high-precision optometric testing. At the same time, we will also continue to develop different testing equipment and devices in LED pinnacle test, sorting, and encapsulation to the needs of the customers. Further to our upgrade in favor of the testing capacity of our customers, we also contribute to the competitiveness of the customers. This product line will be essential for our growth in the future.

2013 was clouded by the slow GDP growth worldwide and the decline of consumption power in Europe. In 2012, the slow pace of global economic recovery was coupled with the proactive expansion of production capacity of LEDs in China. This resulted in excessive supply and development was not as expected. Accordingly, our profitability was hampered too. Yet, we continued our effort in committing our resources to research and development and fortified our competitive power through innovation. In the research and development of new technologies, we have successfully developed the single card 20000 pins multiple simultaneous wafer prober card in 2012 to satisfy the sophisticated needs in IC signals, power source, and functions.

The OEM production foundries of Taiwan had sizable growth in capital expenditure in 2013-2014. The increase orders from overseas to the encapsulation and testing industry provides a platform of highly anticipated growth in the future. Likewise, the growth in the demand for wafer prober in the future can be anticipated. In the testing of LEDs, we have successfully developed the fully automated die prober and will continue to improve the function of the die sorting devices. In the encapsulation of LEDs, the company will continue to develop different test equipment and devices. In addition to upgrading the function of testing for the customers, the company can also assist the customer to find out solution for encapsulation and testing. With the growth in the demand for LED application, this product line will be the prime force driving corporate development of the company.

(II) Revenue and profitability analysis

Currency unit: in NTD 1,000

Title \ Fiscal year			FY 2012	FY 2013	Change (%)
Revenue	Nets sales		2,865,212	3,035,778	5.95%
	Gross profit		1,313,125	1,401,426	6.72%
	Post-tax profit or loss		261,931	271,033	3.47%
Profitability	ROA (%)		5.46	5.70	4.40%
	ROE (%)		8.65	8.96	3.58%
	Operating Income to Paid-in capital ratio (%)		37.37	42.43	13.54%
	EBT to Paid-in capital ratio (%)		37.88	41.56	9.71%
	Net profit ratio (%)		9.14	8.93	-2.30%
	EPS (NTD)	Cum right	3.40	3.52	3.53%
		Ex right	3.40	3.52	3.53%

(III) Research and development

Research and development findings in 2013:

1. Precision automated equipment:
   A. LED RGB chip probing test equipment
   B. Fully automated LED die testing equipment
   C. Fully automated LED encapsulation and testing products
2. Probe Card:
   A. Integrated probe card applicable to CIS
   B. High-frequency and high-speed probe card

II. Summary of 2014 Business Plan

(I) Business Policy

In light of the development of the semiconductor industry and the LED industry, and the technology requirements in the future，MPI Corporation undertakes the following strategic planning and commits its effort to sustain its competitive advantage:

1. Further investment in research and development:
   - A. The increasing demand of portable smart devices and the wearable applications dictated for the development of wafer grade micro-distance testing technology for meeting the technological needs of the future.
   - B. Development of low resistance probe card to meet the demand for the testing of low power products.
   - C. Continue the development of multiple functions and performance testing and inspection equipment to meet the testing needs of LED customers in the future, and continue to provide customers viable solutions.
2. Extension of the product market:

   Development of engineering use inspection and testing products for the semiconductor industry with the core technology of automation on hand.

(II) Vital production and sales policies

MPI Corporation will continue to strengthen its capacity in overseas service in order to further develop its business and fortify its competitiveness, as well as extend its business territories overseas. This will help to provide fast and complete technology services to the customers and hence to increase the market share the extent to which risk can be diversified. MPI Corporation will maintain its corporate philosophy of assisting its customers to upgrade their competitive power thereby positions the customers as its technology joint venture partners. MPI Corporation will provide customers with good quality products and timely technology service, which remains its vital production and sales policy. MPI Corporation expects to optimize return on investment to the shareholders and creates the best business opportunity and work environment for all employees.

III. The development strategy of the future

(I) In response to the gradual introduction of the 4”~6” process of the LED customers, MPI Corporation will continue its effort in further vitalizing the functions of the prober and sorting devices to satisfy the testing and sorting needs of the customers.

(II) Development of the semiconductor market with its core technology in automation and develop different extensions of products.

(III) In responding to the needs of the consumers for slim, light, and small size products, MPI Corporation develops micro-distance probe card and high-frequency probers to upgrade the frequency in testing and efficiency for customer needs and competitiveness.

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

The macroeconomy at the global level was influenced by the QE policy of the USA and Europe and regional economic recovery was obvious. Although the GDP growth in China fell below average, and political instability clouded Eastern Europe and Northeast Asia, the macroeconomic situation worldwide is still promising. Under the efforts of almost all governments of the world, carbon reduction and energy efficiency is an irreversible course of industrial development at the global level. MPI Corporation spares no effort in research and development, and never ceases to provide customers fast, efficient, and energy saving solutions. Indeed, this is the unchanged policy line and principle of the company. With continued improvement, MPI Corporation not only just seeks to withstand the competition in the external environment, but rather to satisfy to needs of its customers and create value of long-term investment in favor of the shareholders.

Two. Introduction to Company

I. Introduction to Company

(I) Date of incorporation: July 25, 1995

(II) Company profile

July 1995		MPI Corporation was incorporated with the capital of NT$5 million.
July 1996		Maintenance technology of Micronics Japan Co., Ltd. ("MJC") was transferred to MPI.
September 1996		Reorganized to incorporate MPI Corporation
December 1997		MJC technical guidance and training started.
March 1998		MJC technical guidance and training ended.
October 1998		Due to the capital increase in cash by NT$55 million, the capital became NT$60 million.
October 1998		MJC 8 DUT completed the technology transfer and official invested in MPI Corporation.
December 1998		Possess the ability to maintain 32 DUT
March 1999		Possess the ability to produce Fine pitch (50μm)
June 1999		Possess the MJC 8 DUT New Design ability
April 2000		Bldg. A of 1st Plant in Zhubei completed and activated
July 2000		Southern Taiwan Office and Customers Service Center established
July 2000		Due to the capital increase in cash and upon recapitalization of earnings, totaling NT$40 million, the capital became NT$100 million.
December 2000		Possess the MJC 16 DUT Production & New Design ability
December 2000		MPI TRADING CORP. incorporated with the registered capital US$1 million.
May 2001		Semi-auto prober released for LED wafer testing
May 2001		Due to capital increase in cash and by recapitalization of earnings and employee bonus, totaling NT$100 million, the capital became NT$200 million.
July 2001		Proceed with the public offering upon approval of Securities and Futures Bureau, Ministry of Finance
August 2001		Incorporate MMI HOLDING CO., LTD. with registered capital of NT$10 million.
September 2001		Pass ISO9001/2000 certification
December 2001		Receive the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau,

		MOEA for the first time
June	2002	Due to succession to the shares of Chain-Logic International Corp. totaling NT$50 million and capital increase by recapitalization of earnings and employee bonus, totaling NT$50 million, the capital became NT$300 million.
July	2002	Apply for registration of GTSM listed stock
July	2002	Ranking 8th place among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth
August	2002	Trade stock in GTSM, and apply for GTSM listed stock
October	2002	Application for GTSM listed stock approved by Securities Listing Review Committee of GTSM
January	2003	MPI stock traded in GTSM as the general class stock as of January 6, 2003.
January	2003	Receive the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the second time
July	2003	Ranking 8th place for EPS among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth
July	2003	Apply for approval of the plan on the development of new leading products "semi-conductor components analysis platform" with Industrial Development Bureau
August	2003	Trial mass production by vertical type probe card
October	2003	Bldg. B of 1st Plant in Zhubei completed and activated
April	2004	Offer the domestic 1st unsecured convertible corporate bond totaling NT$250 million
April	2004	Incorporate Chia Hsin Investment Co., Ltd. and Yi Hsin Investment Co., Ltd. with capital of NT$29 million respectively, both owned by MPI wholly.
May	2004	The application for stationing in Luchu Science Park was passed by the Luchu Science Park Review Committee.
June	2004	Bldg. C of 1st Plant in Zhubei completed and activated
March	2005	Receive the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the third time
April	2005	Southern Taiwan Branch (1st Plant in Luchu) completed and activated
June	2005	Family Day and Charity Carnival for 10th anniversary celebration

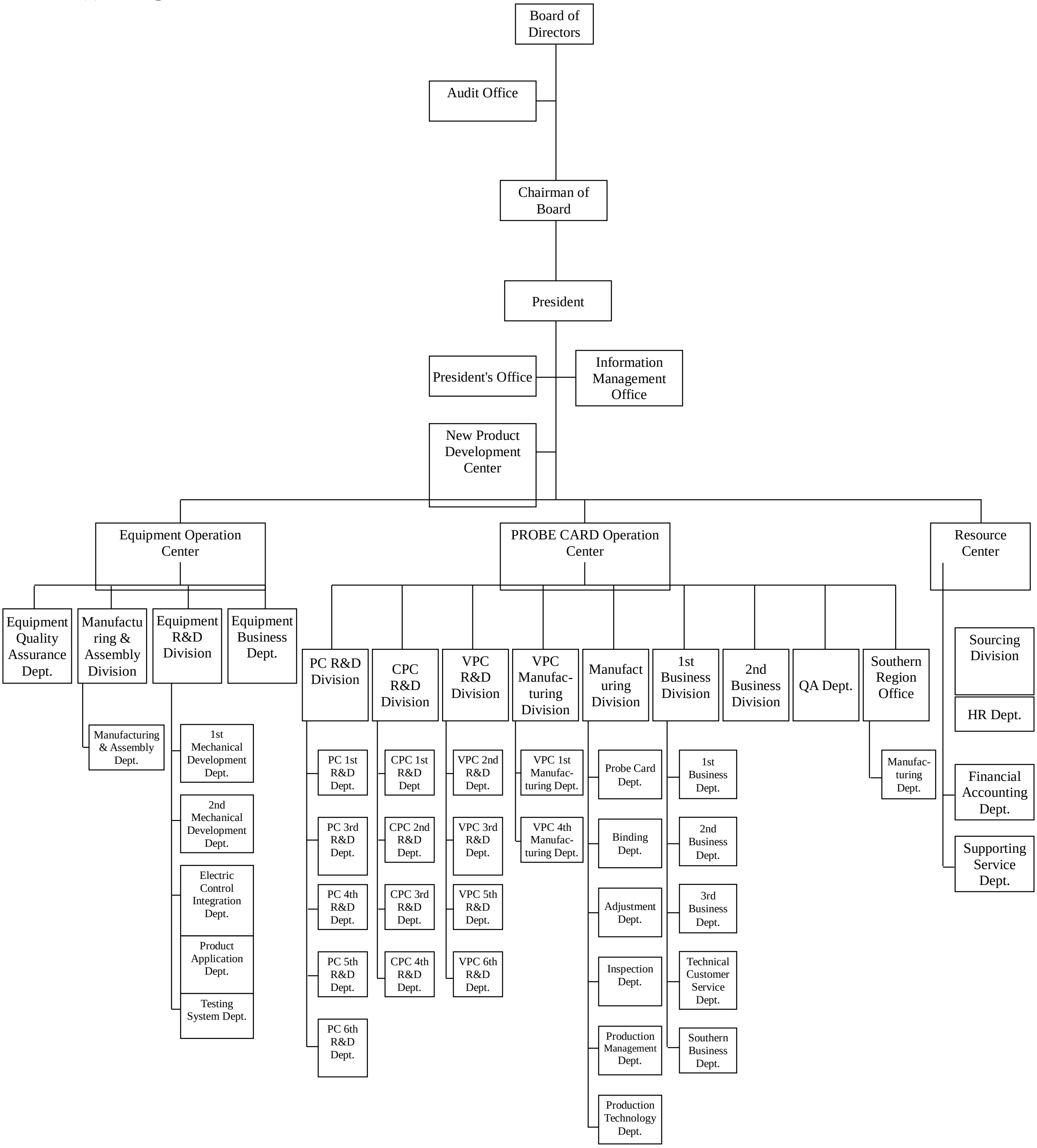
June	2005	Ranking 7th place for EPS of technology index TWSE/GTSM stock, 5th place for profit ratio and 7th place for return on equity (ROE) among the "TOP 100 Technological Companies in Taiwan" selected by CommonWealth in 2004
September	2005	Conferred the Industrial & Technological Development - Excellent Enterprise Innovation Award by MOEA
November	2005	Employee dormitory completed and activated
December	2005	Receive the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fourth time
May	2006	Receive the approval letter for incorporation of Southern Taiwan Branch of MPI from MOEA
September	2006	Listed as one of the candidates under the "Leading New product Development Guidance Plan - Special Report for 12 Candidates"
September	2006	Re-invest the Taiwan subsidiary of MJC, Taiwan MJC Co., Ltd. NT$50 million
November	2006	Apply for approval of the plan on the new leading products "RFID Automatic Flip Chip Bonder" with Industrial Development Bureau
February	2007	Offer the domestic 2nd unsecured convertible corporate bond totaling NT$400 million
March	2007	2nd Plant in Luchu, Kaohsiung completed and activated
March	2007	Trial mass production of solar chip dicing
June	2007	Apply for approval of the plan on the new leading products "Advanced Micro Electro Mechanical SoC Probe Card" with Industrial Development Bureau
January	2008	Receive the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the fifth time
December	2008	Listed in the middle-sized enterprise rating among the "Top 73 Companies Which Make Most Money for Shareholders" selected by Global View Monthly
February	2009	Taiwan Intellectual Property Office announced MPI as "2008 top 100 local innovative companies".
March	2009	Receive the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the sixth time
June	2009	Apply for approval of the plan on the development of new leading products "semi-conductor high-frequency components probe card for testing" with Industrial Development Bureau

December	2009	Receive the approval letter for the "Newly Emerging, Important and Strategic Industries" from Industrial Development Bureau, MOEA for the seventh time
May	2010	Transfer the equity of Taiwan MJC Co., Ltd.
May	2010	Re-invest US$630 thousand in LEDA-ONE (Shenzhen) Co.
September	2010	Invest 900 million won in MEGTAS CO., LTD.
December	2010	Incorporate Won Tung Technology Co., Ltd. with capital of $500 thousand
March	2011	Capital increase of MEGTAS CO., LTD. by 300 million won
June	2011	TaisElec CO., LTD. made the investment by 750 million won
June	2011	Re-invest US$1,400 thousand in MMK (Kunshan)
March	2005	Capital increase of MEGTAS CO., LTD. by 300 million won
May	2012	2nd Plant in Zhubei completed and activated
June	2012	Re-invest US$1,170 thousand in LEDA-ONE (Shenzhen) Co.
October	2012	Honored as "Deloitte Technology Fast500 Asia Pacific 2012"
February	2013	Taiwan Intellectual Property Office announced MPI ranking at 88th place among the "2012 top 100 local companies which apply for patent".
May	2013	Ranking at 7th place in the "Global Probe Card Suppliers' Billboard Published by VLSI Research Inc. in 2012"
May	2013	Ranking at 4th place in the best sub-system suppliers investigated by VLSI Research 2012
February	2014	Taiwan Intellectual Property Office announced MPI ranking at 67th place among the "2013 top 100 local companies which apply for patent".
March	2014	Re-invest NT$50 million in Allstron Corporation, wholly owned by MPI
April	2014	Ranking at 5th place in the global probe card suppliers' billboard in 2013 (by VSL Research)

Three. Corporate Governance Report

I. Organization

(I) Organizational structure



(II) Operations and functions

Audit Office	Responsible for processing the audit, maintenance, improvement and suggest under the internal control system throughout the Company, and helping various units resolve problems, take corrective actions and upgrade efficiency.
President's Office	Help the President with the management planning and control over various departments' functions and implementation thereof, in order to achieve the business goals.
New Product Development Center	Responsible for design, development and improvement of new products and delivering mass production
Information Management Office	Responsible for computerization, access to network, emails, and planning and configuration of Internet throughout the Company
Equipment Operation Center	
Equipment R&D Division	Responsible for design, development and improvement of products
Equipment Business Dept.	Responsible for communicating with customers (or agents) and promoting products
Manufacturing & Assembly Division	Responsible for manufacturing and assembly of products
Equipment Quality Assurance Dept.	Responsible for control over quality of the Company's products
PROBE CARD Operation Center	
Manufacturing Division	Exert the most effective production planning and control with the simplest internal/external resources to secure successful production and delivery deadline, and output the products of quality that meets customers' requirement in a timely, effective and safe manner, and also responsible for warehousing and archiving of the Company's supplies and products.
PC/CPC/VPC R&D Division	Responsible for design, development and improvement of products
1st and 2nd Business Divisions	Control the domestic/foreign market trend and status of competitors, and achieve the business goals effectively and continue expanding market share
QA Dept.	Responsible for control over quality of the Company's products

Southern Region Office	Exert the most effective production planning and control with the simplest internal/external resources to secure successful production and delivery deadline, and output the products of quality that meets customers' requirement in a timely, effective and safe manner, and also responsible for warehousing and archiving of the Company's supplies and products.
Resource Center	
Sourcing Division	Responsible for purchasing raw materials, supplies and products for the Company
HR Dept.	Responsible for affairs related to personnel and labor laws & regulations
Financial Accounting Dept.	Responsible for the Company's finance, accounting, stock affairs and taxation
Supporting Service Dept.	Responsible for administrative management, general affairs and facility

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

1. Directors & supervisors:

Information about directors & supervisors (I):

Unit: April 30, 2014, share; %

Job title	Name	Election (Appointment) Date	Term of office	Inauguration Date	at election Shares held		Current Shares held		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Position(s) Held Concurrently in the Company and in any Other Company	Other Chiefs, Supervisors or Directors with Spouses, or Relatives Within the Second Degree of Kinship		
					Quantity	Shareholding Ratio	Quantity	Shareholding Ratio	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
CEO	MPI Investment Co., Ltd. Representative -- Steve Chen	June 15, 2012	3 years	August 01, 2012	8,386,626	10.67%	8,334,626	10.60%	0	0.00%	0	0.00%	Academic degree: National Taiwan University, Department of Mechanical Engineering, Master Program Major experience: Material and Chemical Research Laboratories, Industrial Technology Research Institute	In the Company: CEO In other companies: Director of Chain-Logic International Corp., Director of MPI Investment Co., Ltd., CEO of Won Tung Technology Co., Ltd., and Director of Allstron Corporation	N/A	N/A	N/A
President	MPI Investment Co., Ltd. Representative -- Scott Kuo	June 15, 2012	3 years	November 26, 2012	8,386,626	10.67%	8,334,626	10.60%	0	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	In the Company: President In other companies: Director of Chain-Logic International Corp., Supervisor of MPI Investment Co., Ltd., President of Mjc Microelectronics (Shanghai) Co., Ltd, and President of Allstron Corporation	N/A	N/A	N/A
Director	Representative of MJC--Shinji Nomura	June 15, 2012	3 years	November 26, 2012	6,548,576	8.33%	6,548,576	8.33%	0	0.00%	0	0.00%	Academic degree: Hitotsubashi University, Department of Economics Major experience: The Bank of Tokyo-Mitsubishi UFJ	In the Company: N/A In other companies: Head of HR & General Affairs Dept., Administration of MJC and also Head of Business Planning Office of MJC concurrently	N/A	N/A	N/A
Independent Director	Hsu, Mei-Fang	June 15, 2012	3 years	April 16, 2001	244,441	0.31%	244,441	0.31%	53,050	0.07%	0	0.00%	Academic degree: Ming Chuan University, Accounting Department Major experience: Baker Tilly Clock & CO	In the Company: N/A In other companies: Responsible person of GREAT ASIA CAPS AND COMPANY; supervisor of 104 Corporation	N/A	N/A	N/A

Independent Director	Kao, Chin-Cheng	June 15, 2012	3 years	April 16, 2001	232,414	0.30%	232,414	0.30%	37,944	0.05%	0	0.00%	Academic degree: Department of Law, National Chung Hsing University Major experience: Hui Lin Law Office	In the Company: N/A In other companies: Attorney-at-law of Lian Cheng Law Office	N/A	N/A	N/A
Supervisor	Li, Tu-Cheng	June 15, 2012	3 years	April 16, 2001	649,349	0.83%	649,349	0.83%	19,914	0.03%	0	0.00%	Academic degree: Feng Chia University, Department of Business Administration Major experience: Chain-Logic International Corp.	In the Company: N/A In other companies: CEO of Zen Voce; supervisor of Gordon Biersch Restaurant & Brewery	N/A	N/A	N/A
Supervisor	Liu, Fang-Sheng	June 15, 2012	3 years	April 16, 2001	255,471	0.32%	255,471	0.32%	22,232	0.03%	0	0.00%	Academic degree: Kaohsiung Medical University, School of Dentistry Major experience: Taipei City Hospital	In the Company: N/A In other companies: Physician of Cheng Tai Dental Clinic	N/A	N/A	N/A
Supervisor	Tsai, Chang-Shou	June 15, 2012	3 years	June 20, 2003	21,630	0.03%	21,630	0.03%	0	0.00%	0	0.00%	Academic degree: Chinese Culture University, Department of Accounting Major experience: Shang Ho CPA Office	In the Company: N/A In other companies: Practicing CPA of Shang Ho CPA Office; supervisor of Kung Long Batteries Industrial Co., Ltd.	N/A	N/A	N/A

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

Schedule 1: Major shareholders of the corporate shareholder

April 30, 2014

Name of the corporate shareholder	Major shareholders of the corporate shareholder	Ratio of shareholding
MJC (Micronics Japan Co., LTD)	Masayoshi Hasegawa	6.02%
	Nippon Life Insurance Company	4.21%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.33%
	Katsumi Hasegawa	2.96%
	Takehiro Hasegawa	2.96%
	MTK Asset Co., Ltd	2.79%
	MICRONICS JAPAN CO., LTD.	2.49%
	Yoshiei Hasegawa	2.33%
	Sumitomo Mitsui Banking Corporation	1.85%
	Japan Securities Finance Co., Ltd.	1.52%
MPI Investment Co., Ltd.	Ko, Chang-Lin	40.76%
	Li, Tu-Cheng	27.17%
	Teng, Su-Ching	7.46%
	Steve Chen	9.06%
	Yeh, Chi-Wen	4.07%
	Hsieh, Wei-Yun	3.60%
	Scott Kuo	2.68%

Schedule 2: Major shareholders of the corporate shareholder in Schedule 1 who are representatives of the corporate shareholder: It is impossible for the Company to access the information about major shareholders of Nippon Life Insurance Company, the Bank of Tokyo-Mitsubishi UFJ, Ltd., MTK Asset Co., Ltd, MICRONICS JAPAN CO., LTD., Sumitomo Mitsui Banking Corporation and Japan Securities Finance Co., Ltd..

3. Information about directors & supervisors:

Information about directors & supervisors (2):

April 30, 2014

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

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

Note 2: Respective directors and supervisors who meet the following qualifications 2 years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

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

(2) Not a director or supervisor of the Company or its affiliates (excluding the capacity of independent director of the Company or its parents, or a subsidiary directly or indirectly held by the Company with more than a 50% stake).

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

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

(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.

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

(7) Not a professional, owner, partner, director, supervisor, manager of proprietorship, partnership, company or institution that provide business, legal, financial and accounting services to the Company or its affiliates or a spouse to the aforementioned persons. However, this shall not apply to the remuneration committee members who exercise their powers in accordance with Article 7 of the Regulations on the Establishment of Remuneration Committees by TWSE/GTSM Listed Companies and their Exercise of Powers.

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

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

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

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

April 30, 2014

Job title	Name	Election (Appointment) Date	Shares held		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	Position(s) Held Concurrently and in any Other Company	Managers Within the Second Degree of Kinship		
			Quantity	Shareholding Ratio	Quantity	Shareholding Ratio	Quantity	Ratio of shareholding			Job title	Name	Relationship
CEO	Steve Chen	January 01, 2002	230,283	0.29%	0	0.00%	0	0.00%	Academic degree: National Taiwan University, Department of Mechanical Engineering, Master Program Major experience: Material and Chemical Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. Director of MPI Investment Co., Ltd. CEO of Won Tung Technology Co., Ltd. Director of Allstron Corporation	N/A	N/A	N/A
President	Scott Kuo	June 16, 2010	448,037	0.57%	179	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. MPI Investment Co., Ltd. Director of Allstron Corporation	N/A	N/A	N/A
Equipment Operation Center Vice President	Fan, Wei-Ju	July 01, 2008	85,034	0.11%	21,038	0.03%	0	0.00%	Academic degree: National Chiao Tung University, the Institute of Electrical and Control Engineering Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	President of LEDA-ONE (Shenzhen) Co.	N/A	N/A	N/A
Marketing Vice President	Liu, Yung-Chin	June 20, 2011	35,211	0.04%	0	0.00%	0	0.00%	Academic degree: PhD, National Cheng Kung University, Department of Aeronautics and Astronautics Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Allstron Corporation	N/A	N/A	N/A
Resource Center Assistant Manager	Hsieh, Wei-Yun	April 17, 2001	238,920	0.30%	209,561	0.27%	0	0.00%	Academic degree: Feng Chia University, Department of Cooperative Economics Major experience: Chain-Logic International Corp.		N/A	N/A	N/A
Financial Accounting Dept. Manager	Rose Jao	March 09, 2007	100,785	0.13%	0	0.00%	0	0.00%	Academic degree: Minghsin University of Technology and Science, Department of Business Administration Major experience: Topco Quartz products Co., Ltd.	Supervisor of Chain-Logic International Corp. Supervisor of MPI Investment Co., Ltd. Supervisor of LEDA-ONE (Shenzhen) Co. Supervisor of Allstron Corporation	N/A	N/A	N/A

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

(1) Remuneration to directors:

December 31, 2013

Currency unit: in NTD 1,000

<table>
<tr><th rowspan="3">Job title</th><th rowspan="3">Name</th><th colspan="8">Remuneration to directors</th><th colspan="2" rowspan="2">The sum of A, B, C and D in proportion to Earnings After Tax (%)</th><th colspan="12">Remuneration in the capacity as employees</th><th colspan="2" rowspan="2">The sum of A, B, C, D, E, F and G to Earnings after Tax (%)</th><th rowspan="4">Remuneration from investees beyond subsidiaries</th></tr>
<tr><th colspan="2">Remuneration (A)</th><th colspan="2">Pension (B)</th><th colspan="2">Retained Shares Distribution (C)</th><th colspan="2">For Services (D)</th><th colspan="2">Salaries, bonus and special subsidies (E)</th><th colspan="2">Pension (F)</th><th colspan="4">Employee bonus from earnings (G)</th><th colspan="2">Quantity of shares entitled under employee stock option (H)</th><th colspan="2">Quantity of limited employee new shares obtained (I)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th colspan="2">The Company</th><th colspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th><th rowspan="2">The Company</th><th rowspan="2">All companies included into the financial statement</th></tr>
<tr><th></th><th></th><th>Cash dividend</th><th>Stock dividend</th><th>Cash dividend</th><th>Stock dividend</th></tr>
<tr><td>CEO</td><td>Representative of MPI Investment Co., Ltd. Steve Chen</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">3,642</td><td rowspan="5">3,642</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">1.34%</td><td rowspan="5">1.34%</td><td rowspan="5">9,311</td><td rowspan="5">9,311</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">871</td><td rowspan="5">0</td><td rowspan="5">871</td><td rowspan="5">0</td><td rowspan="5">100,000</td><td rowspan="5">100,000</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">5.10%</td><td rowspan="5">5.10%</td><td rowspan="5">N/A</td></tr>
<tr><td>President</td><td>Representative of MPI Investment Co., Ltd.: Scott Kuo</td></tr>
<tr><td>Director</td><td>Representative of MJC: Shinji Nomura</td></tr>
<tr><td>Independent director</td><td>Hsu, Mei-Fang</td></tr>
<tr><td>Independent director</td><td>Kao, Chin-Cheng</td></tr>
</table>

Breakdown of Remuneration

Breakdown of remuneration paid to each director	Name of Director			
	The sum of (A+B+C+D)		The sum of (A+B+C+D+E+F+G)	
	The Company	All companies included into the financial statement (I)	The Company	All companies included into the financial statement (J)
Less than NT$2,000,000	Representative of MPI Investment: Steve Chen Representative of MPI Investment: Scott Kuo Representative of MJC: Shinji Nomura Hsu, Mei-Fang and Kao, Chin-Cheng	Representative of MPI Investment: Steve Chen Representative of MPI Investment: Scott Kuo Representative of MJC: Shinji Nomura Hsu, Mei-Fang and Kao, Chin-Cheng	Representative of MJC: Shinji Nomura Hsu, Mei-Fang and Kao, Chin-Cheng	Representative of MJC: Shinji Nomura Hsu, Mei-Fang and Kao, Chin-Cheng
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)				
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)			Representative of MPI Investment: Steve Chen Representative of MPI Investment: Scott Kuo	Representative of MPI Investment: Steve Chen Representative of MPI Investment: Scott Kuo
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)				
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) ~ NT$10,000,000 (exclusive)				
NT$100,000,000 or more				
Total	5	5	5	5

(2) Remuneration to supervisors

December 31, 2013

Currency unit: in NTD 1,000

Job title	Name	Remuneration to supervisor						The sum of A, B and C to Earnings after Tax (%)		Remuneration from investees beyond subsidiaries
		Remuneration (A)		Retained Shares Distribution (B)		For Services Expense (C)				
		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	
Supervisor	Li, Tu-Cheng	0	0	2,185	2,185	0	0	0.81%	0.81%	N/A
Supervisor	Liu, Fang-Sheng									
Supervisor	Tsai, Chang-Shou									

Breakdown of Remuneration

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

(3) Remuneration to presidents and vice presidents

December 31, 2013

Currency unit: in NTD 1,000

Job title	Name	Salary (A)		Pension (B)		Bonus and Special allowance (C)		Employee bonus allocated from earnings (D)				The sum of A, B, C and D to Earnings after Tax (%)		Employee stock options granted		Quantity of limited employee new shares obtained		Remuneration from investees beyond subsidiaries
		The Company	All companies included into the financial statement	The Company (Note 1)	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company		All companies included into the financial		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	
								Cash dividend	Stock dividend	Cash dividend	Stock dividend							
President	Scott Kuo	6,989	6,989	317	317	1,858	1,858	881	0	881	0	3.71%	3.71%	12,000	12,000	0	0	N/A
Vice President	Fan, Wei-Ju																	
Vice President	Liu, Yung-Chin																	

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

Breakdown of Remuneration

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

(4) Employee bonus amount paid to managerial officers:

December 31, 2013

Currency unit: in NTD 1,000

	Job title	Name	Stock dividend	Cash dividend	Total	Proportion to Earnings After Tax (%)
Manager	President	Scott Kuo	0	881	881	0.33%
	Vice President	Fan, Wei-Ju				
	Vice President	Liu, Yung-Chin				

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

Job title	2012				2013			
	Total remuneration (NT$ thousand)		Proportion to Earnings After Tax (%)		Total remuneration (NT$ thousand)		Proportion to Earnings After Tax (%)	
	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement
Director	4,225	4,225	1.49%	1.53%	3,642	3,642	1.34%	1.34%
Supervisor	2,535	2,535	0.90%	0.92%	2,185	2,185	0.81%	0.81%
President Vice President	10,548	10,548	3.73%	3.83%	10,045	10,045	3.71%	3.71%
Total	17,308	17,308	6.12%	6.28%	15,872	15,872	5.86%	5.86%

The remuneration to the directors and supervisors of the Company was based on the remuneration applicable in the same industry and resolution made by a shareholders' meeting. The remuneration to directors/supervisors and employee bonus are paid from earnings based on the business performance. The bonus to the presidents and vice presidents would be adjusted based on their business performance. The Company's polices of remuneration vary based on earnings and have nothing to do with future risk.

III. Status of corporate governance

(I) Operations of the Board

The Board held 6 meetings in 2013. The attendance record of directors & supervisors is listed below:

Job title	Name	Actual attendance rate (%) (B/A)	Attendance by proxy	Actual attendance rate (%) (B/A)	Remark
CEO	Representative of MPI Investment Co., Ltd.-- Steve Chen	6	0	100%	New CEO as of August 1, 2012
President	Representative of MPI Investment Co., Ltd.-- Scott Kuo	6	0	100%	Representative re-appointed on November 27, 2012
Director	Representative of MJC-- Shinji Nomura	6	0	100%	Representative re-appointed on November 27, 2012
Independent director	Kao, Chin-Cheng	5	1	83%	Re-elected on June 15, 2012
Independent director	Hsu, Mei-Fang	6	0	100%	Re-elected on June 15, 2012
Supervisor	Li, Tu-Cheng	0	0	0%	Re-elected on June 15, 2012
Supervisor	Liu, Fang-Sheng	5	0	83%	Re-elected on June 15, 2012
Supervisor	Tsai, Chang-Shou	5	0	83%	Re-elected on June 15, 2012

Other notes:

I. Concerning items listed in Article 14-3 of the Securities and Exchange Act as well as items in board resolutions regarding which independent directors have voiced opposing or qualified opinions on the record or in writing, and said dissenting opinion has been recorded or prepared as a written declaration: None.

II. Status of directors' recusing himself/herself due to a conflict of interest: None.

III. Measures undertaken during the current year and past year in order to strengthen the functions of the board of directors (such as the establishment of an audit committee and improvement of information transparency, etc.) and assessment of their implementation:

(1) The Company defined its "Parliamentary Rules for Directors' Meeting" in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies, and would also enter the status of directors' attendance into the Market Observation Post System (MOPS) and disclose the important resolutions made by the directors' meeting on the Company's website.

(2) The Company elected two independent directors who should meet at least once per quarter, responsible for the adequate expression of the Company's financial statement, external auditor's independence, effective implementation of internal control, compliance with laws & rules, and assessment and control over the Company's risk.

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

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

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

The Board held 6 meetings in 2013. The attendance record is specified as below:

Job title	Name	Actual attendance (B)	Actual attendance rate (%)	Remark
Supervisor	Li, Tu-Cheng	0	0%	Re-elected on June 15, 2012
Supervisor	Liu, Fang-Sheng	5	83%	Re-elected on June 15, 2012
Supervisor	Tsai, Chang-Shou	5	83%	Re-elected on June 15, 2012

Other notes:

I. The organization of supervisors and their duties:
   (I) Communications between the Supervisors and the employees and shareholders: If the supervisors deem necessary, they may communicate with the Company's employees and shareholders directly.
   (II) Communication between supervisors and internal audit officers and CPA: The Company's supervisors may check the Company's business and finance at any time, and ask the Board of Directors or managers to submit the relevant report. If necessary, the supervisors would contact the CPA. The internal audit director shall submit the audit report to supervisors periodically.

II. If any supervisor attends the meeting of the board of directors to state their opinion, it is necessary to specify the date, session, motions and resolution of the meet of the board of directors, and the Company’s response to the opinion stated by the supervisor: None

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

Item	Status	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
I. Equity structure and shareholders’ equity		
(I) Handling suggestions and disputes from shareholders	The Company has defined its parliamentary rules for shareholders' meeting, and also established the spokesman and deputy spokesman systems as required. The Company appointed dedicated personnel to deal with the investors relation and issues related to shareholders. The contact No. and email address may be viewed in the investor section on the Company's website.	No non-conformity

Item		Status	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
(II)	Control over the list of major shareholders and the controlling parties of such shareholders	The Company appointed a shares registrar, and would update the roster of shareholders periodically to control the name list of parties who control the Company's equity ultimately.	No non-conformity
(III)	Establishment of risk control mechanism and firewall between the Company and its affiliates	The Company has defined such control system as "Regulations Governing Supervision of Subsidiaries" and "Regulations Governing Transactions Between Specific Company Group and Related Party".	No non-conformity
II.	The organization of Board of Directors and its duties:		
(I)	Position of independent directors	The Company has elected two independent directors.	No non-conformity
(II)	Regular review and assessment of the impartiality and independence of the external auditor	The Company's Board of Directors would assess the independence, competency and professionalism of the external auditor regularly in accordance with the relevant laws and regulations.	No non-conformity
III.	Communication channels with stakeholders	The Company has delegated the spokesman and deputy spokesman to act as the communication channel of the Company.	No non-conformity
IV.	Disclosure		
(I)	Status of the company’s website for the disclosure of its financial Status and status of corporate governance	The Company’s stock code is 6223. The status of the Company’s finance and corporate governance may be accessed at the MOPS, and on the website established by the Company at http://www.mpi.com.tw.	No non-conformity
(II)	Other means for disclosure adopted by the Company (e.g. set up a English website, with the personnel dedicated to gathering and disclosing relevant information, properly implement the spokesman system, and post the meetings minutes with institutional investors on the Company website).	The website established by the Company provides the English version. The Company has also delegated the spokesman and deputy spokesman to collect and disclose the Company’s information, to fulfill the spokesman system.	No non-conformity

Item	Status	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof

V. Establishment of nomination committee or other functional committees, and the status of their operations.

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

(I) Information about remuneration committee members

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

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

Note 2: Respective members who meet the following qualifications 2 years before assumption of office and at the time of assumption office shall put a "✓" in the appropriate space.

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

(2) Not a director or supervisor of the Company or its affiliates , but excluding the capacity of independent director of the Company or its parents, or a subsidiary directly or indirectly held by the Company with more than a 50% stake.

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

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

(5) Not a director, supervisor or employee of a corporate shareholder who holds more than 5% of the outstanding shares issued by the Company, or a director, supervisor or employee of a corporate shareholder who is among the top 5 shareholders.

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

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

(8) Not under any of the categories stated in Article 30 of the Company Law.

Note 3: If the member's identity refers to a director, please specify whether Paragraph 5 of Article 6 of the Regulations on the Establishment of Remuneration Committees by TWSE/GTSM Listed Companies and their Exercise of Powers is met.

Item	Status	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof

(II) Information about status of Remuneration Committee

(1) The Company’s Remuneration Committee consists of 3 members.

(2) Current term of office: The term of office commences from August 28, 2012 until July 31, 2015. The Committee held 2 meetings in 2013, and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remark
Convener	Kao, Chin-Cheng	2	0	100%	Re-elected on August 28, 2012
Member	Hsu, Mei-Fang	2	0	100%	Re-elected on August 28, 2012
Member	Su, Hsien-Teng	2	0	100%	Re-elected on August 28, 2012

Other notes:

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

II. For resolution(s) made by the Remuneration Committee with the Committee members voicing opposing or qualified opinions on the record or in writing, please state the meeting date, term, contents of motion, opinions of all members and the Company's handling of the said opinions: None.

Note:

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

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

VI. If the Company has established rules of corporate governance in accordance with the Corporate Governance Best-Practice Principles for TSE/GTSM Listed Companies, please clearly describe the functioning of such rules and any discrepancies with the Company's rules of corporate governance practice: The Company has not yet established such rules, but the Company handles the corporate governance affairs in accordance with said Principles, and also establishes and implements the "internal control system and internal audit system".

Item	Status	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof

VII. Other important information facilitating understanding of the functioning of corporate governance (such as the state of employees' rights and interests, concern for employees, investor relations, vendor relations, rights of interested parties, continuing education of directors and supervisors, implementation of risk management policy and risk assessment criteria, implementation of customer policy, and liability insurance purchased by the Company for directors and supervisors):

(1) The Company defines its work rules in accordance with the relevant laws and regulations, which provide written provisions about protection of human rights and employee's interest and right. Meanwhile, the Company will maintain the reciprocal cooperation relationship with suppliers and customers trading with the Company.

(2) The Company has not yet defined its own corporate governance best-practice principles. Therefore, no relevant information is available for the time being.

(3) The Company's directors and supervisors are able to perform their duties honestly and exercise their powers as good administrators.

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

Status of continuing education of directors & supervisors:

Job title	Name	Organizer	Date	Course	Hours	Conformity with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and GTSM Listed Companies"
CEO	Representative of MPI Investment Co., Ltd.: Steve Chen	N/A	N/A	N/A	N/A	No
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	N/A	N/A	N/A	N/A	No
Director	Representative of MJC: Shinji Nomura	N/A	N/A	N/A	N/A	No
Independent director	Kao, Chin-Cheng	N/A	N/A	N/A	N/A	No
Independent director	Hsu, Mei-Fang	National Federation of Certified Public Accountant Associations of the Republic of China	2013/08/13	Corporate governance and securities-related laws and regulations	3	Yes
Supervisor	Li, Tu-Cheng	N/A	N/A	N/A	N/A	No
Supervisor	Liu, Fang-Sheng	N/A	N/A	N/A	N/A	No
Supervisor	Tsai, Chang-Shou	N/A	N/A	N/A	N/A	No

(5) The Company has not yet purchased liability insurance for directors/supervisors in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies".

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

Item	Status	Any nonconformity to the Corporate Governance Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
VIII. If the Company conducts a corporate governance self-assessment report or commissions a professional organization to compile a corporate governance assessment report, the results of self-assessment (or commissioned assessment), major deficiencies (or suggestions), and improvements should be stated: N/A.		

(V) Implementation of Corporate Social Responsibility

Item	Status	Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
I. Promote the implementation of corporate governance		
(I) Review implementation effectiveness of the Company's corporate social responsibility policy and system.	Under research	Under research
(II) Promotion of social responsibility by the Company's full-time (part-time) functional units	Under research	Under research
(III) The Company held regular educational and training activities to raise awareness of business ethics for directors, supervisors, and employees, and has integrated a clear and effective system of incentives and disciplinary actions into its employee performance appraisal system.	The Company organizes the orientation training periodically, covering the enterprise culture, work rules, concept about quality control, safety education and training to enable new employees to known about the Company's organization and management regulations.	No non-conformity
II. Development of a sustainable environment		
(I) The Company is striving to raise its resource usage effectiveness, reduce its environmental impact and improve its use of recyclable materials.	The Company recycles various materials and supplies and adopts low-contamination raw materials to reduce the impact to the environment.	No non-conformity
(II) Status of an environmental management system appropriate to the characteristics of its industry	The Company handles the environment management-related affairs pursuant to the environmental protection and labor safety laws and regulations.	No non-conformity

Item	Status	Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
(III) Environmental management units and staff dedicated to improving the Company's environmental performance	The Company's Supporting Service Dept. is responsible for the environmental management affairs.	No non-conformity
(IV) Whether the Company is mindful of the impact of climate change on its operations, and is developing a strategy to reduce carbon emissions and other greenhouse gas?	The Company works hard to boost such measures for classification of garbage and reduction of waste, reduction of detergent (replaced with camellia powder), usage of disposable bowls and chopsticks, and saving of water and power consumption, in order to achieve the goal for saving energy and reducing carbon and greenhouse gas.	No non-conformity
III. Social welfare		
(I) Whether the Company is in full compliance with the relevant labor laws and respects the basic labors' human rights recognized internationally, protects employees' legal interest and right, being non-discriminatory in its employment policy, and establishes appropriate management practices and procedures, and status of implementation thereof?	The Company defines its work rules in accordance with Article 70 of the Labor Standard Law, and reports the same to the competent authority for approval and disclosure.	No non-conformity
(II) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	The Company organizes the operating environment test, employees' health examination, health symposiums, safety and sanitation education and training, and on-site health inquiry with physician, and also establishes the breastfeeding room, medical room, lounge for employees, and parking lots exclusive for the mother-to-be, in order to provide a working environment where it is safe and comfortable and employees are pleased to work.	No non-conformity
(III) Establishment of the mechanism for periodic communication with employees, and notification to employees of the circumstances which might materially affect the operation in a reasonable manner	The Company will organize a management meeting on a monthly basis. Each department will also organize its monthly meeting to provide the communication channel between heads and employees for correction of problems.	No non-conformity

Item	Status	Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
(IV) Whether the Company has developed and announced its consumer protection policy, ensuring the transparency and effectiveness of procedures for dealing with consumer complaints regarding its products or services?	The Company's Business Dept. and QA Dept. are responsible for dealing with any extraordinary circumstances about products for customers, and the Company also establishes the exclusive taskforce dedicated to providing related services.	No non-conformity
(V) Whether the Company works with its suppliers to raise corporate social responsibility?	The Company is used to working with suppliers fairly and harmonically.	No non-conformity
(VI) Through industry activities, in-kind donations, volunteerism or other free professional services, the Company participates in community development and charitable activities related to the public interest.	The Company donates fund to Chinese Fund for Children and Families/Taiwan and Hsinchu County Child Care Center to adopt poor children and help them with education and learning, on a monthly basis. The Company will respond to the public donation organized by the neighborhood and community associations from time to time, and take part in the street cleaning activities of the neighborhood and communities, in hopes of integrating into the communities and feeding back to the society.	No non-conformity

Donation to public welfare groups:

Item No.	Donee	Donation
1	Chinese Fund for Children and Families/Taiwan	195,000
2	Hsinchu County Public Welfare Association	564,800
3	Hsinchu County Symphonic Band	60,000
4	Hsinchu City Symphonic Band	200,000
5	Chang Yung-Fa Foundation	400,000
6	Alumni Association of ITRI	168,000
Total		1,587,800

IV. Strengthening information disclosure		
(1) Method of the Company’s disclosure of information related to the relevance and reliability of the Company’s commitment to corporate social responsibility.	Under research	Under research

Item	Status	Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
(2) Does the Company disclose the status of its implementation of corporate social responsibility in a Corporate Social Responsibility Report prepared by it?	The Company has not yet prepared the report.	The Company has not yet prepared the report.
5. Has the Company established its own corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: under research.		
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices (e.g., systems and measures that the Company has adopted with respect to environmental protection, community participation, contribution to society, service to society, social and public interests, consumer rights and interests, human rights, safety and health, and other corporate social responsibilities and activities, and the status of implementation): N/A		
7. Verification of the Company products or Corporate Social Responsibility Report according to the standards of relevant certifying organizations, if any: N/A		

(VI) Implementation of ethical business practices

Item	Status	Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof
I. Establish ethical business policies and programs (I) The Company has the ethical business policy expressed explicitly in the Company Act of Incorporation and external documents, as well as the active implementation committed by the board of directors and management. (II) The prevention program of unethical behavior regulated by the Company, as well as the operation of the operating procedures, behavior guidelines, and education and training of the program. (III) For the prevention program of unethical behavior regulated by the Company, the prevention measures of bribery and accepting bribes and illegal political contributions implemented for business activities	(I) The Company adheres to the ethical business principle, and aims at creating the maximum interest for shareholders and employees. The Board of Directors and management also work hard to fulfill the ethical business. (II) According to the Company's "Service Agreement", employees are required to maintain the highest ethical business conduct. The Agreement also expressly states the SOP and guidance for ethical behavior. (III) All of the Company's employees need to comply with the Company's "Service	No non-conformity

with high risk of unethical behavior within the scope of business.	Agreement" and to prevent bribery and acceptance of bribery, and illegal political contribution.	
II. Implementation of ethical business practices (I) The Company's business activities should not be conducted with individuals that have a record of unethical behavior; also, it should regulate the ethical code of conduct in the business contract. (II) Promotion of ethical business by the Company's full-time (part-time) functional units, and status of the supervision by the Board of Directors (III) The implementation of the Company's conflict of interest prevention policy and the appropriate reporting channel. (IV) The implementation of the Company's effective accounting system and internal control system for the implementation of ethical business, as well as the audit of internal auditors.	(I) The Company's business activities have already provided the "Non-Disclosure Agreement" which expressly defines the clauses about ethical behavior. (II) The Company's drafts the "Non-Disclosure Agreement" to boost operation of the corporate ethical business. (III) The Company defines the conflict of interest policy to avoid any conflict with personal interest and the Company's interest. (IV) The Company establishes the effective accounting system and internal control system. Auditors would also audit the compliance with the systems periodically.	No non-conformity
III. The operation of the Company's reporting channel and the unethical behavior disciplinary and complaining system.	The Company defines the "administrative disciplinary" measures. Any complaint may be filed via the email exclusive for employees' complaining.	No non-conformity
IV. Strengthening information disclosure (I) Corporate website disclosing information on the Company's ethical business. (II) Other means for disclosure adopted by the Company (e.g. set up a English website, with the personnel dedicated to gathering and disclosing relevant information on the Company website).	The Company's website provides a Chinese version and an English version at the same time. The personnel from Information Management Office is responsible for collecting and disclosing the Company's information on the Company's website.	No non-conformity
V. Has the Company established its own ethical business best practice principles based on "Ethical Business Best Practice Principles for TWSE/GTSM Listed Companies"? If any, please describe any discrepancy between the principles and their implementation: The Company has not yet defines its own ethical business best practice principles.		
VI. Other important information regarding the Company's ethical business (e.g., the Company's declaring its determination and policies for ethical business to the suppliers, inviting them to participate in education and training, reviewing and amending the Company's ethical business principles, etc.): N/A		

(VII) Please disclose the access to the Company's Corporate Governance Best Practice Principles and related rules and regulations, if any: N/A

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

(IX) Disclosure of internal control system

1. Internal Control Declaration:

MPI Corporation
Declaration of International Control System

Date: March 28, 2014

The Company has inspected the 2013 internal control system autonomously with the results illustrated as follows:

I. The Company is fully aware that the Board of Directors and the management are responsible for the establishment, implementation, and maintenance of the internal control system and it is established accordingly. The purpose of establishing the internal control system is to reasonably ensure the fulfillment of operation effect and efficiency (including profit, performance, and protection of assets safety), financial report reliability, and compliance.

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

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

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

V. The Company based on the inspection result referred to above has concluded that the internal control system (including the supervision and management over the subsidiaries) on December 31, 2013 is reasonably effective in achieving the objectives of operation effect and efficiency, financial report reliability, and compliance.

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

VII. The Declaration of Internal Control System was resolved at the Board meeting with the objection of 0 board directors out of the 5 attending board directors on March 28, 2014. The contents of the declaration has been accepted without any objection.

MPI Corporation

CEO: Steve Chen (affixation of seal)

President: Scott Kuo (affixation of seal)

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

(X) Punishment of the Company or its internal personnel in accordance with law, the Company's punishment of its internal personnel for violating internal control system regulations, main deficiencies, and improvements during the most recent year and up to the date of publication of this annual report: N/A

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

Important resolution reached by the Board of Directors:

Name of Meeting	Date of Meeting	Important resolution	Result
Board of Directors	February 1, 2013	The motion for the Company's business plan (financial budget) 2013	Approved by the present directors unanimously, and the President was authorized to deal with the related matters with full power.
		The motion for remuneration to the Company's managers reviewed by Remuneration Committee	CEO appointed the independent director, Mr. Kao, Chin-Cheng, to act as the chairperson. The other present directors approved the motion unanimously.
Board of Directors	March 21, 2013	Discussion about contribution to employee bonus and remuneration to directors/supervisors after expensing employee bonus in 2012	Approved by the present directors unanimously
		Discussion about ratio of the contribution to employee bonus and remuneration to directors/supervisors after expensing employee bonus in 2013	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		Financial statements and business report 2012	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		The motion for consolidated financial statements 2012	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		The motion for allocation of earnings 2012	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		The motion for capital increase by recapitalization of earnings and employee bonus and offering of new shares	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.

		The motion for amendments to the "Article of Incorporation"	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for discussion
		Declaration of International Control System 2012	Approved by the present directors unanimously
		The motion for amendments to the "accounting system"	Approved by the present directors unanimously
		The motion for amendments to the "Operating Procedure for Loaning to Others"	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for discussion
		The motion for amendments to the "Operating Procedure for Making Endorsement/Guarantee"	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for discussion
		Date, location and agenda of the general shareholders' meeting 2013	Approved by the present directors unanimously
Board of Directors	May 14, 2013	The motion for the first-time adoption of IFRSs, adjustment on allocable earnings and special reserve as provided	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for report
		Discussion about additional motions to be proposed in the general shareholders' meeting 2013	Approved by the present directors unanimously
Board of Directors	July 9, 2013	The motion for the application for conversion of the 1st domestic employee stock options into common stock in Q2 of 2013 and setting of the record date for issuance of new shares	Approved by the present directors unanimously
		The motion for distribution of cash dividends to shareholders	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		The motion for loaning of fund by the Company	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		The motion for cancellation, registration and capital reduction upon shareholders' waiver to hold shares, and setting the record date for capital decrease	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	November 8, 2013	Discussion about the Company's internal audit plan 2014	Approved by the present directors unanimously
		Discussion about investment in Mainland China	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	January 17, 2014	The motion for the Company's business plan (financial budget) 2014	Approved by the present directors unanimously, and the President was authorized

			to deal with the related matters with full power.
		Discussion about contribution to employee bonus and remuneration to directors/supervisors after expensing employee bonus in 2013	Approved by the present directors unanimously
		Discussion about ratio of the contribution to employee bonus and remuneration to directors/supervisors after expensing employee bonus in 2014	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		Discussion about remuneration to the Company's managers reviewed by Remuneration Committee	CEO appointed the independent director, Mr. Kao, Chin-Cheng, to act as the chairperson. The other present directors approved the motion unanimously.
Board of Directors	March 7, 2014	Discussion about transfer of the repurchased shares to employees pursuant to the Company's "Regulations Governing Transfer of Shares Re-purchased by the Company for the First Time to Employees 2011"	Approved by the present directors unanimously, and March 7, 2014 was set as the record date of the subscription
Board of Directors	March 28, 2014	Discussion about the individual financial statement and business report 2013	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		Discussion about the consolidated financial statements 2013	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		Discussion about allocation of earnings 2013	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		Discussion about capital increase by recapitalization of earnings and employee bonus and offering of new shares	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for discussion
		Discussion about amendments to the Company's "Operating Procedure for Acquisition and Disposal of Assets"	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for discussion
		Discussion about amendments to the Company's internal control system "production cycle"	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		Discussion about the Declaration of International Control System 2013	Approved by the present directors unanimously
		Discussion about date, location and agenda of the general shareholders' meeting 2014	Approved by the present directors unanimously
Board of Directors	May 13, 2014	Discussion about transfer of the equity of TAISELEC CO., LTD invested by the Company	Approved by the present directors unanimously, and

			the CEO was authorized to deal with the related matters with full power.
		Discussion about loaning of fund by the Company	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.

Status of important resolution made by the general shareholders' meeting 2013:

Name of Meeting	Date of Meeting	Important resolution	Status
General shareholders' meeting	June 17, 2013	The motion for business report and financial statements 2012 was ratified.	Pass by the present shareholders unanimously
		The motion for allocation of earnings 2012 was ratified.	Pass by the present shareholders unanimously; cash dividends distributed at NT$2.5 per share; ex-dividend record date: September 1, 2013; date of allocation of cash dividends: September 16, 2013
		The motion for amendments to the "Operating Procedure for Loaning to Others"	Pass by the present shareholders unanimously
		The motion for amendments to the "Operating Procedure for Making Endorsement/Guarantee"	Pass by the present shareholders unanimously

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

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

(XIV) Other disclosure:

Status of the continuing education of the Company's accounting officer and audit officer in 2013:

Job title	Name	Institute	Date	Name of Course	Hours
Accounting officer	Rose Jao	Accounting Research and Development Foundation	December 12, 2013~December 13, 2013	Continuing education program for accounting officer of issuer, securities firm and securities exchange	12
Audit officer	Chen, Yi-Chang	Securities and Futures Institute	April 19, 2013	Seminar for practices on control operation of management	6
		Securities and Futures Institute	June 27, 2013	Seminar for practices about audit on important accounting titles	6

IV. Information about CPA Professional Fee

(1) Breakdown of CPA Professional Fee

Change of external auditor in 2013: N/A

Price Range	Fees	Audit Fee	Non-Audit Fee	Total
1	Less than NT$2,000 thousand		✓	
2	NT$2,000 thousand (inclusive)~NT$4,000 thousand	✓		✓
3	NT$4,000 thousand (inclusive)~NT$6,000 thousand			
4	NT$6,000 thousand (inclusive)~NT$8,000 thousand			
5	NT$8,000 thousand (inclusive)~NT$10,000 thousand			
6	NT$10,000 thousand (inclusive) or more			

Currency unit: in NTD 1,000

Firm Name	CPA Name	Audit Fee	Non-Audit Fee					Duration of Audit	Remark
			System Design	Commercial and Industrial Registration	HR	Others	Subtotal		
Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming Chen, Shih-Yuan	2,075	0	35	0	0	35	January 1, 2013 till December 31, 2013	N/A

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

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

(2) Change of CPA firm and the audit fees for the year of the change less that of the previous year, and the amount of audit fees before and after the change, and reasons of the change: N/A

(3) Audit fees were 15% less than that of the previous year, and the reduction of audit fee, percentage and reasons: N/A

V. Information About Replacement of CPA: N/A

(I) Former CPA: N/A

(II) Succeeding CPA: N/A

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

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

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

(I) Change in equity of directors, supervisors, managerial officers, and major shareholders	Name	2013		Ending April 30, 2014	
		Shares held Increase (decrease)	Shares pledged Increase (decrease)	Shares held Increase (decrease)	Shares pledged Increase (decrease)
Chairman, director and also major shareholder	MPI Investment Co., Ltd. Representative: Steve Chen	(52,000)	0	0	0
Chairman, director and also major shareholder	MPI Investment Co., Ltd. Representative: Scott Kuo	(52,000)	0	0	0
Director	MJC Representative: Shinji Nomura	0	0	0	0
Independent director	Hsu, Mei-Fang	0	0	0	0
Independent director	Kao, Chin-Cheng	0	0	0	0
Supervisor	Liu, Fang-Sheng	0	0	0	0
Supervisor	Li, Tu-Cheng	0	0	0	0
Supervisor	Tsai, Chang-Shou	0	0	0	0
President	Scott Kuo	0	0	(17,000)	0
Vice President	Fan, Wei-Ju	0	0	(18,000)	0
Vice President	Liu, Yung-Chin	0	0	10,000	0
Assistant Manager	Hsieh, Wei-Yun	0	0	15,000	0
Finance/Accounting Officer	Rose Jao	0	0	8,000	0

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

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

April 30, 2014

Name	Own shareholding		Current Shares Held by Spouse and Children of Minor Age		Total shareholding Under the Name of A Third Party		Information on top 10 shareholders in proportion of shareholdings and are related to one another or kin at the second pillar under the Civil Code to one another, their names and relations		Remark
	Quantity	Shareholding Ratio	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Name	Relationship	
MPI Investment Co., Ltd. Representative: Ko, Chang-Lin	8,334,626	10.60%	0	0	0	0	MPI Investment Co., Ltd.	Director of the Company	
	1,425,994	1.81%	1,230,929	1.57%	0	0	N/A	No	
MJC Representative: Masayoshi Hasegawa	6,548,576	8.33%	0	0	0	0	MJC	Director of the Company	
	0	0	0	0	0	0	N/A	No	
Cathay Life Insurance Representative: Tsai, Hung-Tu	3,545,000	4.51%	0	0	0	0	N/A	No	
	0	0	0	0	0	0	N/A	No	
Exclusive Account for Allianz Global Investors Taiwan Fund	1,610,000	2.05%	0	0	0	0	N/A	No	
Ko, Chang-Lin	1,425,994	1.81%	1,230,929	1.57%	0	0	N/A	No	
Public Service Pension Fund	1,355,000	1.72%	0	0	0	0	N/A	No	
Exclusive Account for Investment in Fidelity Funds in the custody of Standard Chartered Bank, Tunhua N. Rd. Branch	1,337,000	1.70%	0	0	0	0	N/A	No	
Dymon Asia Macro Fund Co. Investment in the custody of HSBC	1,239,187	1.58%	0	0	0	0	N/A	No	
Mercuries Life Insurance (MLI) Representative: Liu, Chung-Hsing	1,100,000	1.40%	0	0	0	0	N/A	No	
	0	0	0	0	0	0	N/A	No	
Account for Investment by Ni Chu circular limited partnership in the custody of HSBC	1,074,000	1.37%	0	0	0	0	N/A	No	

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

Unit: share; %

December 31, 2013

Investee (Note 1)	Invested by the Company		Invested by directors, supervisors, managers, and entities controlled by the Company directly or indirectly		Combined investment	
	Quantity	Ratio of shareholding	Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)	Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
Chain-Logic International Corp.	5,000,000	100%	0	0	5,000,000	100%
MPI TRADING CORP.	1,000	100%	0	0	1,000	100%
MMI HOLDING CO., LTD.	4,390,045	100%	0	0	4,390,045	100%
Yi Hsin Investment Co., Ltd.	3,350,000	100%	0	0	3,350,000	100%
Chia Hsin Investment Co., Ltd.	3,350,000	100%	0	0	3,350,000	100%
Won Tung Technology Co., Ltd.	50,000	100%	0	0	50,000	100%
MEGTAS CO., LTD.	300,000	60%	0	0	300,000	60%
Chia Ying Investment Co., Ltd. (Note 2)	0	0	3,330,000	Wholly owned by the subsidiary	3,330,000	100%
CHAIN-LOGIC TRADING CORP. (Note 2)	0	0	1,400,100	Wholly owned by the subsidiary	1,400,100	100%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. (Note 3)	0	0	1,400,000 USD	Wholly owned by the indirect subsidiary	1,400,000 USD	100%
MJC Microelectronics (Shanghai) Co., Ltd (Note 4)	0	0	600,000 USD	40% owned by the subsidiary	600,000 USD	40%
Lumitek Co.,LTD(Note 5)	843,968	2.28%	6,630,000	12.92% owned by the subsidiary and 4.95% owned by the indirect subsidiary	7,473,968	20.15%
MET (Note 6)	0	0	500,000 RMB	Wholly owned by Mjc Microelectronics	500,000 RMB	40%
LEDA-ONE (Shenzhen) Co. (Note 7)	0	0	1,800,000 USD	Wholly owned by the subsidiary	1,800,000 USD	100%
MMK (Kunshan) (Note 8)	0	0	1,960,000 USD	40% owned by the subsidiary	1,960,000 USD	40%

Note 1: Long-term investment by the Company.
Note 2: An investee of the Company's subsidiary, Chain-Logic International Corp.
Note 3: An investee of the Company's indirect subsidiary, CHAIN-LOGIC TRADING CORP.
Note 4: An investee under joint venture of the Company's subsidiary, MMI HOLDING CO., LTD. and director, MJC.
Note 5: An investee of the Company's subsidiary, Chia Hsin Investment Co., Ltd., Yi Hsin Investment and Chia Ying Investment.
Note 6: An investee by the Company's indirect subsidiary, Mjc Microelectronics (Shanghai) Co., Ltd.
Note 7: An investee of the Company's subsidiary, MMI HOLDING CO., LTD.
Note 8: An investee under joint venture of the Company's subsidiary, MMI HOLDING CO., LTD.and director, MJC.

Four. Status of Fund Raising

I. Capital Stock and Shares

(I) Source of Capital Stock

Unit: Thousand shares; NTD Thousand

April 30, 2014

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

						stock NT$2,451 thousand		
2006/8	10	51,300	513,000	50,815	508,145	Conversion of convertible bonds to common stock NT$909 thousand	N/A	
2006/9	10	58,000	580,000	56,496	564,959	Capital increase upon recapitalization of earnings by NT$50,814 thousand Capital increase upon recapitalization of employee bonus by NT$6,000 thousand	N/A	Note 5
2007/8	10	100,000	1,000,000	56,501	565,005	Conversion of convertible bonds to common stock NT$45 thousand	N/A	
2007/9	10	100,000	1,000,000	63,676	636,758	Capital increase upon recapitalization of earnings by NT$57,500 thousand Capital increase upon recapitalization of employee bonus by NT$8,118 thousand Conversion of convertible bonds to common stock NT$6,135 thousand	N/A	Note 6
2007/10	10	100,000	1,000,000	63,679	636,789	Conversion of convertible bonds to common stock NT$30 thousand	N/A	
2008/1	10	100,000	1,000,000	63,736	637,363	Conversion of convertible bonds to common stock NT$574 thousand	N/A	
2008/9	10	100,000	1,000,000	71,105	711,053	Capital increase upon recapitalization of earnings by NT$64,570 thousand Capital increase upon recapitalization of employee bonus by NT$9,120 thousand	N/A	Note 7
2009/8	10	100,000	1,000,000	73,311	733,111	Capital increase upon recapitalization of earnings by NT$21,190 thousand Capital increase upon recapitalization of employee bonus by NT$868 thousand	N/A	Note 8
2009/12	10	100,000	1,000,000	74,084	740,841	Conversion of employee options to common stock NT$100 thousand Conversion of convertible bonds to common stock NT$7,630 thousand	N/A	
2010/4	10	100,000	1,000,000	77,449	774,486	Conversion of employee options to common stock NT$11,190 thousand Conversion of convertible bonds to common stock NT$22,455 thousand	N/A	
2010/7	10	100,000	1,000,000	77,629	776,291	Conversion of employee options to common stock NT$11,082 thousand Conversion of convertible bonds to common stock NT$3,200 thousand	N/A	
2010/10	10	100,000	1,000,000	77,697	776,970	Conversion of employee options to common stock NT$5,376 thousand Conversion of convertible bonds to common stock NT$200 thousand	N/A	
2011/1	10	100,000	1,000,000	77,985	779,854	Conversion of employee options to common stock NT$13,149 thousand Conversion of convertible bonds to common stock NT$8,900 thousand	N/A	
2011/4	10	100,000	1,000,000	78,464	784,644	Conversion of employee options to common stock NT$39,613 thousand	N/A	
2011/8	10	100,000	1,000,000	78,549	785,494	Conversion of employee options to common stock NT$7,030 thousand	N/A	
2011/10	10	100,000	1,000,000	78,590	785,904	Conversion of employee options to common stock NT$3,299 thousand	N/A	
2012/1	10	100,000	1,000,000	78,602	786,024	Conversion of employee options to common stock NT$931 thousand	N/A	
2012/4	10	100,000	1,000,000	78,605	786,054	Conversion of employee options to common stock NT$233 thousand	N/A	
2012/7	10	100,000	1,000,000	78,610	786,104	Conversion of employee options to common stock NT$388 thousand	N/A	
2013/7	10	100,000	1,000,000	78,612	786,123	Conversion of employee options to common stock NT$143 thousand Cancellation and capital reduction by 8 shares upon shareholders' waiver to hold shares	N/A	

Note 1: Approval letter by Securities and Futures Commission, Ministry of Finance under (91) No. 09100127510 dated June 3, 2002.
Note 2: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0920129426 dated July 2, 2003.
Note 3: Approval letter by Securities and Futures Commission, Ministry of Finance under Tai-Chi-Zheng (I) No. 0930126472 dated June 15, 2004.
Note 4: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0940124109 dated June 16, 2005.
Note 5: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0950130971 dated July 17, 2006.
Note 6: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0960036186 dated July 12, 2007.
Note 7: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng (I) No. 0970031732 dated June 25, 2008.
Note 8: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of Executive Yuan under Jin-Guan-Zheng-Fa-Zi. No. 0980034020 dated July 8, 2009.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	78,612,392	21,387,608	100,000,000	TWSE stock

(II) Composition of shareholders

April 30, 2014

Composition of shareholders / Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution or Foreigner	Total
Number of person	2	38	24	6,960	78	7,102
Shares held	2,124,000	12,964,092	9,929,115	32,579,276	21,015,909	78,612,392
Ratio of shareholding	2.70%	16.49%	12.63%	41.45%	26.73%	100%

(III) Diversification of equity

April 30, 2014

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
1～ 999	1,385	243,411	0.31
1,000～ 5,000	4,610	8,938,984	11.37
5,001～ 10,000	531	4,180,958	5.32
10,001～ 15,000	163	2,095,499	2.67
15,001～ 20,000	106	1,947,083	2.48
20,001～ 30,000	94	2,365,540	3.01
30,001～ 40,000	42	1,515,144	1.93
40,001～ 50,000	28	1,288,515	1.64
50,001～ 100,000	52	3,498,932	4.45
100,001～ 200,000	29	4,099,827	5.21
200,001～ 400,000	35	9,939,949	12.64
400,001～ 600,000	8	3,828,818	4.87
600,001～ 800,000	6	4,222,349	5.37
800,001～1,000,000	1	822,000	1.04
1,000,0001 and above	12	29,625,383	37.69
Total	7,102	78,612,392	100.00

Preferential shares: N/A

(IV) Roster of Major Shareholders

April 30, 2014

Name of Major Shareholder \ Shares	Shares held	Ratio of shareholding
MPI Investment Co., Ltd.	8,334,626	10.60%
MJC	6,548,576	8.33%
Cathay Life Insurance	3,545,000	4.51%
Exclusive Account for Allianz Global Investors Taiwan Fund	1,610,000	2.05%
Ko, Chang-Lin	1,425,994	1.81%
Public Service Pension Fund	1,355,000	1.72%
Exclusive Account for Investment in Fidelity Funds in the custody of Standard Chartered Bank, Tunhua N. Rd. Branch	1,337,000	1.70%
Dymon Asia Macro Fund Co. Investment in the custody of HSBC	1,239,187	1.58%
Mercuries Life Insurance (MLI)	1,100,000	1.40%
Account for Investment by Ni Chu circular limited partnership in the custody of HSBC	1,074,000	1.37%

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

Unit: NTD; share

Item \ Year			2012	2013	Ending March 31, 2014 (Note 7)
Market value per share (Note 1)	The Highest		84.90	76.80	100.00
	The Lowest		40.50	46.50	64.20
	Average		70.04	63.28	82.20
Net value per share	Before distribution		37.69	38.70	42.14
	After distribution		37.69	0	0
EPS	Weighted average shares		76,608,983	78,612,392	78,612,392
	EPS (Note 3)	before retroactive adjustment	3.42	3.54	0.71
		after retroactive adjustment	3.42	0	0
Dividend per share	Cash dividend		2.5	2.1(Note 2)	0
	Free-Gratis dividends	Retained shares distribution	0	0	0
		Capital surplus shares distribution	0	0	0
	Retained dividend		0	0	0
Return on investment analysis	Price-Earnings Ratio (Note 4)		18.93	17.98	0
	Dividend Yield (Note 5)		28.02	30.13	0
	Cash dividend yield (Note 6)		0.04	0.03	0

Note 1: The Company has traded on Taiwan Stock Exchange as of January 6, 2003.
Note 2: Already resolved at the directors' meeting on March 28, 2014, while not yet resolved by a general shareholders'

meeting; calculated based on the 78,612,392 outstanding shares on the date when the general shareholders' meeting resolved.

Note 3: If it is necessary to make adjustment retroactively due to Free-Gratis dividends, please identify the EPS before and after adjustment.

Note 4: Price-Earnings Ratio=Average Closing Price per Share in current year/Earnings per Share

Note 5: Dividend Yield=Average Closing Price per Share in current year/Cash Dividend per Share

Note 6: Cash Dividend Yields=Cash Dividend per Share/Average Closing Price per Share in current year

Note 7: Please identify the net value per share and EPS available in the latest quarterly financial information audited (reviewed) by the independent auditor before the date of publication of the annual report, and the information available until the date of publication of the annual report in the other sections.

(VI) Dividend Policy and the Status of Implementation

1. The dividend policy defined by the Company in Articles of Incorporation:

   Article 20: If the Company has profits after final account for the concerning fiscal year, the profits shall be allocated in the following order:

   (I) Payment of tax;

   (II) Covering of loss;

   (III) 10% set aside as legal reserve;

   (IV) Provision of special reserve pursuant to laws;

   (V) The remainder, if any, plus allocable earnings at the end of the year may be subject to the motion for distribution of allocable earnings prepared by the board of directors and submitted to a shareholders' meeting for resolution. Where the earnings are resolved to be allocated, they shall be allocated in the following manners:

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

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

2. Allocation of dividends proposed in the current year

   The Company’s motion for allocation of earnings 2013 has been resolved by the directors' meeting on March 28, 2014, and was implemented upon resolution of the general shareholders' meeting:

Allocation of Earnings 2013

		Unit: NTD
	Amount	
Item	Subtotal	Total
Unallocated earnings at the ending		$ 1,046,869,244
Less: Adjustment on retained earnings on December 31, 2012 for the first adoption of IFRSs		(62,720,142)
Less: Other consolidated income (actuarial income under defined benefit plan 2013)		(670,935)
Add: Net profit after tax this year		271,033,216
Subtotal		1,254,511,383
Provision:		
Less: Provision of 10% legal reserve	(27,103,322)	
Add: Reversal (provision) of special reserve (Shareholders' equity less - Net loss not recognized as pension cost)	17,571,431	(9,531,891)
Subtotal of allocable earnings:		1,244,979,492
Item of distribution:		
Shareholder bonus - cash	(165,086,023)	
Shareholder bonus - stock	(0)	(165,086,023)
Unallocated earnings at the ending		$ 1,079,893,469
Notes:		
Distribution of remuneration to directors/supervisors	(5,826,560)	
Distribution of employee bonus - cash	(23,306,300)	
Distribution of employee bonus - stock	(0)	

(VII) Effect of allocation of Free-Gratis Dividends proposed at the shareholders' meeting on the operation performance of the Company and the Earnings Per Share: The Company did not publish any complete financial forecast, in accordance with the "Regulations Governing the Publication of Financial Forecasts of Public Companies"; therefore, it is not necessary to disclose the forecast 2014.

(VIII) Employee bonus and remuneration to directors/supervisors:

1. Proportion or scope of employee bonus and remuneration to directors/supervisors as stated in the Company Act of Incorporation:

   Article 20: If the Company has profits after final account for the concerning fiscal year, the profits shall be allocated in the following order:

   (1) Payment of tax;

   (2) Covering of loss;

   (3) 10% set aside as legal reserve;

   (4) Provision of special reserve pursuant to laws;

   (5) The remainder, if any, plus allocable earnings at the end of the year may be subject to the motion for distribution of allocable earnings prepared by the board of directors and submitted to a shareholders' meeting for resolution. Where the earnings are resolved to

be allocated, they shall be allocated in the following manners:

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

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

2. The accounting in the case of deviation from the basis for stating employees bonus and remuneration to directors/supervisors, the basis for calculating the quantity of stock dividends to be allocated, and the actual allocation:

   The Company had gained profit in 2013. Therefore, the employee bonus was estimated as NT$28,070,679 and the remuneration to directors/supervisors both NT$7,017,670. Said estimated values were approved by the directors' meeting on March 28, 2014.

3. Information about any motion for allocation of employee bonus resolved by the Directors' Meeting:

   The Company's motion for allocation of earnings 2013 has been resolved by the directors' meeting on March 28, 2014. The allocation of earnings approved by the directors' meeting is stated as following:

   (1) The Company allocated the employee bonus NT$23,306,300, employee stock dividend NT$0, and remuneration to directors/supervisors NT$5,826,560.
   (2) Said allocated values and employee cash bonus that has been stated as expenses totaled NT$28,070,679. The remuneration to directors/supervisors was NT$7,017,670. The deviation thereof is NT$5,955,489.
   (3) Cause of deviation: The Company planned to amend the estimation for employee bonus and allocated remuneration to directors/supervisors after the board of directors took the shareholders' equity and employee benefit into consideration and based on the standards applicable in the same trade and the Company's future operation.
   (4) The accounting in the case of deviation: Primarily caused by the changes of accounting estimation, while the deviation would be adjusted upon resolution of the shareholders' meeting and stated as income 2014.

4. The actual allocation of employee bonus and remuneration to directors/supervisors in the previous year (including the number, amount and stock price of allocated shares), the deviation between the actual allocation and the estimated figures, if any, and cause and treatment thereof:

   The actual employee cash dividend allocated by the Company in 2012 was NT$27,039,000, and the remuneration to directors/supervisors NT$6,759,680. The amounts were approved by the directors' meeting on March 21, 2013 and resolved by the shareholders' meeting on June

17, 2013.

(IX) Repurchase of the Company’s shares:

March 31, 2014

Term	2nd (term)
Purpose	Transfer of shares to employees
Duration	August 9, 2011~October 8, 2011
Repurchase range price	70~148 (NT$)
Type and quantity of repurchased shares	Common stock 2,000,000 shares
Value of repurchased shares	152,605,865(NT$)
Quantity of canceled and transferred shares	2,000,000 (shares)
Accumulated quantity of the Company's shares held	0
% of accumulated quantity of the Company's shares held % of total issued shares	0.00%

II. Issuance of Corporate Bonds (ECB): N/A

III. Issuance of Preferred Shares: N/A

IV. Status of GDR/ADR: N/A

V. Status of employee stock options:

(I) Status of employee stock options:

April 30, 2014

Type of employee stock options	1st (term) Employee stock options
Effective date	November 20, 2007
Issue (offering) date	November 20, 2007
Number of unit	5,000,000 units
Percentage of shares offered for subscription in total issued shares	6.45%
Duration of subscription	November 20, 2007~November 20, 2013
Mode of performance	Offering of new shares
Restricted duration and percentage (%) of subscription	Upon expiration of two years, 50% Upon expiration of three years, 75% Upon expiration of four years, 100%
Executed acquired shares	2,114,000 (shares)
Executed subscription amount	174,612,000(NT$)
Unexecuted subscription quantity	0 (shares)
Subscription price per share for those other than subscribers	71.7(NT$)
Percentage of unexecuted subscription quantity in total issued shares (%) % of total issued shares	0%
Effect on shareholders' equity	The stock option certificates were executed in four years upon expiration of two years after the date of offering. The original shareholders' equity was diluted year by year; therefore, the effect of dilution was limited.

(2) Name, acquisition and subscription of managerial staff acquiring employees' stock option certificates and employees acquiring certificates to subscribe for the shares in the top 10 quantity.

Currency unit: in NTD 1,000; thousand shares

	Job title	Name	Acquired shares	Percentage of acquired subscription quantity in total issued shares (%)	Executed				Unexecuted			
					Unexecuted subscription quantity	Executed subscription price	Executed subscription amount	Percentage of executed subscription quantity in total issued shares (%)	Unexecuted subscription quantity	Unexecuted subscription price	Unexecuted subscription amount	Percentage of unexecuted subscription quantity in total issued shares (%)
Manager	CEO	Steve Chen	410	0.0535	22	82.70	1,819	0.0029	0	71.70	0	0
	President	Scott Kuo										
	Vice President	Fan, Wei-Ju										
	Vice President	Liu, Yung-Chin										
	Assistant Manager	Hsieh, Wei-Yun										
	Manager	Rose Jao										
	President	Chan, Chao-Nan										
	Vice President	Lin, Heng-Sheng										
	Manager	Chen, Sheng-Yi										
Employee	—	N/A	—	—	—	—	—	—	—	—	—	—

VI Restriction on Employee Share Subscription Warrant: N/A

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

VIII. Implementation of Capital Utilization Plan: N/A

Five. Overview of operation

I. Business Contents

(I) Business lines:

(1) The Company primarily engages in:

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

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

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

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

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

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

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

H. Machinery and equipment manufacturing;

I. Machinery wholesale;

J. Machinery and utensil retailing.

(2) Weight of business:

The Company's consolidated operating revenue, net was NT$3,035,778 thousand in 2013, primarily generated from the sale of wafer probe cards and wafer probe card testers. The weight of business for various products (services) is stated as following:

Currency unit: in NTD 1,000

Product (service)	2013	
	Net sales	Weight of business %
Wafer probe card (including maintenance service)	1,937,268	63.81
Wafer tester (including maintenance service)	614,733	20.25
LED OEM	17,145	0.57
Trading of semi-conductor and LED equipment consumable materials	423,895	13.96
Others (revenue from commission)	42,737	1.41
Total	3,035,778	100

(3) Current products (services) of the Company

A. Wafer probe card

B. Wafer probe card maintenance service

C. Wafer testing and sorting equipment

D. LED lightening application testing and sorting equipment

(4) New products (services) under development

A. Wafer probe card

(A) In order to deal with the need for technology for upgrading the semi-conductor wafer production process, the Company will continue to develop the water probe card with narrow interval, massive number of pins, fast pin cleaning and multiple-chip parallel test.

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

(C) In order to deal with the need for technology for improving assembly programs, the Company plans to continue developing the advanced wafer probe card for testing of KGD, flip-chip, TSV, wafer assembly, 2.5D and 3D chips.

B. Environmental protection and energy saving have become a global trend, and the LED industry is an important industry booming along with the trend. Advanced countries in Europe, the U.S.A. and Japan have already implemented the green energy policy forbidding or forbidding the sale of incandescent lamps. Multiple global investigation and research organizations also indicated that the global output of LED application would continue to increase by the compound annual growth rate of more than 10% before 2017. Global leading LED manufacturers have invested considerable resources to keep innovating the application of lightening to develop new products, which may meet environmental protection requirements and save more energy. The Company has continued to develop the various precision automated equipment for LED wafer and die testing and sorting and, therefore, secured the highest market share in the LED market of Asia. The Company also invested considerable R&D resources in the lightening application-related equipments to develop various testing and sorting equipments. The Company has become the provider of turnkey solution in the LED industry and thereby created the win-win situation for customers and MPI.

(II) Overview of industry

(1) Overview and development of industry

A. Status of the global business

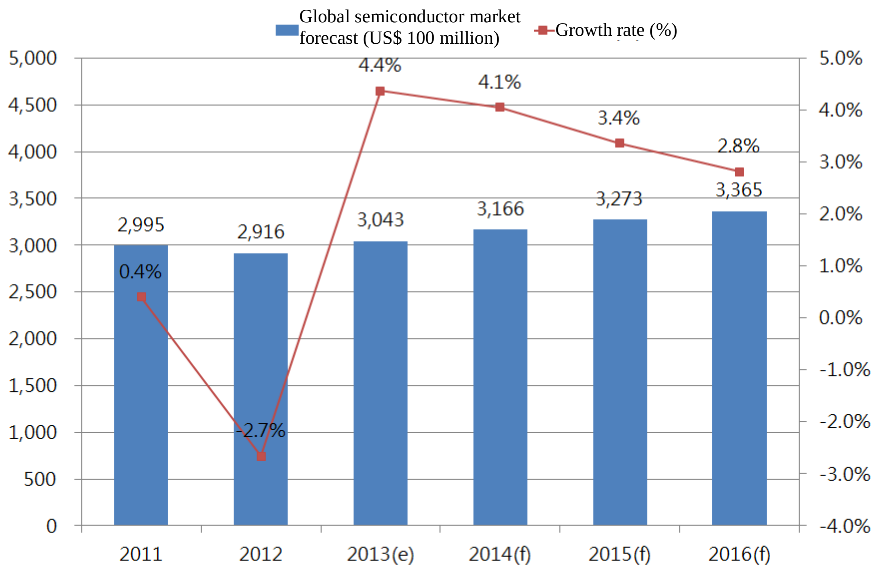
(A). Wafer probe card (semi-conductor industry)

A probe card is a printed circuit board (PCB) filled with probes, used at the stage of probe test, i.e. an interface between an electronic test system and a semiconductor wafer.

Wafer probe testing refers to semiconductor back-end and generally is conducted before cutting of wafer. It primarily utilizes electrical measurement to test the yield rate of the finished wafer and mark flawed dices. The defective ones after cutting will not be assembled subsequently. The assembly cost accounts for a higher percentage of the entire IC production cost. Therefore, if defective goods may be excluded from the back-end process, waste of assembly cost may be avoided accordingly. Meanwhile, considering that electronic products become lighter and lighter and pursue high-function and low-consumption, the high-rank assembly cost will become higher and higher. Therefore, it is very important to reduce the wafer probe testing which would waste more time in assembly.

Wafer probe cards are closely linked to the semiconductor industry. According to WSTS statistics and forecast, the sales value of the global semiconductor market amounted to US$304.3 billion in 2013, i.e. a yearly growth rate by 4.4%. The sales value of the global semiconductor market was expected to be US$316.6 billion in 2014, i.e. a yearly growth rate by 4.1%. Therefore, the entire build-to-order market of probe cards is expected to grow stably.

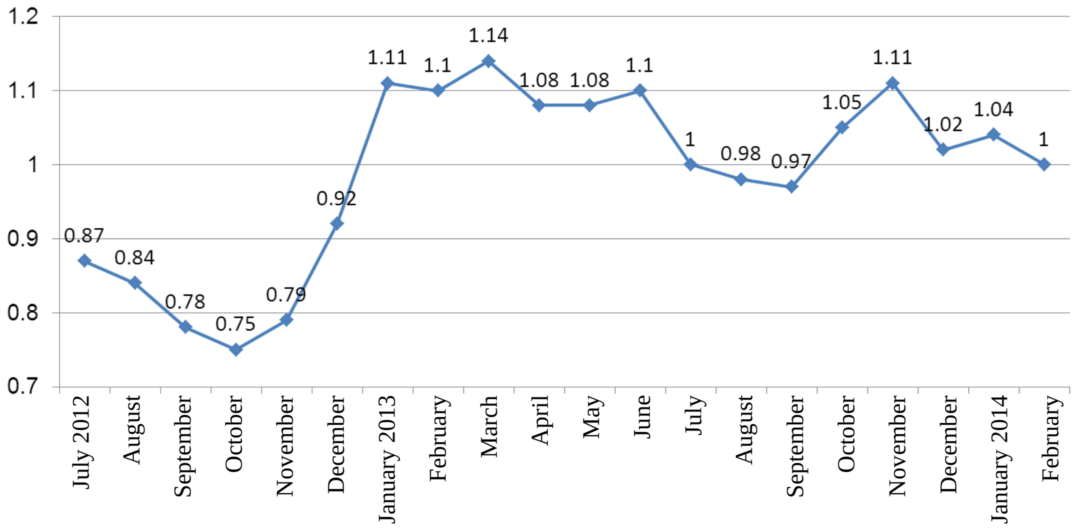
Global semiconductor market forecast



Source of data: WSTS; ITRI IEK (2014/1)

Meanwhile, according to the leading indicator representing the economy of semiconductor industry, Book-to-Bill Ratio (B/B), the B/B value in February 2014 announced by SEMI recently was 1. In other words, the B/B value has been more than one for consecutive 5 months, and was expected to be about 1.14 in March. Apparently, the booking orders accepted by semiconductor suppliers were more than shipping order. Therefore, the economy of semiconductor industry was expanding.

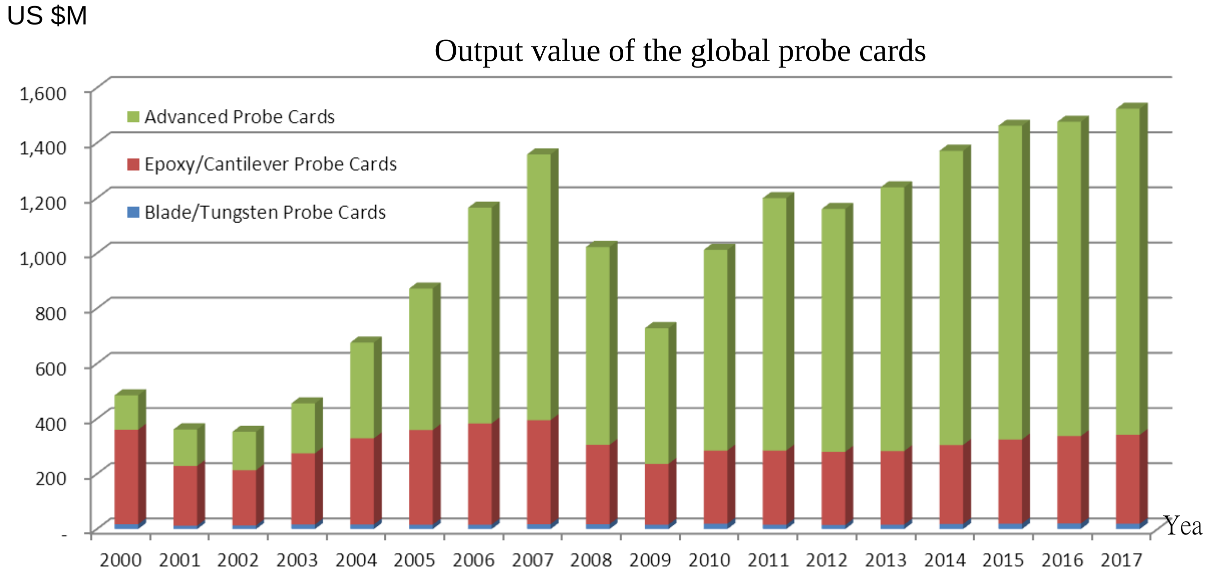
Shipping/booking of semiconductor equipments in North America



Source of data: SEMI (2014/3)

According to the report made by VLSI Research Inc. dedicated to investigating and analyzing the global probe card market, the output value of the global semiconductor probe cards was about NT$1,160 million in 2012, and expected to grow by 6.8% in 2013, i.e. US$1,239 million. Further, the output value also appears to grow continuously year by year and might amount to US$1,523 million by 2017 (2012~2017) based on the compound annual growth rate by 5.6%

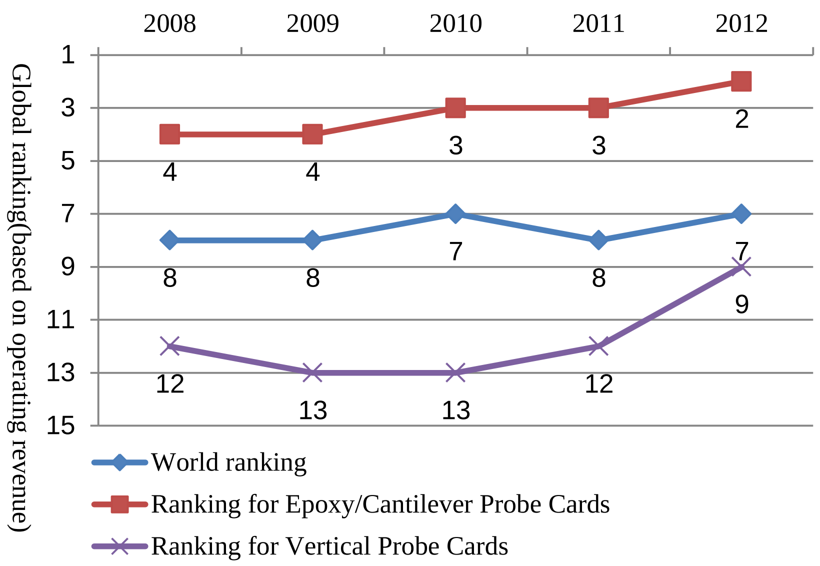
Output value of the global probe cards



Source of data: VLSI Research Inc. (2013/4)

MPI ranked 7th place in the global market of probe cards. Among the other things, the output value of Epoxy/Cantilever Probe Cards was US$265 million in 2012, while MPI ranked 2nd place for the global market shares. The output value of Vertical Probe Cards was US$374 million in 2012, while MPI ranked 9th place for the global market shares.

Ranking of the output value of MPI probe cards in the world



Source of data: VLSI Research Inc. (2013/4)

MPI's output value and ranking of probe cards have been improving in the most recent five years. Therefore, MPI has solidified its position in the market. Under its business strategies highlighting technological innovation and R&D investment expenditure, it is expected to grow increasingly and continue to maintain its competitive strength.

(B). Wafer tester (LED industry)

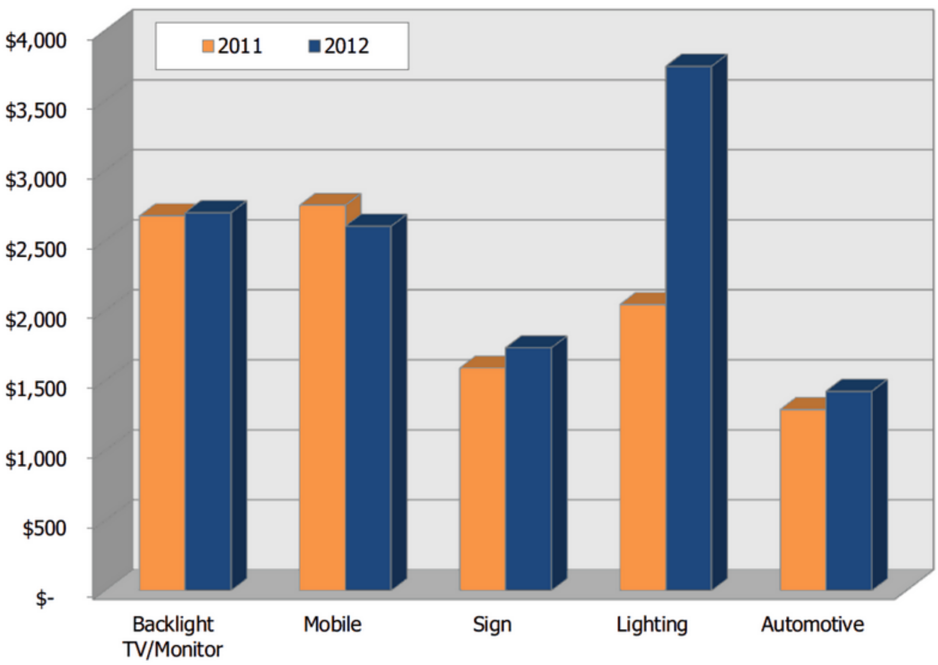
A light-emitting diode (LED) is a two-lead semiconductor light source which may emits the light of specific wave length, with such advantages as power-saving, vibration-resistant and fast glittering, and may be applied very extensively. LED production process may be categorized into the up-stream, mid-stream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

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

LED is applied extensively, which was applied to mobile phones and remote controls earlier. Recently, due to the high brightness, it was applied to car lights and outdoor LED extensively. Considering that application of LED to light source and backlight source generates such strengths as high color saturation and long environmental protection life cycle, monitor will be the next potential product to be developed.

Through the throes of the industry caused by the overly excess capacity in 2011, the output value related to application of LED has grown sharply as of 2012.

Figure 1.1 LED Market Growth by Application, 2011 and 2012 (US$M)



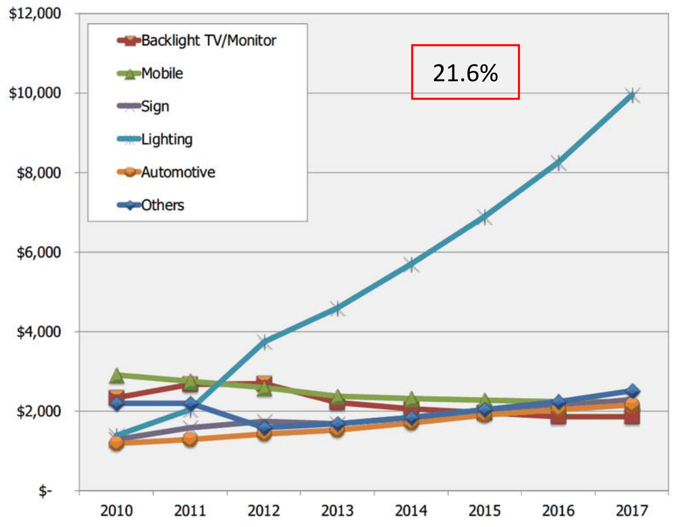
Source of data: Pennwell Report 2013

Table 1.2 Worldwide LED Revenue by Application ($M)

	2010	2011	2012	2013	2014	2015	2016	2017	5-Year CAGR	2011-12 Growth
Backlight TV/Monitor	$2,342	$2,675	$2,699	$2,225	$2,065	$1,965	$1,854	$1,855	-7.2%	0.9%
Mobile	$2,906	$2,752	$2,603	$2,382	$2,312	$2,283	$2,233	$2,232	-3.0%	-5.4%
Sign	$1,295	$1,590	$1,734	$1,692	$1,833	$1,992	$2,119	$2,296	5.8%	9.1%
Lighting	$1,397	$2,044	$3,745	$4,586	$5,703	$6,893	$8,260	$9,961	21.6%	83.3%
Automotive	$1,197	$1,293	$1,424	$1,531	$1,705	$1,906	$2,041	$2,155	8.6%	10.1%
Others	$2,204	$2,193	$1,580	$1,688	$1,851	$2,044	$2,243	$2,514	9.7%	-28.0%
Total	$11,342	$12,547	$13,784	$14,104	$15,469	$17,084	$18,750	$21,013	8.67%	17.87%
Growth Rate		10.6%	9.9%	2.3%	9.7%	10.4%	9.8%	12.1%		

Source of data: Pennwell Report 2013

Figure 1.10 LED Market Revenue Line, 2010-2017 ($M)



Source of data: Pennwell Report 2013

According to the market survey and research organization's analysis, during the five years from 2013 to 2017, the output value of the entire LED market will generate the compound annual growth rate by 8.67%, and the growth rate of the lightening will be more than 20%. The Company has invested in the R&D of various production equipments for PoD, COB and EMC, and reserved plentiful experience in the application. Meanwhile, the Company also started to launch into the market of Asia and to look for chances to work with global leading LED manufacturers. The Company hopes to become one of the leading providers of LED production equipments in the world in the future.

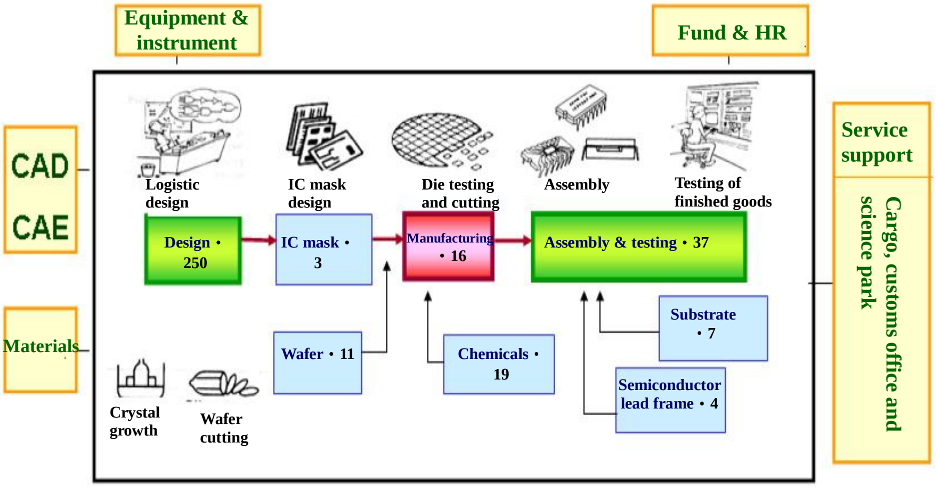
B. Status of domestic industry

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

The semi-conductor industry has developed in Taiwan for many years. It established the complete vertical breakdown system consisting of the up-stream IC design company, mid-stream wafer fab and down-stream IC assembly and testing fab.

Upon sluggish investment by the integrated device manufacturer (IDM), outsourcing or co-construction of 12" fab becomes the general trend irresistible expected to increase the orders placed with the wafer OEMs in Taiwan and benefit the up-stream and down-stream dealers in the industrial chain.

Taiwan's IC industrial structure



Source of data: ITRI IEK (2012/6)

The IC industry recovered in Taiwan in 2013, growing by 15.6% yearly and amounting to NT$1,888.6 billion. Above all, the memory manufacturing industry's domain was settled and manufacturers no longer engaged in the price war; therefore, the industry grew by 31.2%, the fastest. Further, due to the advanced production technology (28nm) and outbreak of the demand for mobile communication devices, the wafer OEM industry hit the record again, growing to NT$759.2 billion. The IC design industry grew by 15.6% due to the emerging demand for mid-rank and low-rank smart mobile devices, and the assembly and testing industries grew by 4.6% and 4.2% yearly accordingly.

Despite the sluggish growth rate in 2014, the IC industry is still expected to grow by 11.1% and generate the output value, which will hit the record again. The IC testing industry particularly related to probe cards directly is expected to grow by 8.1% yearly.

Output value of Taiwan's IC industry

Unit: NT$ 100 million

Year / Industry	2010	2010 Growth rate	2011	2011 Growth rate	2012	2012 Growth rate	2013	2013 Growth rate	2014(e)	2014 Growth rate	2015 (f)	2015 Growth rate
Output value of IC industry	17,693	38.3%	15,627	-11.7%	16,342	4.6%	18,886	15.6%	20,981	11.1%	22,555	7.5%
IC design industry	4,548	17.9%	3,856	-15.2%	4,115	6.7%	4,811	16.9%	5,425	12.8%	-	-
IC manufacturing industry	8,997	56.0%	7,867	-12.6%	8,292	5.4%	9,965	20.2%	11,110	11.5%	-	-
Wafer OEM	5,830	42.8%	5,729	-1.7%	6,483	13.2%	7,592	17.1%	8,530	12.4%	-	-
Memory manufacturing	3,167	88.1%	2,138	-32.5%	1,809	-15.4%	2,373	31.2%	2,580	8.7%	-	-
IC assembly industry	2,870	30.6%	2,696	-6.1%	2,720	0.9%	2,844	4.6%	3,078	8.2%	-	-
IC testing industry	1,278	32.3%	1,208	-5.5%	1,215	0.6%	1,266	4.2%	1,368	8.1%	-	-
Output value of IC products	7,715	39.2%	5,994	-22.3%	5,924	-1.2%	7,184	21.3%	8,005	11.4%	-	-

Growth rate of global semi-conductor	-	31.8%	-	0.4%	-	-2.7%	-	4.8%	-	3.6%	-	3.4%

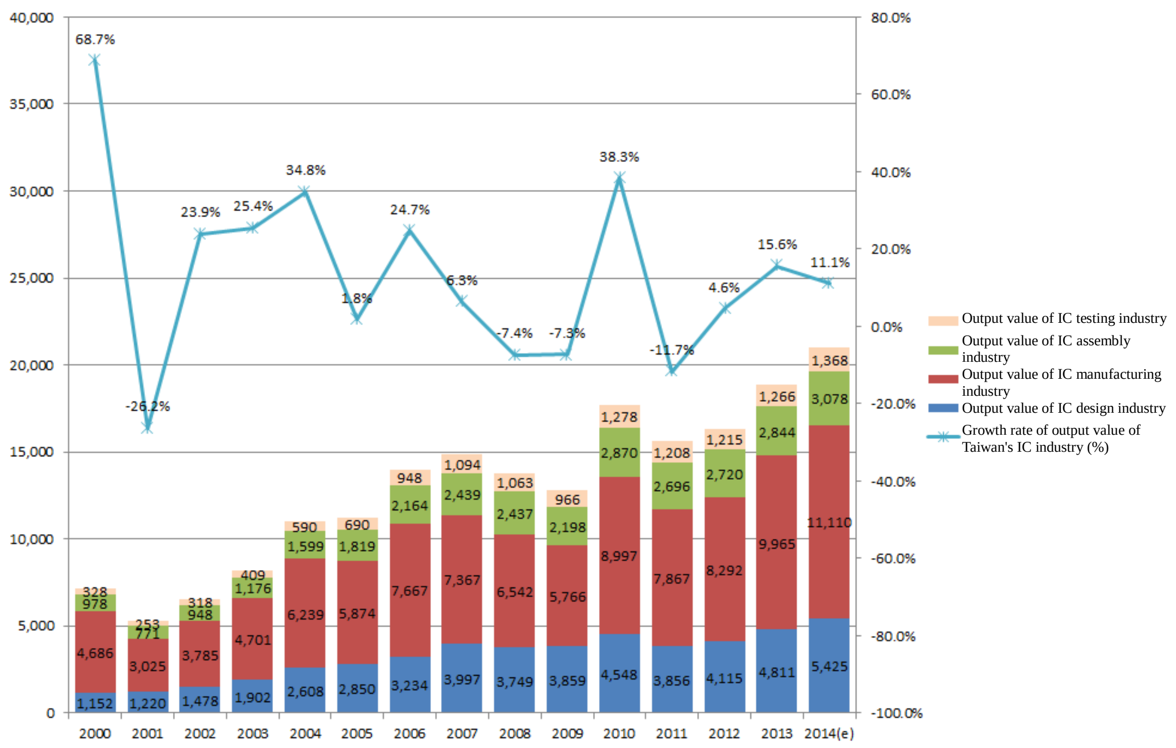
Source of data: TSIA (2014/3)

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

Output value of IC products=Output value of IC design industry+memory manufacturing

NT$ 100 million

Trend of output value of Taiwan's IC industry



Source of data: TSIA; ITRI IEK (2014/3)

Looking forward to 2014, the U.S.A. market is recovering, and Japan is also ready for getting rid of the economic regression shadow. The entire environment appears to get better (ITRI IEK, 2014/3). The mobile communication products, such as smart phones and pads, are still the main drive in the semi-conductor industry. The industry is also look forward to the application of wearable devices and internet of things in the future optimistically.

As far as the IC assembly and testing industries related to probe cards directly are concerned, the demand for such SiP assembly and testing as 4G LTE mobile phone baseband chips and ARM application processors, CMOS image sensors, Apple and non-Apple fingerprint identification will be increasing quarter by quarter (ITRI IEK, 2014/2). Therefore, the probe card market is expected to grow stably.

(B). Wafer tester (LED industry)

As of 2009, Taiwan and Mainland China have become the territories where the LED industry grew most rapidly. The number of related MOCVD also hit the record in 2011. Notwithstanding, the LED industry of Asia was entangled in the predicament of excess capacity in the second half of 2011 at the same time. Through the industrial adjustment period from 2012 to 2013, with the aid of the application of LED, it is expected that the number of MOCVD installed by the leading LED manufacturers in Taiwan and Mainland China will amount to more than 250 sets, showing that the growth drive will recover to that in 2010.

Upon the Company's continuous investment in development and application of various equipments required by development of LED production process, the Company's testing and sorting process of LED Epitaxy already occupied high market shares. Meanwhile, the Company has also worked hard to develop the various equipment and applications in the LED assembly process. The Company believes that the Company will keep growing with the consistent improvement in the industry, due to the demand for new production equipments resulting from the LED in the future.

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

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

A. Wafer probe card:

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

B. Wafer prober:

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

(3) Development trends of products

A. Wafer probe card (semi-conductor industry)

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

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

① Miniaturization of needle gage

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

②Prevention of signal interruption

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

③Application of different semi-conductor materials and technology

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

④High-speed probe card

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

⑤Multi-chip parallel testing

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

⑥Low k chip probe card

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

⑦Few pin cleaning

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

⑧High-temperature and low-temperature testing

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

⑨High-power chip testing

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

⑩Low contact resistance

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

B. Wafer prober (LED industry)

①Speed

LED wafer prober is applied to the production and testing of III V or silicon wafer. The product cost is a very important factor to be taken into consideration. Therefore, upgrading of through put is critical to whether the product meets the market production cost.

②Precision

Each testing point of high-solution LED or high-brightness LED is very tiny. Particularly, the high-brightness LED testing is based on the probing after cutting and expansion. Given that the dices will be arranged in an irregular manner after cutting and expansion, the prober per se and visible precision of positioning become very important.

③Automatic production

The increasing application of LED results in the booming industrial development. Each manufacturer continues to expand its fab and, therefore, the HR management becomes a very important issue. Automatic production or reduction of manual operation will be the trend in the future. Therefore, the development of wafer prober will primarily be oriented toward flexible connection of the functions of machine and customers' requirement.

④Production management

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

⑤Package type

The package types of LED include the traditional SMD and PLCC, and XP-Lamp and COB produced in order to deal with the demand for lightening. The output value thereof is also increasing.

(4) Status of competition of products

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

(A) Wafer probe card

According to VLSI Research's survey, and to our understanding, there are few companies engaged in manufacturing and agency of wafer probe cards domestically, which are all companies which do not trade on TWSE/GTSM or branch companies of foreign leading manufacturers. For the time being, MPI is the only one which is considered possessing production scale among the domestic professional wafer probe card manufacturers, while the others possess small production scale.

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

(B) Wafer tester

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

The others in the same trade	Competitive products
OPTO tech. Co., Japan	Wafer prober Die bonder
Lumitek Co.,LTD	Wafer prober
WECON	Wafer prober Die bonder
Chroma ATE Inc.	Wafer prober
ASM	Die bonder
Innobiz, Korea	Die bonder
QMC, Korea	Die bonder
Hauman Technologies Corporation	Wafer prober
WeiMin Industrial Co., Ltd.	Wafer prober Die test device
ISMECA	LED Lamp tester

(III) Overview of technology and R&D

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

Currency unit: in NTD 1,000

Year	2013	March 31, 2014
R&D expenses	550,203	139,874

(2) Technology or product developed successfully

Year	Name of technology or product
2013	CMOS image sensor high frequency and multi-chip parallel testing technology Vertical probe card low resistance variance technology Self-Lubricity low need pressure micro electro mechanical probe card technology White light component LED Tester T 100 High-speed full automatic white light component LED Die Prober DP76P High-speed full automatic component LED Chip Taping CT-200 Full automatic COB filament testing sorting system A1600 Full automatic 8-inch wafer prober P9002

2012	Copper pillar bump vertical probe card for package testing Full automatic component LED Die Prober DP76XL Full automatic component LED Chip Taping CT-100 High-speed full automatic LED AOI testing device Component LED Package Tester
2011	Direct Docking vertical probe card High-speed 3GS/4G LED Chip Prober Full automatic LED AOI testing device LED Chip Tester
2010	Semi-conductor high-frequency component probe card for testing High-speed full automatic LED Mapping Sorter M76F Full automatic LED Die Prober DP76
2009	High-speed Epoxy/Cantilever Probe Cards Full automatic LED Die Sorter System All-in-one LED Prober & Sorter System
2008	RFID Flip-Chip Bonder Full automatic LED Mapping Sorter Start mass production of 180um wafer as an OEM
2007	Memory vertical wafer probe card
2006	Precision through-hole technology development New version of LED Mapping Sorter
2005	LED Mapping Sorter LCD PCB Inspection
2004	LCD Driver IC 6" die test device
2003	Vertical wafer probe card 6" full automatic wafer prober
2002	Complete the development of 8" semi-automatic wafer prober applicable to IC Design House
2001	Establish the production technology for 1300pins/DUT, 45um pitch 6" semi-automatic wafer prober
2000	Establish the production technology for 1000pins/DUT, MJC brand 16DUT
1999	Production technology for 600pins/DUT, 50um fine pitch wafer probe card
1998	MJC brand 8DUT production technology and 32DUT maintenance technology
1997	300pins/DUT&8DUT wafer probe card technology

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

(1) Long-term business development plan

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

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

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

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

E. Accelerate domestic application of thin chips

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

(2) Short-term business development plan

A. Enhance HR training

B. Market development & marketing

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

II. Overview of market and production & marketing

(I) Market analysis

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

The Company primarily sells (provides) main products (services) in Taiwan. For the time being, the domestic leading wafer OEMs, IC design companies and packaging & testing fabs are all the Company's customers.

(2) Market share

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

According to the global wafer prober survey report 2012 published by VLSI Research Inc. in April 2013, MPI ranked 7th place among the entire probe card suppliers, and 2nd place among the Epoxy/Cantilever Probe Card suppliers and 9th place among the vertical probe card supplier in the world.

Domestically, MPI is the leader in the business of probe cards, epoxy/cantilever probe cards, vertical probe cards, LCD driven IC, and high-frequency probe card. Especially, it ranks 1st place among the suppliers of probe cards applied to LCD driven IC in the world.

(3) Future supply & demand and growth of market

A. Demand:

Given the increasingly miniaturization of IC assembly volume and increasing assembly cost, wafer tester has become a very important part of the IC process. Therefore, consumption of wafer probe card and output of IC are somewhat related.

Electronic products, such as mobile communication products (mobile phones and pads), computers, LCD TV or monitor, digital camera, electronic appliances for car and household, and even wearable devices and internet of things expected optimistically in the future, are everywhere in the modern life, and the quantity of IC is also increasing constantly.

In order to be in line with the mass opportunities, domestic/foreign semi-conductor manufacturers keep increasing their capital expenditure. The number of chips output after fab expansion is increasing and, therefore, the demand for probe cards is upgraded drastically. Meanwhile, international leading IDM manufacturers have successively transformed to fab-lite or fabless ones, and contracted the wafer production and back-end packaging and testing work to others. Taiwan, which has the complete semi-conductor industrial chain, and the largest wafer OEM in the world, TSMC, and wafer packaging and testing fab (ASE) are expected to be benefited from the outsourcing trend most. The growth of probe cards is also expected to increase continuously in next few years.

B. Supply:

The competition in the global probe card market is very intensive, and no monopoly exists in the market. The top three probe card suppliers in the world own the market share ranging from 11% to 17% respectively. Each probe card supplier specializes in different products and controls different customers. For example, some foreign suppliers tend to control the memory products better. MPI specializes in LCD driven IC and high-speed and high-frequency probe cards, and tends to control the related products and semi-conductor customers in Taiwan better.

Technically, MPI's production technology for high pin count, narrow band channel and high-speed/high-frequency products has matured and is leading the others in the market. Meanwhile, MPI has established specific technical threshold and continues to invest in the R&D of next generation high rank advanced probe cards.

For the time being, there are few wafer probe card manufacturers. However, following evolution of technology, the requirements about specifications of chip testing will become stricter. The existing small-scale suppliers might be eliminated one by one under the circumstance that it is impossible to break through the technology.

(4) Competition niche

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

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

C. Continuous innovation: In the changeable IT technology, in order to meet the requirement for new technology in the industry, the Company invested 20% of the annual operating revenue as R&D expenditure as of 2012 in order to research, develop and innovate advanced technology. In the market of advanced vertical probe card, the Company has contacted some foreign IC design company directly to establish intensive cooperative relations with it. The Company also invested considerable R&D resources to ensure the growth in the future.

D. Complete patent layout: A total of 280 letters of patent were granted to the Company. The Company owns a total of 246 effective patents now.

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

A. Positive factors

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

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

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

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

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

B. Negative factors

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

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

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

C. Response to such factors

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

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

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

(II) Important purpose and production processes of main products

(1) Important purpose of main products:

A. Wafer probe card for wafer testing

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

B. LCD Driver IC Fina Test wafer probe card

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

C. Vertical type probe card

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

D. LED testing sorting equipment

The optoelectronic testing of dices upon completion of LED wafer, and sorting.

E. COB packaging & testing equipment

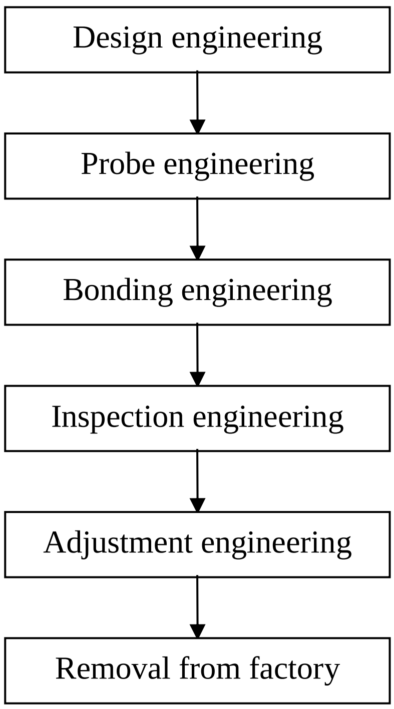
Prober and sorting equipment after LED packaged into COB cell.

F. Full automatic LED AOI testing device

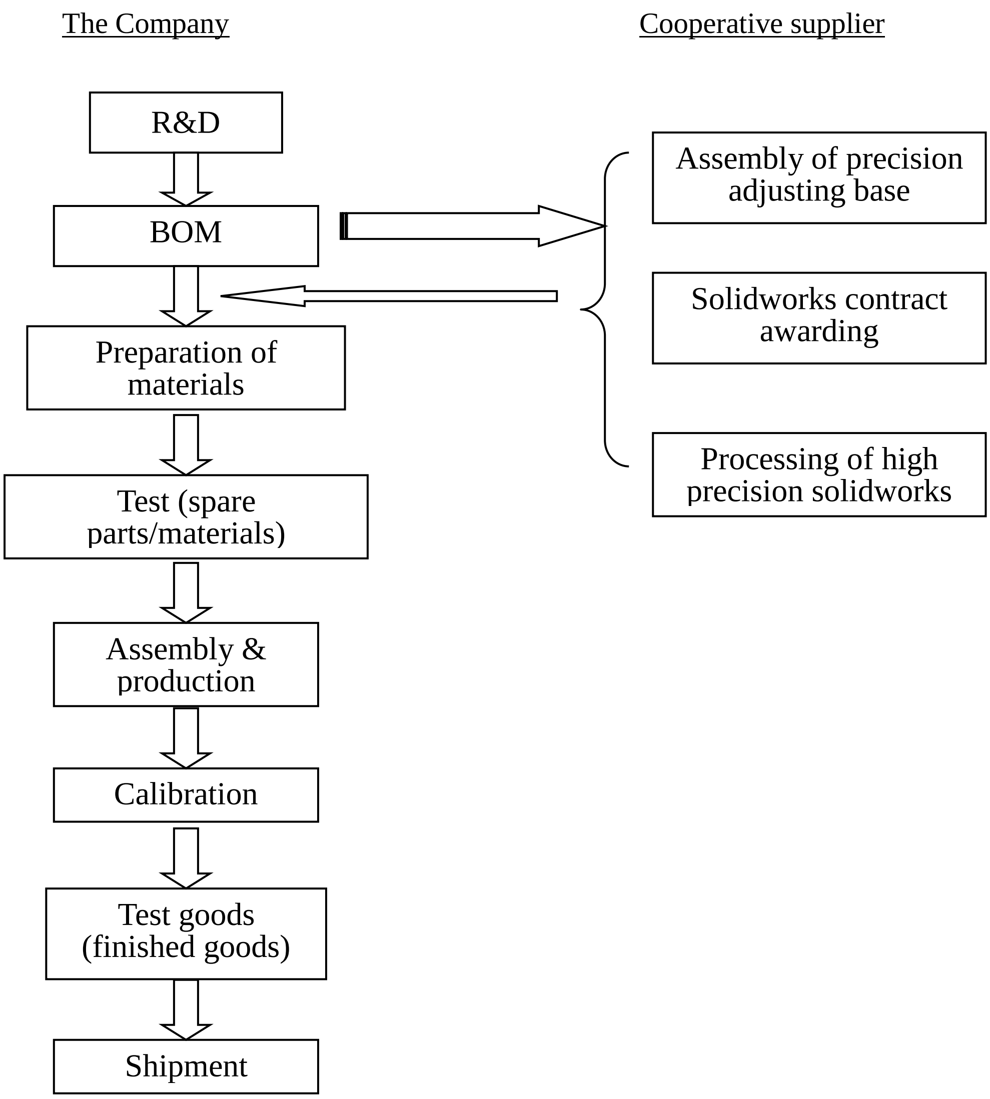
The device that tests AOI by automatic optoelectronic testing after LED testing and sorting, to identify and sort the dices with defective appearance.

(2) Production process of products

A. Wafer probe card



B. Wafer prober



(III) Supply of main raw materials

The Company's main raw materials refer to the spare parts of various equipments and machines, which are stated as following:

Main products	Main raw materials	Main supplier	Main supply of goods	Status of supply
Wafer probe card	PCB	P07,P19,P24	Taiwan, Japan, Europe and the U.S.A.	Fair
	Probe card	U2,U5,K4		
	Pipe casing	Guhe		
Wafer prober	Microscope	Ningpo, Shunyu	Taiwan, Japan, Mainland China, Europe and the U.S.A.	Fair
	Mechanical lathe/milling machine	Da Chu, Da Shun, Da Chen		
	Screw track	Al-Charm, NSK		
	Motor	Yaskawa, Aurotek		
	Industrial computer	Advantech, ADLINK		

(IV) Name list of principal suppliers and clients

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

Currency unit: in NTD 1,000

2012				2013			
Name	Amount	Percentage of total net procurement (%)	Relationship with the issuer	Name	Amount	Percentage of total net procurement (%)	Relationship with the issuer
Others	890,013	100.00%	N/A	Supplier K	96,916	12.11%	N/A
				Others	703,500	87.89%	N/A
Net procurement	890,013	100.00%		Net procurement	800,416	100.00%	

Remark about increase/decrease: The Company had no suppliers that have supplied 10 percent or more of the Company's procurements in 2012. Supplier K was the only one that has supplied 10% percent or more of the Company procurement in 2013.

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

Currency unit: in NTD 1,000

2012				2013			
Name	Amount	Percentage of total net sales (%)	Relationship with the issuer	Name	Amount	Percentage of total net sales (%)	Relationship with the issuer
Customer A	318,166	11.10%	N/A	Customer A	315,134	10.38%	N/A
Others	2,547,046	88.90%	N/A	Customer M	335,947	11.07%	N/A
				Others	2,384,697	78.55%	N/A
Net sales	2,865,212	100.00%		Net sales	3,035,778	100.00%	

Remark about increase/decrease: Customer A was the customer to whom the Company sold 10% or more of the Company's sales in 2012. Customer A and Customer M were the customers to whom the Company sold 10% or more of the Company's sales in 2013.

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

Quantity: probe card: PIN
Unit Quantity: Prober: set
Quantity: OEM: die
Quantity: consumable materials: PCB
Value: NTD Thousand

Year / Output and sales volume / Main products (or by department)	2012			2013		
	Productivity	Output	Output value	Productivity	Output	Output value
Wafer probe card (including maintenance)	6,000,000	5,467,498	800,755	7,000,000	6,587,689	957,619
Wafer prober (including maintenance)	1,205	1,173	724,837	890	531	483,245
LED OEM	15,000	12,370	5,027	55,000	47,880	15,167
Semi-conductor consumable materials	864,000	380,123	47,397	864,000	637,448	54,350
Total	6,880,205	5,861,164	1,578,016	7,919,890	7,273,548	1,510,381

(6) Sale volume for the most recent two year

Quantity: probe card: PIN
Unit Quantity: Prober: set
Quantity: Consumable optoelectronics:set
Value: NTD Thousand

Year / Sale volume / Main products (or by department)	2012				2013			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer probe card (including maintenance)	3,721,423	1,213,462	1,498,982	476,686	4,077,414	1,305,699	1,659,666	631,569
Wafer tester (including maintenance)	111	160,494	675	638,740	103	120,141	442	494,592
LED OEM	0	0	12,370	17,910	0	0	47,880	17,145

Trading of semi-conductor and LED equipment consumable materials	0	97,270	0	198,650	0	169,529	0	254,366
Others (revenue from commission)	0	0	0	62,000	0	0	0	42,737
Total	3,721,534	1,471,226	1,512,027	1,393,986	4,077,517	1,595,369	1,707,988	1,440,409

III. Information about the employees

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

Year		2012	2013	Ending April 30, 2014
Number of employees	Indirect employees	561	608	633
	Direct employees	361	389	401
	Total	922	997	1034
Average age		33.54	33.98	33.74
Average service seniority		6.08	6.48	6.20
Education level (%)	PhD	0.43	0.40	0.39
	Master	17.35	17.45	17.60
	College	66.28	66.81	66.63
	Senior High School	15.51	14.91	14.99
	Below Senior High School	0.43	0.40	0.39

IV. Information about the expenses of environmental protection

For the time being, the Company's main products are primarily applied to wafer probe cards at the stage of semi-conductor component wafer testing and to the wafer prober and packaging-related equipment of the LED industry. The production process renders minor environmental pollution. Notwithstanding, the Company is still dedicated to investing fund to establish pollution prevention facilities and also improving the working environment, in order to provide a comfortable working environment where employees enjoy working and also to upgrade the quality and efficiency of work. The Company is now continuing to implement the following programs:

1. Continue to promote the 5S movement;
2. Green and landscape the factory premises;
3. Respond to the government's environmental protection and energy saving policies.

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

1. According to the environmental protection laws and regulations, the Company's 2nd Plant in Zhubei has applied for the water pollution prevention permit and permit for permanent pollution source operation issued by Hsinchu County Environmental Protection Bureau, and also delegated the personnel dedicated to waste disposal (class B) and air pollution prevention (class A).
2. Report and pay the pollution prevent expenses according to the environmental protection laws and regulations.

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

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

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

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

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

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

V. Labor relations:

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

1. Employee benefits:

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

(1) Award performance bonus subject to the status of production and operation;
(2) Offer employees the stock options to participate in the Company's management, in hopes of further gathering employees' loyalty;
(3) Offer labor insurance and health insurance to stabilize employees' mood when they are working;
(4) Organize employee travel to relax employees' mode and boost their work efficiency;
(5) Organize year-end bonus party and lottery to reward employees for their efforts in the past year;
(6) Train employees to enable them to get with their work and exert their strength as early as possible;
(7) Money gift for three major festivals; subsidy for employees' marriage, childbirth and birthdays;
(8) Funeral assistance (including parents, spouse, children) and emergent relief

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

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

Continuing education and training of employees:

Item	Number of class	Total number of person	Total hours	Total fees
1. Orientation training	3	130	1,365	0
2. Professional competency training	167	431	4,483	1,506,880
3. Supervisor's competency training	22	267	3,505	571,631
4. General education training	9	60	390	66,050
5. Self-inspiration	31	470	1,037	199,240

training				
Total	232	1,358	10,780	2,343,801

3. Retirement system and the status of its implementation:

   The Company will contribute pension fund to the exclusive account according to the Labor Standard Law and Labor Pension Act on a monthly basis, in hopes of securing employees' life after retirement.

4. Agreements between labor and management:

   The Company is a business applicable under Labor Standard Law. The Company operates in accordance with Labor Standard Law. The relations between labor and management are fair, and no dispute has arisen between labor and management.

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

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

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

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

   The Company has defined the disaster prevention and management regulations as work rules for labor safety and health, emergent response, and contractors' safety and health. Meanwhile, the Company will conduct self-inspection and the safety and health education and drills required by prevention of disaster periodically. Further, the Company will clean and disinfect offices and factory premises periodically and inspect the operating environment periodically, in order to provide employees with a comfortable and safe working environment.

   Employees' health is the Company's wealth. The Company is committed to provide the care better than that provided under laws and regulations. Employees may take the health examination without charge each year. The Company will organize health seminars and medical consultation and provide subsidy for employee travel periodically.

Meanwhile, the Company also provides employees with fitness equipment and breastfeeding room, and establishes leisure clubs to encourage employees to attend leisure activities.

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

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

VI. Important contract

Nature of contract	Concerned party	Duration	Contents	Restrictive clause
Agency contract	MPI TRADING CORP.	2005/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading and payment of commission of semi-conductor equipments	N/A
Technical Cooperation Contract	MJC	1996/12/02~undefined	Provide the technology and intelligence for improvement on precision of the position of pins applied to IC wafer inspection, and payment of royalty	N/A
Lease contract	Chain-Logic International Corp. Limited company	2007/2/01~2008/01/31 Renewed automatically upon expiration	Lease of buildings at the factory premises	N/A
Agency contract	Mjc Microelectronics (Shanghai) Co., Ltd (Note 4)	2004/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading of wafer probe cards, and payment of commission	N/A
Agency contract	CHAIN LOGIC（SHANGHAI）INTERNATIONAL CORP. (Note 3)	2005/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing. Re-sign a new contract on January 1, 2011	Trading and payment of commission of semi-conductor equipments	N/A
Long-term loan contract	Land Bank of Taiwan - Tungshsinchu Branch	2009/03/02~2022/03/02	Loan secured by land and building	

Agency contract	MJC	2007/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading of U-Probe, and collection of commission	N/A
Agency contract	Chain-Logic International Corp.	2007/08/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing. Re-sign a new contract on January 1, 2011	Trading and payment of commission of semi-conductor equipments	N/A
Agency contract	MET	2010/01/01~undefined The contract shall be renewed automatically, unless otherwise agreed by both parties in writing.	Trading and payment of commission of semi-conductor wafer prober	N/A

Six. Overview of finance

I. Condensed balance sheet, income statement, external auditor's name and audit opinion for the most recent five years

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

1. Condensed balance sheet

Currency unit: in NTD 1,000

Item \ Year		Financial information in the most recent five years (Note 1)					Ending March 31, 2014 Financial information (Note 3)
		2009	2010	2011	2012	2013	
Current assets		N/A			2,952,944	2,809,211	2,942,886
Property, plant and equipment					1,531,677	1,590,963	1,629,131
Intangible assets					20,620	17,977	60,811
Other non-current assets					116,167	117,537	137,421
Total assets					4,816,237	4,715,575	4,948,330
Current liabilities	Before distribution				1,724,014	1,539,879	1,537,240
	After distribution				1,724,014	1,539,879	(Note 3)
Non-current liabilities					112,810	103,057	98,438
Total liabilities	Before distribution				1,836,824	1,642,936	1,635,678
	After distribution				1,836,824	1,642,936	(Note 3)
Equity attributable to the parent company					2,962,948	3,055,611	3,295,482
Capital stock					786,104	786,124	786,124
Capital surplus					740,657	740,781	774,077
Retained earnings	Before distribution				1,577,086	1,655,921	1,710,348
	After distribution				1,577,086	1,655,921	(Note 3)
Other equities					11,707	25,391	24,933
Treasury stock					(152,606)	(152,606)	0
Non-controlling equity					16,465	17,028	17,710
Total equities	Before distribution				2,979,413	3,072,639	3,312,652
	After distribution				2,979,413	3,072,639	(Note 3)

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

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

Note 3: The motion for distribution of earnings 2013 has not yet been resolved by the shareholders' meeting. Therefore, no amount after distribution is identified.

2. Comprehensive income statement

Currency unit: in NTD 1,000

Item \ Year	Financial information in the most recent five years (Note 1)					Ending March 31, 2014 Financial information (Note 3)
	2009	2010	2011	2012	2013	
Operating revenue	N/A			2,865,212	3,035,778	723,713
Gross profit				1,313,125	1,401,426	359,870
Operating profit or loss				293,799	333,548	54,999
Non-operating revenue and expense				(3,542)	(6,949)	2,387
Net profit (loss) before tax				290,257	326,599	57,386
Net profit of continuing department				254,388	270,933	54,339
Loss of discontinued department				0	0	0
Net profit (loss)				254,388	270,933	54,339
Other comprehensive income (after tax)				(11,101)	13,675	(228)
Total comprehensive income				243,287	284,608	54,111
Net profit attributable to parent company				261,931	271,033	54,427
Net profit attributable to non-controlling equity				(7,543)	(100)	(88)
Total comprehensive income attributable to parent company				250,101	284,045	53,969
Total comprehensive income attributable to non-controlling equity				(6,814)	563	142
EPS				3.42	3.54	0.71

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

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

1. Condensed balance sheet

Currency unit: in NTD 1,000

Item \ Year		Financial information in the most recent five years (Note 1) 2009	2010	2011	2012	2013
Current assets		N/A			2,642,173	2,433,597
Property, plant and equipment					1,481,668	1,545,879
Intangible assets					20,609	17,971
Other non-current assets					104,201	106,166
Total assets					4,734,879	4,605,688
Current liabilities	Before distribution				1,667,265	1,456,813
	After distribution				1,667,265	(Note 3)
Non-current liabilities					104,666	93,264
Total liabilities	Before distribution				1,771,931	1,550,077
	After distribution				1,771,931	(Note 3)
Equity attributable to the parent company					2,962,948	3,055,611
Capital stock					786,104	786,124
Capital surplus					740,657	740,781
Retained earnings	Before distribution				1,577,086	1,655,921
	After distribution				1,577,086	(Note 3)
Other equities					11,707	25,391
Treasury stock					(152,606)	(152,606)
Non-controlling equity					0	0
Total equities	Before distribution				2,962,948	3,055,611
	After distribution				2,962,948	(Note 3)

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

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

Note 3: The motion for distribution of earnings 2013 has not yet been resolved by the shareholders' meeting. Therefore, no amount after distribution is identified.

2. Comprehensive income statement

Currency unit: in NTD 1,000

Item \ Year	Financial information in the most recent five years (Note 1)				
	2009	2010	2011	2012	2013
Operating revenue	N/A			2,678,483	2,787,127
Gross profit				1,238,240	1,294,741
Operating profit or loss				309,124	313,733
Non-operating revenue and expense				(17,472)	7,513
Net profit (loss) before tax				291,652	321,246
Net profit of continuing department				261,931	271,033
Loss of discontinued department				0	0
Net profit (loss)				261,931	271,033
Other comprehensive income (after tax)				(11,830)	13,012
Total comprehensive income				250,101	284,045
Net profit attributable to parent company				261,931	271,033
Net profit attributable to non-controlling equity				0	0
Total comprehensive income attributable to parent company				250,101	284,045
Total comprehensive income attributable to non-controlling equity				0	0
EPS				3.42	3.54

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

(III) Individual balance sheet and income statement – R.O.C. Financial Accounting Standards

1. Condensed consolidated balance sheet

Currency unit: in NTD 1,000

Item \ Year		Financial information in the most recent five years (Note 1)				
		2009	2010	2011	2012	2013
Current assets		1,886,984	4,901,585	3,335,990	2,988,111	N/A
Fund and investment		274,205	156,968	160,628	166,213	
Fixed assets(Note 2)		1,232,909	1,050,284	1,210,837	1,551,111	
Intangible assets		0	0	0	0	
Other assets		68,578	91,096	99,138	117,353	
Total assets		3,462,676	6,199,933	4,806,593	4,822,788	
Current liabilities	Before distribution	1,190,505	3,062,220	1,586,221	1,698,615	
	After distribution	1,190,505	3,062,220	1,586,221	1,698,615	
Long-term liabilities		273,724	95,611	86,282	76,953	
Other liabilities		17,193	26,094	24,328	22,659	
Total liabilities	Before distribution	1,481,422	3,183,925	1,696,831	1,798,227	
	After distribution	1,481,422	3,183,925	1,696,831	1,798,227	
Capital stock		740,841	779,854	786,024	786,104	
Capital surplus		451,778	696,105	740,116	740,657	
Retained earnings	Before distribution	774,701	1,522,659	1,701,436	1,639,806	
	After distribution	774,701	1,522,659	1,701,436	1,639,806	
Unrealized profit or loss from financial instruments		0	0	0	0	
Accumulated translation adjustment		13,584	1,819	16,810	11,707	
Net loss not recognized as pension cost		0	0	0	17,571	
Total shareholders' equities	Before distribution	1,981,253	3,016,008	3,109,762	3,024,561	
	After distribution	1,981,253	3,016,008	3,109,762	3,024,561	

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

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

2. Condensed consolidated income statement

Currency unit: in NTD 1,000

Item \ Year	Financial information in the most recent five years (Note 1)				
	2009	2010	2011	2012	2013
Operating revenue	1,583,697	3,934,820	4,082,587	2,865,212	N/A
Gross profit	555,292	1,656,260	1,722,944	1,328,992	
Operating profit or loss	(20,764)	807,029	718,682	314,962	
Non-operating revenue and gain	33,623	40,758	37,908	35,004	
Non-operating expense and loss	(17,232)	(23,912)	(38,524)	(38,546)	
Income before tax of continued departments	(4,373)	823,875	718,066	311,420	
Income of continued departments	(18,379)	747,457	630,852	275,551	
Income of discontinued departments	0	0	0	0	
Extraordinary income	0	0	0	0	
Cumulative effects of changes in accounting principles	0	0	0	0	
Income	(18,379)	747,457	630,852	275,551	
EPS (NT$) (Note 2)	(0.23)	9.66	8.13	3.70	

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

Note 2: In the case of capital increase by recapitalization of earnings or capital surplus, the EPS of the previous years shall be adjusted retroactively based on the percentage of capital increase when computing EPS.

(IV) Condensed balance sheet and income statement – R.O.C. Financial Accounting Standards

1. Condensed balance sheet

Currency unit: in NTD 1,000

Item \ Year		Financial information in the most recent five years (Note 1)				
		2009	2010	2011	2012	2013
Current assets		1,724,956	4,657,516	3,083,294	2,676,664	N/A
Fund and investment		432,552	435,676	515,596	461,143	
Fixed assets(Note 2)		1,179,858	983,801	1,135,657	1,476,877	
Intangible assets		0	0	0	0	
Other assets		87,356	95,218	106,746	129,601	
Total assets		3,424,722	6,172,211	4,841,293	4,744,285	
Current liabilities	Before distribution	1,155,948	3,055,108	1,643,110	1,641,890	
	After distribution	1,155,948	3,055,108	1,643,110	1,641,890	
Long-term liabilities		273,724	95,611	86,282	76,953	
Other liabilities		14,146	21,055	20,121	17,345	
Total liabilities	Before distribution	1,443,818	3,171,774	1,749,513	1,736,188	
	After distribution	1,443,818	3,171,774	1,749,513	1,736,188	
Capital stock		740,841	779,854	786,024	786,104	
Capital surplus		451,778	696,105	740,116	740,657	
Retained earnings	Before distribution	774,701	1,522,659	1,701,436	1,639,806	
	After distribution	774,701	1,522,659	1,701,436	1,639,806	
Unrealized profit or loss from financial instruments		0	0	0	0	
Accumulated translation adjustment		13,584	1,819	16,810	11,707	
Net loss not recognized as pension cost		0	0	0	0	
Total shareholders' equities	Before distribution	1,980,904	3,000,437	3,091,780	3,008,097	
	After distribution	1,980,904	3,000,437	3,091,780	3,008,097	

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

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

2. Condensed income statement

Currency unit: in NTD 1,000

Item \ Year	Financial information in the most recent five years (Note 1)				
	2009	2010	2011	2012	2013
Operating revenue	1,386,036	3,579,717	3,826,166	2,678,483	N/A
Gross profit	448,252	1,492,561	1,605,584	1,250,920	
Operating profit or loss	(58,615)	688,186	587,982	330,308	
Non-operating revenue and gain	64,379	137,590	141,869	36,009	
Non-operating expense and loss	(17,645)	(26,064)	(32,360)	(53,502)	
Income before tax of continued departments	(11,881)	799,712	697,491	312,815	
Income of continued departments	(16,441)	747,958	633,761	283,094	
Income of discontinued departments	0	0	0	0	
Extraordinary income	0	0	0	0	
Cumulative effects of changes in accounting principles	0	0	0	0	
Income	(16,441)	747,958	633,761	283,094	
EPS (NT$) (Note 2)	(0.23)	9.66	8.13	3.70	

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

Note 2: In the case of capital increase by recapitalization of earnings or capital surplus, the EPS of the previous years shall be adjusted retroactively based on the percentage of capital increase when computing EPS.

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

Year	Firm Name	Name of CPA	Audit opinions
2009	Nexia Sun Rise CPAs & Co.	Chen Chih-Ling & Wu Kuei-Chen	Unqualified opinions
2010	Nexia Sun Rise CPAs & Co.	Chen, Chih-Ling & Wu, Kuei-Chen	Modified unqualified opinions
2011	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2012	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions
2013	Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming & Chen, Shih-Yuan	Modified unqualified opinions

II. Financial analysis in the most recent five years

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

Item (Note 3) \ Year (Note 1)		Financial information in the most recent five years				
		2009	2010	2011	2012	2013
Financial structure	Liabilities to total assets	N/A			38.14	34.84
	Long-term fund to property, plant and equipment (%)				199.54	197.38
Solvency	Current ratio (%)				171.28	182.43
	Quick ratio (%)				76.86	77.96
	Multiple of interest protection				660.62	436.66
Utility	Receivables turnover (time)				4.32	4.71
	Average number of days receivables outstanding				84.49	77.49
	Inventory turnover (time)				1.02	1.08
	Payables turnover (time)				3.54	4.05
	Average number of days of sales				357.84	337.96
	Property, plant and equipment turnover (time)				2.1	1.94
	Total asset turnover (time)				0.6	0.64
Profitability	ROA (%)				5.31	5.70
	ROE (%)				8.40	8.95
	Income before tax to paid-in capital (%)				36.92	41.55
	Profit margin (%)				8.88	8.92
	EPS (NT$) (Note 2)				3.42	3.54
Cash flow	Cash flow ratio (%)				1.53	16.62
	Cash flow adequacy ratio (%)				60.77	53.20
	Cash flow reinvestment ratio (%)				0.73	6.93
Leverage	Operating leverage				3.47	3.19
	Financial leverage				1	1

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

1. The decrease in multiple of interest protection by 34% was a result of the decrease in non-operating expenses.
2. The increase in cash flow ratio by 986% and the increase in cash flow reinvestment ratio by 849% was a result of the increase in the net cash inflow from operating activities in the current period.

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

Item (Note 3)		Year (Note 1) Financial information in the most recent five years: 2009	2010	2011	2012	2013
Financial structure	Liabilities to total assets	N/A			37.42	33.66
	Long-term fund to property, plant and equipment (%)				205.17	202.04
Solvency	Current ratio (%)				158.47	167.05
	Quick ratio (%)				65.85	63.72
	Multiple of interest protection				663.79	588.86
Utility	Receivables turnover (time)				4.37	4.79
	Average number of days receivables outstanding				83.52	76.2
	Inventory turnover (time)				0.98	1.04
	Payables turnover (time)				3.51	3.94
	Average number of days of sales				372.45	350.96
	Property, plant and eqluipment turnover (time)				2.04	1.84
	Total asset turnover (time)				0.56	0.6
Profitability	ROA (%)				5.49	5.81
	ROE (%)				8.70	9.01
	Income before tax to paid-in capital (%)				37.10	40.86
	Profit margin (%)				9.78	9.72
	EPS (NT$) (Note 2)				3.42	3.54
Cash flow	Cash flow ratio (%)				4.39	15.89
	Cash flow adequacy ratio (%)				60.49	50.41
	Cash flow reinvestment ratio (%)				2.07	6.37
Leverage	Operating leverage				3.14	3.21
	Financial leverage				1	1

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

1. The increase in cash flow ratio by 262% and the increase in cash flow reinvestment ratio by 208% was a result of the increase in the net cash inflow from operating activities in the current period.

Equation of financial analysis:

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

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

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

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

6. Leverage:

  (1) Operating leverage=(Net operating revenue-changed operating costs and expenses)/operating income

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

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

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

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

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

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

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

(III) Financial ratio for the most recent five years – the R.O.C. Financial Accounting Standards

Item (Note 2) \ Year (Note 1)			Financial information in the most recent five years (Note 2)				
			2009	2010	2011	2012	2013
Financial structure	Liabilities to total assets		42.78	51.35	35.30	37.29	N/A
	Long-term fund to fixed assets (%)		182.90	296.26	263.95	199.95	
Solvency	Current ratio (%)		158.50	160.07	210.31	175.91	
	Quick ratio (%)		92.40	81.84	98.20	77.82	
	Multiple of interest protection		0.62	199.89	2769.35	708.72	
Utility	Receivables turnover (time)		3.71	6.06	5.56	4.32	
	Average number of days receivables outstanding		98.38	60.23	65.65	84.49	
	Inventory turnover (time)		1.73	1.74	1.38	1.01	
	Payables turnover (time)		3.1	2.87	3.05	3.51	
	Average number of days of sales		210.98	209.77	264.49	361.39	
	Fixed asset turnover (time)		1.24	3.45	3.61	2.07	
	Total asset turnover (time)		0.48	0.81	0.74	0.6	
Profitability	ROA (%)		(0.30)	15.54	11.47	5.73	
	ROE (%)		(0.94)	29.91	20.60	8.98	
	To paid-in capital	Operating income	(2.80)	103.48	91.43	40.07	
		Income before tax	(0.59)	105.64	91.35	39.62	
	Profit margin (%)		(1.16)	19.00	15.45	9.62	
	EPS (NT$)	before retroactive adjustment	(0.23)	9.66	8.13	3.70	
		after retroactive adjustment	(0.23)	9.66	8.13	3.70	
Cash flow	Cash flow ratio (%)		16.16	36.14	10.02	21.75	
	Cash flow adequacy ratio (%)		72.77	74.23	62.41	65.26	
	Cash flow reinvestment ratio (%)		6.39	31.52	(8.09)	0.68	
Leverage	Operating leverage		(19.60)	1.78	1.97	3.28	
	Financial leverage		0.65	1.01	1	1	
The causes resulting in changes in financial rates in the most recent two years by more than 20%: (Not required, if the changes are less than 20%)							

(4) Individual financial ratio for the most recent five years – the R.O.C. Financial Accounting Standards

Item (Note 2) \ Year (Note 1)			Financial information in the most recent five years (Note 2)				
			2009	2010	2011	2012	2013
Financial structure	Liabilities to total assets		42.16	51.39	36.14	36.60	
	Long-term fund to fixed assets (%)		191.09	314.70	279.84	208.89	
Solvency	Current ratio (%)		149.22	152.45	187.65	163.02	
	Quick ratio (%)		81.56	73.62	81.45	66.83	
	Multiple of interest protection		(0.04)	194.05	2690.03	711.89	
Utility	Receivables turnover (time)		3.45	5.99	5.65	4.37	
	Average number of days receivables outstanding		105.79	60.93	64.60	83.52	
	Inventory turnover (time)		1.58	1.60	1.31	0.97	
	Payables turnover (time)		3.03	2.76	3.02	3.48	
	Average number of days of sales		231.01	228.12	278.63	376.28	
	Fixed asset turnover (time)		1.13	3.31	3.61	2.05	
	Total asset turnover (time)		0.43	0.75	0.69	0.56	
Profitability	ROA (%)		(0.24)	15.66	11.51	5.91	N/A
	ROE (%)		(0.84)	30.03	20.81	9.28	
	To paid-in capital	Operating income	(7.91)	88.25	74.80	42.02	
		Income before tax	(1.60)	102.55	88.74	39.79	
	Profit margin (%)		(1.21)	20.89	16.56	10.57	
	EPS (NT$)	before retroactive adjustment	(0.23)	9.66	8.13	3.67	
		after retroactive adjustment	(0.23)	9.66	8.13	3.67	
Cash flow	Cash flow ratio (%)		15.27	34.44	11.91	25.21	
	Cash flow adequacy ratio (%)		73.36	77.01	64.3	71.16	
	Cash flow reinvestment ratio (%)		5.83	30.28	0	1.94	
Leverage	Operating leverage		(5.10)	1.74	1.98	2.98	
	Financial leverage		0.84	1.01	1.00	1.00	

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

Equation of financial analysis:

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

Note 2: The equation of said items is stated as following:

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

Note 3: The following shall be considered in assessing said equation for Earnings Per Share as aforementioned:

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

Note 4: The following shall be considered in assessing cash flow analysis:

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

Note 5: The issuer shall distinguish the operating costs and operating expenses as fixed and floating ones by nature. If any estimation or judgment is involved, please note the reasonability and consistency.

III. Supervisors' Audit Report on the Financial Statement for the Most Recent Year: Please refer to Page No. 113 of the annual report.

IV. Financial Statement for the Most Recent Year: Please refer to Page Nos. 187~262 of the annual report.

V. Individual Financial Statement for the Most Recent Year audited and certified by the external auditor: Please refer to Page Nos. 114~186 of the annual report.

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

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

I. Overview of finance

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

Currency unit: in NTD 1,000

Year / Item	2013	2012	Variance	
			Amount	%
Current assets	2,809,211	2,952,944	(143,733)	(4.87)
Property, plant and equipment	1,590,963	1,531,677	59,286	3.87
Intangible assets	17,977	20,620	(2,643)	(12.82)
Other non-current assets	117,537	116,167	1,370	1.18
Total assets	4,715,575	4,816,237	(100,662)	(2.09)
Current liabilities	1,539,879	1,724,014	(184,135)	(10.68)
Non-current liabilities	103,057	112,810	(9,753)	(8.65)
Total liabilities	1,642,936	1,836,824	(193,888)	(10.56)
Capital stock	786,124	786,104	20	0.00
Capital surplus	740,781	740,657	124	0.02
Retained earnings	1,655,921	1,577,086	78,835	5.00
Other equities	25,391	11,707	13,684	116.89
Total equities	3,072,639	2,979,413	93,226	3.13

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

1. Increase in other equities: A result of the increase in exchange difference arising from translation of the financial statement of foreign operations.

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

II. Financial performance

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

Currency unit: in NTD 1,000

Year / Item	2013	2012	Increase (decrease)	Rate of change(%)
Operating revenue	3,035,778	2,865,212	170,566	5.95
Operating cost	1,634,352	1,552,087	82,265	5.30
Gross profit	1,401,426	1,313,125	88,301	6.72
Operating expense	1,070,773	1,022,513	48,260	4.72
Operating profit	333,548	293,799	39,749	13.53
Non-operating revenue and expense	(6,949)	(3,542)	(3,407)	96.19
Net profit (loss) before tax	326,599	290,257	36,342	12.52
Income tax expenses	55,666	35,869	19,797	55.19
Net profit	270,933	254,388	16,545	6.50
Other comprehensive income	13,675	(11,101)	24,776	(223.19)
Total comprehensive income	284,608	243,287	41,321	16.98

1. Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more)
   (1) Increase in non-operating revenue and expense: A result of the increase in the exchange income in the current period.
   (2) Increase in income tax expenses: A result of the increase in net profit of this year and increase in the income tax expenses from that in the same period of last year.
   (3) Decrease in other comprehensive income: A result of decrease in the actuarial loss from defined benefit plan.
2. Cause of changes of the Company's main business contents. If material changes have occurred or are expected to occur in the operational policies, market conditions, or other internal or external factors, causing a material increase or decrease in revenues or expenses from continuing operations, the fact and their impact and responsive policies shall be stated: N/A.
3. Sales volume forecast for the next year and the basis therefore, and main factors of the continuing growth or declination of the Company's sales volume forecast: It is expected that the future economy and market demand will increase continuously and, therefore, the sales volume of probe cards will grow. The wafer prober will be changed to deal with the various fabs' testing modes due to the increasing market demand. Meanwhile, the Company will research and develop new applications, and construct the visual system on the prober. The testing operation after expansion of the LED industry is expected to be helpful for the Company's operating revenue.

(II) Analysis of changes in gross profit

Currency unit: in NTD 1,000

Gross profit	Variance in increase/decrease from one period to the next	Cause of variance			
		Difference of selling price	Difference of cost price	Difference of sale portfolio	Difference of quantity
Wafer probe card	122,176	68,800	-43,063	2,083	94,356

Wafer prober	-79,586	435,746	-323,550	-78,019	-113,763
Subtotal	42,590	504,546	-366,613	-75,936	-19,407

Notes to analysis:
The number of purchase order for wafer probe cards increased more than the previous period and thereby resulted in favorable difference of quantity. Given the increasing raw material and supplies price reflecting to the cost, the average cost increased and the selling price was raised, and thereby derived unfavorable difference of cost and favorable difference of price.
Given the growth of average gross profit and favorable difference of quantity, favorable difference of sale portfolio is expected to be derived accordingly.
Given the declining sales of wafer probers and the sales volume less than the expectation, the sales volume thereof declined more than that of last year and thereby derived unfavorable difference of quantity. Additionally, due to the increase in purchase cost of the machine, average cost increased and production/selling price was raised accordingly, and thereby derived unfavorable difference of cost and favorable difference of price. Further, because the gross profit was more than that of last year, unfavorable sale portfolio derived accordingly.

III. Analysis of Cash Flow

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

Currency unit: in NTD 1,000

Year / Item	2013	2012	Amount of variance	Increase (decrease) (%)
Operating activity	255,874	26,317	229,557	872.28
Investing activity	(237,883)	(366,803)	128,920	(35.15)
Financing activity	(4,187)	(5,365)	1,178	(21.96)
Total	13,884	(345,851)	359,735	(104.01)

Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more)
Increase in operating activities is a result of the increase in net profit before tax, decrease in receivable accounts and decrease in receipts in advance in the current period.
Increase in investing activities is a result of the decrease in property, plant and equipment and other financial assets as acquired.
Decrease in financing activities is a result of decrease in other non-current liabilities and changes in non-controlling interest.

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

Year / Item	2013	2012	Increase (decrease) (%)
Cash flow ratio (%)	16.62	1.53	986.27
Cash flow adequacy ratio (%)	53.20	60.77	(12.46)
Cash flow reinvestment ratio (%)	6.93	0.73	849.31

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

Analysis of changes in cash flow ratio: The increase in cash flow ratio and cash reinvestment ratio are as a result of increase in net cash inflow from operating activities.

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

Currency unit: in NTD 1,000

Balance of cash, beginning ①	Projected Net Cash Flow from the year's operating activities②	Projected cash outflow of the year③	Projected cash balance (deficit)①+②-③	Remedial measures for projected insufficient cash position	
				Investment plan	Wealth management plan
623,796	3,273,287	3,247,336	649,747	N/A	N/A

1. Analysis of changes in cash flows:

   (1) Operating activities: Expect that the operating revenue continues to grow and operating revenue and gain increase, and there will be net cash inflow from operating activities.

   (2) Investing activities: Expect to increase the effect of procurement of machine and equipment to derive the net cash outflow from investing activities.

   (3) Financing activities: Net cash outflow derived from release of cash dividends.

2. Remedial measures for projected insufficient cash position and analysis of liquidity: N/A.

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

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

VI. Risk factors analyze and assess the following circumstances:

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

Item	2013 (NT$ thousand)	To net operating revenue %	To income after tax %
Interest expenses	750	0.02%	0.28 %
Net exchange loss	11,199	0.37%	4.13 %

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

The Company's interest expenses were NT$750 thousand in 2013, i.e. 0.02% of the net operating revenue and 0.28% of the income after tax, which were considered minor. It is expected that the future interest changes will not render material effect on the Company's entire operation.

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

The Company's net exchange loss was NT$11,199 thousand in 2013, i.e. 0.37% of the net operating revenue and 4.13% of the income after tax, which were considered minor. The Company will keep watching the fluctuation of exchange rate in the international market and continue to take the following countermeasures:

A. Pay the accounts payable for purchase of foreign materials with the revenue in foreign currency received from the bank, in order to hedge the most exchange risk naturally.

B. Financial Accounting Dept. will keep touch in with the foreign exchange departments of the correspondent financial organizations to collect the information about changes of exchange rate from time to time to control the trend of exchange rate globally and respond to the effect brought by the fluctuation of exchange rate.

C. The Company has defined the "Operating Procedures for Transaction of Financial Derivatives" to strictly govern the control over such operating procedures as transaction, risk management, supervision and audit of financial derivatives.

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

The price of raw materials and supplies needed by the Company is stable and free from inflation. Therefore, no impact will be produced to the Company's future income.

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

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

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

The Company's R&D plans are all drafted in order to meet customers' needs. In the most recent year, the Company's R&D plans have successfully developed multiple products and technologies. In the future, the Company plans to invest the R&D expenditure in the amount of NT$400~NT$500 million each year, i.e. at least 12% of the operating revenue. The key factors to success of the Company's R&D reside in recruitment, retention and training of talents to deal with the challenge of new technology and ensure the Company's leadership in technology.

Future R&D plans:

Name of plan	Key factors to success of R&D	Status	Expenditure to be invested in the future	Schedule for mass production
Advanced vertical type probe card	Electricity and structural design ability	Design under validation	NT$150 million	2015
Advanced Epoxy/Cantilever Probe Cards	Electricity and structural design ability	Design under validation	NT$100 million	2015
LED high-speed sorting equipment	High-speed pick-and-place core technology Customer experience	Prototype under development	80 million	2014
High-speed flip-chip dice prober	Matured pick-and-place technology Heat & optoelectronic measuring technology	Sample under validation by customers	100 million	2014

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

The changes in important policies and legal environment at home and abroad did not render any effect on the financial status and operation of the Company. The Company is used to keep watching the development of policies and changes in legal environment at home and abroad, in order to draft the countermeasures against contingencies at home and abroad at any time.

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

In order to deal with the changes of technology and industry and to control the changes of market from time to time, the Company accesses the industrial information through exhibitions, network, and related meetings held by industrial, trading and labor unions, and expands business and precisely controls the trend of industrial information in line with the upgrading R&D technology and outstanding competitive strength, in order to create better sales performance in the future.

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

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

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

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

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

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

12. Litigious and non-litigious matters. List major litigious, non-litigious or administrative disputes that involve the Company and/or any director, supervisor, the general manager, any person with actual responsibility for the firm and any major shareholder holding a stake of greater than 10 percent of the Company, and/or any company or companies controlled by the Company, and that have been concluded by means of a final and non-appealable judgment, or are still under litigation, and where such a dispute could materially affect shareholders' equity or the prices of the Company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report: N/A.

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

14. Key Performance Indicator (KPI):

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

Item of production and technology	2012	2013
Epoxy/Cantilever Probe Cards	73%	70%

Advanced Probe Cards	27%	30%

VII. Other important notes:

1. Basis and ground for provision of balance sheet evaluation titles

<table>
<tr><th>Item No.</th><th>Balance sheet evaluation titles</th><th>Basis of evaluation</th><th colspan="6">Ground of evaluation</th></tr>
<tr><td rowspan="15">1</td><td rowspan="15">Allowance for inventory obsolescence losses</td><td rowspan="15">Analysis of the accounts age for inventory obsolescence</td><td colspan="2">Item</td><td>Percentage of provision for 1-2 years</td><td>Percentage of provision for 2-3 years</td><td>Percentage of provision for 3-4 years</td><td>Percentage of provision for more than 4 years</td></tr>
<tr><td rowspan="8">Wafer probe card</td><td>Raw material-PCB</td><td>10%</td><td>40%</td><td>80%</td><td>100%</td></tr>
<tr><td>Raw material-needle</td><td>20%</td><td>40%</td><td>100%</td><td>100%</td></tr>
<tr><td>Raw material-others</td><td>20%</td><td>40%</td><td>100%</td><td>100%</td></tr>
<tr><td>Supplies</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Semi-finished goods</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Work in process-semi-finished goods</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
<tr><td>Work in process-finished goods</td><td>0%</td><td>0%</td><td>100%</td><td>100%</td></tr>
<tr><td>Finished goods</td><td>0%</td><td>0%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="6">Wafer prober</td><td>Raw material</td><td>20%</td><td>50%</td><td>100%</td><td>100%</td></tr>
<tr><td>Supplies</td><td>20%</td><td>50%</td><td>100%</td><td>100%</td></tr>
<tr><td>Semi-finished goods</td><td>10%</td><td>30%</td><td>60%</td><td>100%</td></tr>
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<tr><td>Work in process-finished goods</td><td>0%</td><td>30%</td><td>100%</td><td>100%</td></tr>
<tr><td>Finished goods</td><td>0%</td><td>30%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="5">2</td><td rowspan="5">Allowance for bad debt</td><td rowspan="5">Analysis of the accounts age</td><td colspan="6">In the case of the accounts age of overdue receivable accounts for 1~3 months, 7% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for 4~6 months, 15% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for 7~12 months, 25% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for 1~2 years, 50% of the balance shall be provided as bad debt.</td></tr>
<tr><td colspan="6">In the case of the accounts age of overdue receivable accounts for more than 2 years, 100% of the balance shall be provided as bad debt.</td></tr>
</table>

Eight. Special notes

I. Information on affiliates:

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

(I) Consolidated business reports of affiliated enterprises: Please see Page Nos. 107~112 of the annual report.

(II) Consolidated financial statements of affiliated enterprises: Please see Page No. 187 of the annual report.

(III) Affiliation report: N/A.

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

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

IV. Other supplementary disclosure: N/A.

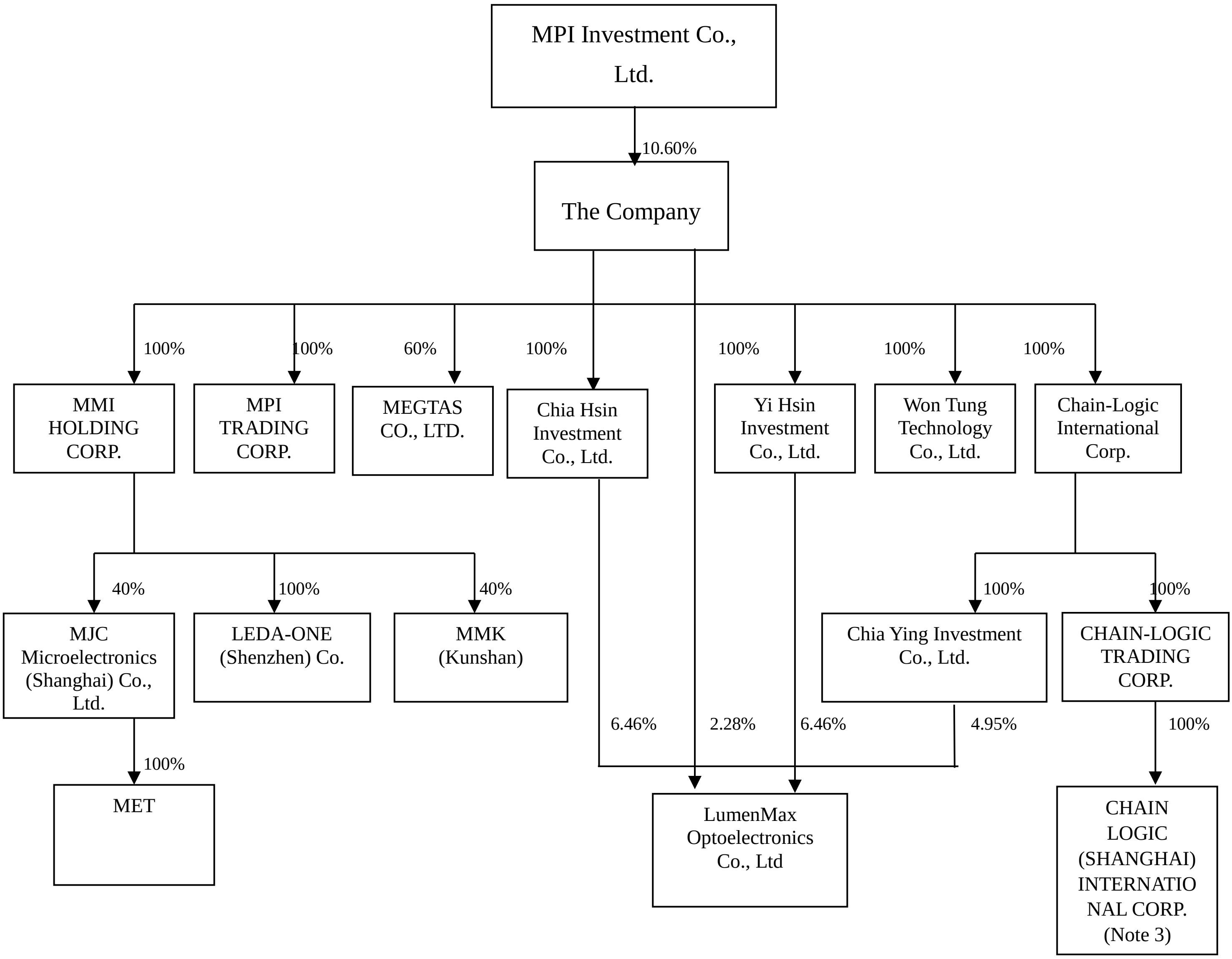
V. Any significant events materially affecting shareholders' equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report: N/A.

One. Overview of affiliates

I. Overview of affiliates' organization

(I) Affiliates' organizational chart

December 31, 2013



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

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

II. Basic information of affiliate

December 31, 2013

Currency unit: in NTD 1,000

Name of enterprise	Date of incorporation	Address	Paid-in capital	Principal business or production lines
MPI Investment Co., Ltd.	December 29, 2000	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City	1,107	General investment
Chain-Logic International Corp.	March 1, 1994	3F, No. 153, Zhonghe Street, Zhubei City	50,000	Semi-conductor equipment agent
MPI TRADING CORP.	December 12, 2000	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	1,000 USD	Engage in Probe Card business
MMI HOLDING CO., LTD.	August 7, 2001	Offshore Chambers, P.O.BOX 217, APIA, SAMOA	4,390,045 USD	Holding company
MEGTAS CO., LTD.	September 1, 2010	134 Gunseo-ri, Jikson-eub, Seobuk-gu,Cheonan,Chungnam, 331-811,Korea	2,500,000,000 won	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts
Chia Hsin Investment Co., Ltd.	March 30, 2004	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	33,500	General investment
Yi Hsin Investment Co., Ltd.	March 30, 2004	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	33,500	General investment
Won Tung Technology Co., Ltd.	December 12, 2010	1F, No. 100, Jiaren Street, Zhubei City, Hsinchu County	500	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components
LEDA-ONE (Shenzhen) Co.	May 7, 2010	No. 802-1, Complex Building No. c6, Dou He Chou Heng Fong Industrial City, Ssu Hsiang Street, Po An District, Shenzhen City	1,800,000 USD	Production of new electronic components, LED prober, LED sorting machine, and LED spectromete, and development of new electronic components
CHAIN-LOGIC TRADING CORP.	November 19, 2001	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	1,400,100 USD	International trading
Chia Ying Investment Co., Ltd.	March 30, 2004	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	33,300	General investment
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. (Note 3)	February 8, 2002	Suite 304, No. 500, Bing Ke Road, Shanghai Waigaoqiao Free Trade Zone, Shanghai City, Jiangsu Province	1,400,000 USD	Trading

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

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

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

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

V. Profiles of Directors, Supervisors and Presidents of affiliates

December 31, 2013

Name of enterprise	Job title (Note 1)	Name or representative	Shares held (Note 2) (Note 3)	
			Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
MPI Investment Co., Ltd.	Chairman Director Director Supervisor	Ko, Chang-Lin Steve Chen Li, Tu-Cheng Scott Kuo	45,133 10,029 30,089 2,966	40.76% 9.06% 27.17% 2.68%
Chain-Logic International Corp.	Name of investor Chairman Director Director Supervisor President	MPI Corporation Representative: Ko, Chang-Lin Steve Chen Scott Kuo Rose Jao Chan, Chao-Nan	5,000,000	100.00%
MPI TRADING CORP.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	1,000	100.00%
MMI HOLDING CO., LTD.	Name of investor Responsible person	MPI Corporation Ko, Chang-Lin	4,390,045	100.00%
MEGTAS CO.,LTD.	Name of investor Name of investor Chairman Director Director Supervisor	MPI Corporation LUCID DISPLAY TECHNOLOGY CO.,LTD Representative: CHUL-HO KIM YEONG-HUI LEE HANG-SHENG LIN CHUNG-YI CHEN	300,000 200,000	60.00% 40.00%
Chia Hsin Investment Co., Ltd.	Name of investor Chairman	MPI Corporation Representative: Chen, Sheng-Yi	3,350,000	100.00%

	Director Director Supervisor	Ko, Chang-Lin Chang, Chun-Ching Tseng, Huei-Chu		
Yi Hsin Investment Co., Ltd.	Name of investor Chairman Director Director Supervisor	MPI Corporation Representative: Chen, Sheng-Yi Ko, Chang-Lin Chang, Chun-Ching Tseng, Huei-Chu	3,350,000	100.00%
Won Tung Technology Co., Ltd.	Name of investor Chairman Director Director Supervisor	MPI Corporation Representative: Steve Chen Sun, Hung-Chuan Gu, Wei-Cheng Rose Jao	50,000	100.00%
LEDA-ONE (Shenzhen) Co.	Name of investor Responsible person	MMI HOLDING CO., LTD. Fan, Wei-Ju	US$1,800,000	100.00%
CHAIN-LOGIC TRADING CORP.	Name of investor Responsible person	Chain-Logic International Corp. Ko, Chang-Lin	1,400,100	100.00%
Chia Ying Investment Co., Ltd.	Name of investor Chairman Director Director Supervisor	Chain-Logic International Corp. Representative: Chen, Sheng-Yi Ko, Chang-Lin Chang, Chun-Ching Tseng, Huei-Chu	3,330,000	100.00%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Name of investor Responsible person	CHAIN-LOGIC TRADINGP Ko, Chang-Lin	US$1,400,000	100.00%

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

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

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

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

Two. Overview of operation of affiliates

Financial position and operating result of affiliates:

December 31, 2013

Currency unit: in NTD 1,000

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Income (after tax)	EPS (NT$) (after tax)
Chain-Logic International Corp.	50,000	313,875	97,290	216,585	206,048	1,222	6,679	1.34
MPI TRADING CORP.	32	93,052	54,511	38,541	5,967	4,162	2,964	2,964
MMI HOLDING CO., LTD.	133,374	146,233	—	146,233	—	(74)	(3,317)	(0.82)
MEGTAS CO., LTD.	66,509	54,506	11,937	42,569	64,253	(240)	(251)	(0.50)
Chia Hsin Investment Co., Ltd.	33,500	15,172	25	15,147	—	(7,780)	(7,773)	(2.32)
Yi Hsin Investment Co., Ltd.	33,500	15,172	25	15,148	—	(7,780)	(7,773)	(2.32)
Won Tung Technology Co., Ltd.	500	337	25	352	—	(25)	(24)	(0.48)
LEDA-ONE (Shenzhen) Co.	54,111	59,298	15,917	43,381	17,298	(343)	(848)	—
CHAIN-LOGIC TRADING CORP.	46,921	108,119	4,229	103,890	13,841	2,745	11,041	7.94
Chia Ying Investment Co., Ltd.	33,300	11,469	50	11,419	—	(5,967)	(5,966)	(1.79)
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP. (Note 3)	46,917	131,191	31,894	99,297	104,152	8,498	8,296	—

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

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

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

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

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

RMB:USD=1:6.0596;	weighted average exchange rate: 1:6.14615
RMB:NTD=1:4.915750;	weighted average exchange rate: 1:4.787875
NTD:USD=1:29.7875;	weighted average exchange rate: 1:29.41375
NTD:Won=1:0.028435;	weighted average exchange rate: 1:0.027883

MPI Corporation
Supervisors' Audit Report

The Company's individual financial statement and consolidated financial statements 2013 submitted by the Board of Directors have been audited by Chang, Yu-Ming and Chen, Shih-Yuan, 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 2014 of MPI Corporation

MPI Corporation

Supervisor: Li, Tu-Cheng

Liu, Fang-Sheng

Tsai, Chang-Shou

March 28, 2014

Independent Auditor's Audit Report

To MPI Corporation:

We have audited the individual balance sheets of **MPI Corporation** as of December 31, 2013, December 31, 2012 and January 1, 2012, and the individual comprehensive income statements, individual statements of changes in shareholders' equity and individual cash flow statements for the period from January 1 to December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on said individual financial statements based on our audits. As stated in Note VI (VI) to the financial statements, the information about **the Company's** investment under equity method 2013 and 2012, and the information about some investment disclosed in Note 13 were valued and disclosed based on the financial reports audited by other independent auditors appointed by the investees. We did not audit those financial reports. The incomes under equity method recognized based on the financial reports audited by other external auditors from January 1 to December 31, 2013 and 2012 were NT$150 thousand and NT$11,314 thousand. Until December 31, 2013, December 31, 2012 and January 1, 2012, the balances of investment under equity method were NT$25,188 thousand, NT$24,697 thousand and NT$26,973 thousand respectively.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the other auditors' report provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the individual financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **MPI Corporation** as of December 31, 2013, December 31, 2012 and January 1, 2012, and the individual financial performance and cash flows from January 1 to December 31, 2013 and 2012 in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers".

Nexia Sun Rise CPAs & Co.

CPA: ______________________

Chang, Yu-Ming

____

Chen, Shih-Yuan

Securities and Futures Bureau Approval No.: (86)
Tai-Tsai-Cheng-6-Tze No. 088087
Securities and Futures Bureau Approval No.: (92)
Tai-Tsai-Cheng-6-Tze No. 101109

March 28, 2014

MPI Corporation

Parent Company Only Balance Sheet (assets)

December 31 2013, December 31 2012, and January 1 2012

Currency unit: in NTD 1,000

			December 31 2013		December 31 2012		January 1 2012	
Code	Assets	Note	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	VI (I)	$ 417,949	9	$ 433,167	9	$ 776,311	16
1150	Net note receivables	VI (II)	4,432	-	4,770	-	17,208	-
1160	Note receivables –related parties-net	VI (III) and VII	5,365	-	1,721	-	5,120	-
1170	Net account receivables	VI(III)	429,643	9	575,071	12	475,215	10
1180	Account receivables –related parties-net	VI (III) and VII	61,278	1	81,455	2	64,411	1
1200	Other receivables		5,570	-	667	-	5,055	-
1210	Other receivables-related parties	VII	4,007	-	1,028	-	700	-
130X	Net inventory	VI (IV)	1,424,116	31	1,459,030	31	1,488,581	31
1410	Prepayments		63,648	1	69,605	1	71,537	2
1470	Other current assets	VIII	17,589	1	15,659	1	136,289	3
11XX	Total current assets		2,433,597	52	2,642,173	56	3,040,427	63
	Non-current assets							
1543	Financial assets on the basis of cost-non-current	VI (V)	20,231	1	20,231	1	20,231	-
1550	Investment accounted for under the equity method	VI (VI)	449,137	10	430,416	9	482,946	10
1600	Real properties, plants and equipment	VI (VII), VII, and VIII	1,545,879	34	1,481,668	31	1,141,255	24
1780	Intangible assets	VI (VIII)	17,971	-	20,609	-	13,170	-
1840	Deferred income tax assets		32,707	1	35,581	1	30,377	1
1900	Other non-current assets		106,166	2	104,201	2	87,978	2
15XX	Total non-current assets		2,172,091	48	2,092,706	44	1,775,957	37
1XXX	Total assets		$ 4,605,688	100	$ 4,734,879	100	$ 4,816,384	100

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation

Parent Company Only Balance Sheet (Liabilities and Shareholders' Equity)

December 31 2013, December 31 2012, and January 1 2012

Currency unit: in NTD 1,000

Code	Liabilities and Shareholders' Equity	Note	December 31 2013 Amount	%	December 31 2012 Amount	%	January 1 2012 Amount	%
	Current Liabilities							
2100	Short-term loans	VI (IX)	$ -	-	$ -	-	$ -	-
2150	Note payables		-	-	1,110	-	1,119	-
2170	Account payables		371,888	8	377,089	8	433,868	9
2180	Account payables-related parties	VII	2,648	-	6,370	-	1,497	-
2213	Payables for equipment		16,983	1	37,913	1	13,408	-
2219	Other payables	VI (X)	345,844	9	308,620	7	320,829	7
2220	Other payables –related parties	VII	36,963	1	38,473	1	146,534	3
2230	Current income tax liabilities		43,588	1	38,426	1	52,938	1
2250	Provision for liabilities –current	VI (XI)	9,645	-	17,379	-	13,491	-
2310	Cash on receipt	VII	606,969	13	822,774	17	645,685	14
2320	Current portion of long-term debts	VI (XII)	9,329	-	9,329	-	9,329	-
2399	Other current liabilities		12,956	-	9,782	-	7,713	-
21XX	Total current liabilities		1,456,813	33	1,667,265	35	1,646,411	34
	Non-current liabilities							
2540	Long-term loans	VI (XII)	67,624	1	76,953	2	86,282	2
2570	Deferred income tax liabilities		7,513	-	7,005	-	10,852	-
2640	Accruable pension liabilities	VI (XIII)	18,029	-	20,558	-	15,767	-
2670	Other non-current assets- others		98	-	150	-	122	1
25XX	Total non-current liabilities		93,264	1	104,666	2	113,023	3
2XXX	Total liabilities		1,550,077	34	1,771,931	37	1,759,434	37
	Shareholders' equity	VI (XIV)						
3110	Common stock equity		786,124	17	786,104	17	786,024	16
3200	Capital Surplus		740,781	16	740,657	16	740,116	15
	Retained earnings							
3310	Legal reserve		383,839	8	355,530	7	292,154	6
3320	Special reserve		17,571	-	-	-	-	-
3350	Undistributed earnings		1,254,511	27	1,221,556	26	1,374,452	29
3300	Total retained earnings		1,655,921	35	1,577,086	33	1,666,606	35
	Other equities							
3410	Exchange gain/loss from financial statements of overseas operations through conversion		25,391	1	11,707	-	16,810	-
3400	Total other equities		25,391	1	11,707	-	16,810	–
3500	Treasury stocks		(152,606)	(3)	(152,606)	(3)	(152,606)	(3)
3XXX	Total shareholders' equity		3,055,611	66	2,962,948	63	3,056,950	63
1XXX	Total liabilities and shareholders' equity		$ 4,605,688	100	$ 4,734,879	100	$ 4,816,384	100

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation

Parent Company Only Consolidated Income Statement

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

Code	Title	Note	FY 2013 Amount	FY 2013 %	FY 2012 Amount	FY 2012 %
	Net Sales	VII				
4110	Sales revenue		$ 2,751,416	99	$ 2,650,211	99
4170	Less: sales return		(480)	-	(11,102)	(1)
4190	Less: sales discount		(579)	-	(5,706)	-
4614	Commission income		36,770	1	45,080	2
4000	Subtotal of net sales		2,787,127	100	2,678,483	100
5000	Cost of operation	VI(IV) and VII	(1,494,459)	(54)	(1,441,213)	(54)
5900	Gross profit		1,292,668	46	1,237,270	46
5910	Unrealized income(loss) from sales		(864)	-	(2,961)	-
5920	Realized income (loss) from sales		2,937	-	3,931	-
5950	Net gross profit		1,294,741	46	1,238,240	46
	Operating expenses	VII				
6100	Marketing expenses		(286,963)	(10)	(267,992)	(10)
6200	Management expenses		(143,594)	(5)	(116,944)	(4)
6300	R&D expenses	VI (VIII)	(550,451)	(20)	(544,180)	(20)
6000	Subtotal operating expenses		(981,008)	(35)	(929,116)	(34)
6900	Operating income		313,733	11	309,124	12
	Non-operating incomes and expenses					
7020	Other net incomes and loss	VI(XVI)	8,445	1	(9,268)	-
7050	Cost of financing	VI(XVI)	(546)	-	(440)	-
7070	Net portions of incomes/loss of subsidiaries, affiliated and joint ventures accounted for under the equity method	VI(VI)	(11,723)	-	(43,771)	(2)
7100	Interest income		912	-	3,522	-
7110	Rental income		7,568	-	8,051	-
7175	Income from reversal of doubtful accounts		-	-	19,825	1
7190	Other incomes – others	VII	2,857	-	4,609	-
7000	Subtotal non-operating incomes and expenses		7,513	1	(17,472)	(1)
7900	Earnings before taxation		321,246	12	291,652	11
7950	Income tax expense	VI(XVII)	(50,213)	(2)	(29,721)	(1)
8200	Earnings in current period		271,033	10	261,931	10
	Other consolidated income/loss					
8310	Exchange gain/loss from financial statements of overseas operations through conversion		1,925	-	(197)	-
8360	Confirmed actuarial gain/loss of welfare		(672)	-	(6,727)	(1)
8371	Net portions of incomes/loss of affiliates and joint ventures accounted for under the equity method		11,759	-	(4,906)	-
8300	Other net consolidated incomes		13,012	-	(11,830)	(1)
8500	Consolidated income in current period (total)		$ 284,045	10	$ 250,101	9

Code	Title	Note	Before taxation	After taxation
	Earnings per common share: (Unit: NTD)	VI(XVIII)		
9750	Basic earnings per share		$ 3.54	$ 3.42
9850	Diluted earnings per share		$ 3.52	$ 3.40

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen　　President: Scott Kuo　　Chief Accounting Officer: Rose Jao

MPI Corporation

Parent Company Only Statement of Changes in Shareholders' Equity

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

Title	Code	Capital Stock: Common shares	Retained Earnings	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Undistributed Earnings	Other Equities: Exchange gain/loss from financial statements of overseas operations through conversion	Treasury Stock	Total Equity
		3110	3,200	3310	3320	3350	3420	3500	31xx
Balance on January 1 2012	A1	$ 786,024	$ 740,116	$ 292,154	$ -	$ 1,374,452	$ 16,810	$ (152,606)	$ 3,056,950
Allocation and distribution of earnings:									–
Legal reserve	B1			63,376		(63,376)			
Cash dividend for common shares	B5					(344,724)			(344,724)
Net profit in Jan 1 –Dec 31, 2012	D1					261,931			261,931
Other consolidated incomes in Jan 1 –Dec 31, 2012	D3					(6,727)	(5,103)		(11,830)
Total consolidated income in current period	D5	-	-	-	-	255,204	(5,103)	-	250,101
Payment transactions on the basis of shares	N1	80	541						621
Balance on December 31 2012	Z1	$ 786,104	$ 740,657	$ 355,530	$ -	$ 1,221,556	$ 11,707	$ (152,606)	$ 2,962,948
Balance on January 1 2013	A1	$ 786,104	$ 740,657	$ 355,530	$ -	$ 1,221,556	$ 11,707	$ (152,606)	$ 2,962,948
Allocation and distribution of earnings:									
Legal reserve	B1			28,309		(28,309)			–
Special reserve	B3				17,571	(17,571)			–
Cash dividend for common shares	B5					(191,526)			(191,526)
Changes in other capital surplus:									
From gift and derivatives	C3		1					(1)	
Net profit in Jan 1 –Dec 31, 2013	D1					271,033			271,033
Other consolidated incomes in Jan 1 –Dec 31, 2013	D3					(672)	13,684		13,012
Total consolidated income in current period	D5	-	-	-	-	270,361	13,684	-	284,045
Cancellation of treasury stock	L3	-	-					1	1
Payment transactions on the basis of shares	N1	20	123						143
Balance on December 31 2013	Z1	$ 786,124	$ 740,781	$ 383,839	$ 17,571	$ 1,254,511	$ 25,391	$ (152,606)	$ 3,055,611

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen   President: Scott Kuo   Chief Accounting Officer: Rose Jao

MPI Corporation

Parent Company Only Statement of Cash Flows

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

Code	Title	FY 2013	FY 2012
AAAA	Cash flows from operation – indirect approach	$ 321,246	$ 291,652
A10000	Corporate earnings in current period		
A20000	Adjustments		
A20010	Income/expenses unaffected by cash flows		
A20100	Depreciations expense	104,491	81,513
A20200	Amortizations expense	31,835	31,115
A20300	Provisions (reversal) of doubtful accounts	4,206	(19,825)
A20900	Interest expenses	546	440
A21200	Interest incomes	(912)	(3,522)
A21300	Dividend incomes	-	84,707
A22400	Portions of gain/loss from subsidiaries, affiliates, and joint ventures accounted for under the equity method	11,723	43,771
A22500	Capital gains/loss from dispositions and scrap of real properties, plants and equipment	(120)	300
A22600	Real properties, plant, and equipment recognized as expenses	116	15
A23900	Unrealized gain/loss from sales	864	2,961
A24000	Realized gain/loss from sales	(2,937)	(3,931)
A29900	Others – exchange gain/loss from prepayment for purchase of equipment	737	213
A30000	Changes in assets/liabilities related to operations		
A31000	Net changes in assets related to operations		
A31130	Decrease (increase) of note receivables	392	12,521
A31140	Decrease (increase) of note receivables – related parties	(3,644)	3,399
A31150	Decrease (increase) of account receivables	151,462	(103,348)
A31160	Decrease (increase) of account receivables –related parties	20,574	(17,026)
A31180	Decrease (increase) of other receivables	(4,958)	4,221
A31190	Decrease (increase) of other receivables – related parties	(2,979)	(328)
A31200	Decrease (increase) of inventory	34,914	29,551
A31230	Decrease (increase) of prepayments	5,957	1,931
A31240	Decrease (increase) of other current assets	(909)	(3,563)
A31990	Decrease (increase) of other operating assets	(10,691)	23,216
A32000	Net changes in liabilities related to operations		
A32130	Decrease (increase) of note payables	(1,110)	(10)
A32150	Decrease (increase) of account payables	(5,202)	(56,779)
A32160	Decrease (increase) of account payables –related parties	(3,722)	4,873
A32180	Decrease (increase) of other payables	(154,290)	(356,921)
A32190	Decrease (increase) of other payables – related parties	(1,510)	(108,061)
A32200	Increase (decrease) of provisions for debts	(7,734)	3,888
A32210	Increase (decrease) of cash on receipt	(215,805)	177,090
A32230	Increase (decrease) of other current liabilities	3,173	2,069
A32240	Increase (decrease) of accruable pensions	(2,945)	(2,867)
A33000	Cash inflows (outflows) from operation	272,768	123,265
A33100	Collected interest	967	3,689
A33300	Paid interest	(558)	(452)
A33500	Paid income tax	(41,667)	(53,285)
AAAA	Net cash inflows (outflows) from operations	231,510	73,217
BBBB	Cash flows from investments		
B01800	Investment accounted for under the equity method	(14,942)	(79,148)
B02700	Acquisition of real properties, plants, and equipment	(206,418)	(397,984)
B02800	Disposition of real properties, plants, and equipment	16,054	35
B04500	Acquisition of intangible assets	(9,656)	(18,987)
B06500	Increase of other financial assets	(1,021)	-
B06600	Decrease of other financial assets	-	124,194
B06700	Increase of other non-current assets	(21,507)	(35,791)
BBBB	Net cash inflows (outflows) from investments	(237,490)	(407,681)

(To be continued)

MPI Corporation

Parent Company Only Statement of Cash Flows (continued from previous page)

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

Code	Title	FY 2013	FY 2012
CCCC	Cash flow from financing		
C01700	Retirement of long-term loans	(9,328)	(9,328)
C04400	Decrease of other non-current liabilities	(53)	27
C04800	Exercise of Employee Stock Options	143	621
CCCC	Net cash inflows (outflows) from financing	(9,238)	(8,680)
EEEE	Increase (decrease) of cash and cash equivalents in current period	(15,218)	(343,144)
E00100	Balance of cash and cash equivalents at beginning of period	433,167	776,311
E00200	Balance of cash and cash equivalents at ending of period	$ 417,949	$ 433,167

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation

Notes to parent company only financial statements

December 31 2013 and December 31 2012

(Currency unit is expressed in NTD1,000 unless specified otherwise)

I. Company History

(I) MPI Corporation (hereinafter, "the company") was established on July 25 1996 in accordance with the Company Act of other applicable laws. As of December 31 2013, the company had paid-in capital of NT$786,124 thousand after capitalization for several instances with outstanding quantity of 76,612,392 shares (net of 2,000,000 shares of treasury stork). In a special session of the General Meeting of Shareholders held on December 28 2006, the company resolved to raise its stated capital to NT$1,000,000,000 equality split into 100,000,000 shares at NT$10/share. The Board has been authorized to issue the new shares in tranches. The amount of NT$50,000 thousand of 5,000,000 shares will be retained from the aforementioned stated capital at NT$10/share for the exercise of subscription rights and will be released in tranches as determined by the Board.

(II) The principal business of the company and its subsidiaries (hereinafter collectively referred to as "the group") is the manufacturing of semiconductors and the manufacturing, processing, maintenance, and import and export trade of testing equipment.

(III) The company was approved to go public in July 2001 and listed in GTSM of the ROC on January 6 2003.

II. The date and the procedure for passing the financial statements

The parent company only financial statement was passed by the Board for release on March 28 2014.

III. The application of standards, amendments to and interpretation of standards

(I) The company has adopted the newly announced standards recognized by the Financial Supervisory Commission (hereinafter, "FAS"), related amendments and interpretation. This is the first year of using the International Financial Reporting Standards (IFRSs) and is not applicable.

(II) Announcement and related standards and interpretations recognized by FAS but not yet introduced by the company

The International Accounting Standards Board (hereinafter, "IASB") announced the International Financial Reporting Standard No. 9 – Financial Instruments in November 2009. This IFRS 9 came into effect on January 1 2013 (IASB postponed the effective date from December 2011 to January 1 2015). FAS recognized this standard but no enterprise may adopt this standard before its official effective date. Instead, enterprises should adopt IAS 39-Financial Instruments, the 2009 edition. This standard had not come into effect as of the end of the reporting period (hereinafter, “the reporting date”). If the company starts to adopt this standard, it is expected that the classification and measurement of financial assets in financial reporting will be affected.

(III) Announcement and related standards and interpretations recognized by FAS but not yet introduced by the company

The content contained in the table below is amended and released by IASB and could be relevant with the company pending on the recognition and promulgation for coming into effect by FSC as of the reporting date:

Announcement date	New release or amendments	Content of major amendment	Effective date as announced by IASB
2011.5.12 2012.6.28	· IFRS No. 10- Consolidated Financial Statement · Amendment to IFRS No. 11 –Joint Arrangement · Amendment to IFRS No. 12-Interesets in Other Entities · Amendment to IAS No.27-Consolidated and Separate Financial Statements · Amendment to IAS No. 28 – Investment in Associates	· A series of new standards and amendments related to mergers, associated enterprises and equity joint ventures were rereleased on 2011.5.12. These new standards provide a unitary control model for the determination and analysis if the investees (including special purpose entities) are under control. However, the procedure for merger is still governed by the original regulation and operation. In addition, joint arrangement is classified into joint arrangement (integrate the concept of joint controlled assets and joint controlled operation) and equity joint venture (similar to the joint controlled entities in the past) with the cancellation of the proportional merger rule. · The clause was released on 2012.6.28 specifying its transitional effect.	2013.1.1
2011.5.12	IFRS No. 13- Fair Value Measurement	This standard replaces all other standards governing the measurement of the fair value of financial and non-financial items and integrated into one standard.	2013.1.1
2011.6.16	IAS No. 1 – Presentation of Financial Statements	Other comprehensive income items that could be classified as incomes or cannot be reclassified as incomes shall be presented separately	2012.7.1
2011.6.16	Amendment to IAS No. 19- Employee Benefits	The rule of buffer zone is cancelled and the permission of the option for immediate recognition of determined welfare obligations and change in planned assets currently in force is cancelled.	2013.1.1

		Service cost carried forward from previous period not for further amortization shall be immediately recognized as income.	
2013.5.20	IFRIC 21- Levies	The levies of the government under law, if IAS 37- Provisions, Contingent Liabilities and Contingent Assets is applicable, shall be recognized as at the point of liabilities and accounting at the same point.	2014.1.1
2013.5.29	Amendment to IAS 36- Impairment of Assets	According to the amended version effective on 2013.1.1, the materiality of good will of the enterprise or the amount of intangible assets with no specific life span shall be disclosed the recoverable amount of the amortized amount of cash. This requirement is amended as only under recognition or reversal of impairment loss should disclosure is required. In addition, the recovery amount shall be calculated by deducting the cost of sales from fair value and the grade of the fair value and related important assumption of valuation (Grade II or Grade III) shall be disclosed.	2014.1.1, may be applicable earlier.
2011.12.16	Amendment to IAS 32 –Financial Instrument: Presentation Amendment to IFRS7- Financial Instrument- Disclosures	Amendment to the requirement of offsetting between financial assets and financial liabilities (provide the guide for a wide array of judgment) and related disclosures.	2014.1.1 (Requirement of presentation) 2013.1.1 (Requirement of disclosure)

The company is still assessing the possible effect of the implementation of the new system to the financial reporting.

IV. Notes to major accounting policy

The notes to major accounting policy adopted for preparing the financial report of the independent entity are specified hereunder. The following accounting policy has been unanimously applicable to the period of presentation covered by this financial report of the independent entity, and the first balance sheet prepared in accordance with the IFRSs as of January 1 2012 for purpose of conversion to the IFRSs, IASs, IFRIC recognized by FSC (hereafter referred to as “international financial reporting standards recognized by FSC”).

(I) Declaration of compliance

This financial report on independent entity is the first of its kind prepared in accordance with the "Criteria for the Compilation of Financial Statements by Securities Issuers".

(II) Basis of compilation

1. Basis of measurement:

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

(1) Financial instrument at fair value through financial statements (including derivatives);

(2) Financial assets available for sales at fair value;

(3) Determined welfare assets shall be the pension fund assets plus unrecognized service cost and unrecognized actuarial loss carried forward from previous period, and net of unrecognized actuarial gain and the net recognized present value of determined welfare obligations.

2. Functional currency and presentation of currency

The currency circulated in the economic environment of its principal place of business shall be the functional currency. NTD is the functional currency denomination in this financial statement of the independent entity. The currency unit so expressed in the financial information is NTD1,000.

(III) Foreign currency

1. Transaction in foreign currencies

The transaction in foreign currencies shall be converted to the functional currency as of the day of transaction. The items denominated in a foreign currency as of the last day of financial reporting shall be converted to the functional currency on the same day. The exchange gain thereof shall be the amortized cost at the beginning of the period denominated in the functional currency subject to the conversion of the effective interest rate in the period of adjustment and the amount after the payment, and the difference between the amortized cost denominated in the foreign currency and the amount of conversion on the day of the exchange. Non-monetary items at fair value denominated in a foreign currency shall be converted to the functional currency at the exchange rate on the day of fair value. Non-monetary items at fair value of historical cost shall be converted into the functional currency at the exchange rate on the day of transaction. With the exception of financial assets available for sales, financial liabilities for the hedge only of designated overseas operations or qualified cash flow hedge, the difference from the conversion of foreign currencies shall be recognized as other comprehensive incomes and the others shall be recognized as incomes.

2. Overseas operations

The assets and liabilities of overseas operations, including the good will and adjustment of fair value at the time of acquisition, shall be converted into the functional currency at the exchange rate on the date of reporting. With the exception of high inflation economy, incomes and expenses shall be converted into the functional currency at the average exchange rate applicable to the reporting period. The exchange difference derived shall be recognized as other comprehensive incomes.

In the event of the loss of control, joint control, or significant influence in the disposition of overseas operation, the cumulative exchange difference of the overseas operation in point shall be reclassified as incomes in full amount. For partial disposition of subsidiaries containing overseas operations, related cumulative exchange difference shall be attributable to uncontrolled equity in proportion to the holding. Partial disposition of associated enterprises or equity joint venture containing overseas operations, the cumulative exchange difference shall be reclassified as income in proportion to the holding.

For the monetary receivables or payables of the overseas operations, the exchange gain or loss shall be recognized as the net investment in the overseas operation and recognized as other comprehensive income if there is no settlement plan and cannot be settled in the foreseeable future.

(IV) Classification standard of current and non-current assets and liabilities

If any of the following conditions is satisfied, the assets shall be recognized as current assets. Any other assets not classified as current assets are non-current assets:

1. Anticipation of realization in normal business cycle, or with intent of disposable of consumption.
2. Assets available for disposals.
3. Anticipation of realization within 12 months after the balance sheet date.
4. Cash of cash equivalents, excluding the portion for exchange, settlement of liabilities or under other restrictions beyond 12 months after the balance sheet date.

If any of the following conditions is satisfied, the liabilities shall be recognized as current liabilities. Any other liabilities not classified as current liabilities are non-current liabilities:

1. Anticipation of settlement in normal business cycle.
2. Liabilities available for disposals.
3. Anticipation of settlement within 12 months after the balance sheet date, including the long-term refinancing or new arrangement agreement on payments from the balance sheet date to the date the financial statement is prepared.
4. Liabilities that cannot be unconditionally deferred to at least 12 months after the balance sheet date. The terms and conditions of liabilities may be subjected to the option of the trading counterparty for settlement by the issuance of equity securities but such arrangement does not affect the classification.

(V) Cash and cash equivalents

Cash and cash equivalents include cash in vault, current account deposit, and investment that could be converted into fixed value of cash bearing marginal risk of value fluctuation and in high liquidity.

Time deposit in banks with original day of maturity of less than 1 year for fulfilling the commitment of short-term cash only but not for investment of other purposes. The deposits could be converted into fixed amount of cash at any time bearing marginal risk of value fluctuation. These are recognized as cash and cash equivalents.

(V) Financial instruments

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

1. Financial assets

The financial assets of the company shall be classified as: financial assets at fair value through income statement, financial assets available for sales, financial assets held-to-maturity, lending, and receivables.

(1) Financial assets at fair value through income statement

This type of financial assets financial assets is available for sales or at fair value through income statement.

The holding of financial assets available for sales are assets acquired or realized for purpose of selling or repurchase in the short run.

Financial assets which performance is evaluated on the basis of fair value.

This type of financial assets is initially recognized at fair value and the transaction cost is recognized as income at the time of realization. Subsequent valuation is based on fair value and the gain or loss thereof (including related dividend income and interest income) shall be recognized as income and stated under the title of non-operating income and expense. For the purchase or selling of financial assets under general customs of transactions, the transaction day accounting is adopted.

If this type of financial assets is equity investment "with no active market quotation and cannot be measures at fair value", deduct the cost from impairment loss and measure the remainder and recognized as "financial assets on the basis of cost".

(2) Lending and receivables

Lending and receivables are financial assets with no active market quotation and featured fixed or could be determined payable amount, including receivables and other receivables. The initial recognition of this type of assets is on the basis of the fair value plus directly attributable transaction cost. Subsequent valuation shall be made under the effective interest rate method on the basis of the amortized cost less impairment loss except for the recognition of interest under the short-term receivables title without materiality. For the purchase or selling of financial assets under general customs of transactions, the transaction day accounting is adopted.

(3) Impairment of financial assets

Financial asset not measured at fair value through income statement shall be assessed for impairment on each reporting day. If objective evidence implicates particular or many events occurred after the date of initial recognition to the extent that the cash flow of the assets in the future will lost, these financial assets are impaired.

Objective evidence of the impairment of financial assets includes significant financial crisis of the issuers or the debtors, act of default (delinquency or default in interest or principal payment), the debtor is under bankruptcy, or the possibility of financial restructuring becomes highly probably, and the financial problem that caused the vanish of the active market of the financial assets. In addition, if the fair value of equity investment available for sales falls significantly or below the cost, this is also objective evidence of impairment.

If there is no impairment of individual account receivable after assessment, impairment of the entire portfolio shall be subject to assessment for impairment. Objective evidence implicating the portfolio of account receivables may include the experience of the company in collection in the past, the increase of delinquent payment beyond the average due dates of the portfolio, and national or regional economic downturn related to the receivables.

The amount of impairment loss recognized for the financial asset on the basis of cost shall be the difference between the book value of the asset and the estimated cash flow in the future under the discounted present value of the rate of return from market of similar asset. Once recognized, such impairment cannot be reversed in subsequent periods.

The impairment loss of all financial assets shall be directly deducted from the book value of the financial assets. For account receivables, the book value shall be adjusted from the provision of doubtful accounts. If specific account receivable is deemed irrecoverable, write off from the provisions of doubtful accounts. For accounts previously written off but eventually collected, recognized as a credit item of the provision of doubtful accounts. The change in the amount of provision for doubtful accounts shall be recognized as income.

(4) Removal of financial assets

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

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

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

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

(2) Other financial liabilities

Financial liabilities not classified as available for sales and not designated for measurement at fair value through income statement (including long and short-term loans, payables, and other payables). The initial recognition is based on the fair value plus the directly attributable transaction cost. Subsequent evaluation is based on the effective interest rate method on the basis of the amortized cost. Interest expense not being capitalized as the cost of asset shall be recognized under the title of non-operating income and expense – "financial cost".

(3) Removal of financial liabilities

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

(4) Offsetting between financial assets and liabilities

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

(VI) <u>Inventory</u>

Inventory is measured on the basis of the cost and net realization value, whichever is lower. Cost includes the cost for the acquisition, production, or processing available at the place or use or state of use and other costs and calculated under the weighted average method. The cost of finished products and work in progress includes the factory overhead under normal production capacity allocated to appropriate proportion.

Net realizable value shall be the balance of the estimated sale price under normal operation less the estimated cost to be incurred necessary for the completion of work and the estimated cost required for the completion of sales.

(VIII) <u>Associates</u>

Associates shall be the entities over which the company has significant influence over its financial and corporate policy but not to the extent of dominant control.

Under the equity method, initial acquisition shall be recognized on the basis of cost and cost of investment shall cover the cost of transaction. The book value of investment into associates includes the identifiable good will at the time of initial investment net of any accumulated loss of impairment.

Separate financial statement of individual entities shall present the income and other comprehensive incomes of respective associates in proportion to the investment by the company after the adjustment of the accounting policy in consistence with the company from the effective date to the expiration date during which the company exercises dominant power.

The unrealized gain deriving from the transactions between the company and the associates will be eliminated within the scope of equity of the company over the investee. The elimination of unrealized loss shall be identical with the method of unrealized gain but only occurred without the evidence of impairment.

When the company recognizes the loss in proportion to its ownership of the associates is equal to or in excess of the equity of the company at the associates, stop further recognition for loss and shall be realized only within the scope of legal obligation, presumed obligation or has already effected payment in favor of the investee for recognition additional loss and related liabilities.

(IX) Investment in subsidiaries

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

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

The financial statement of the subsidiary shall be included into the consolidated financial statement from the day the company has acquired dominant control until the company loses its dominant control.

(X) Real properties, plants and equipment

1. Recognition and measurement

The recognition and measurement of real properties, plant and equipment shall be made under the cost method by subtracting the accumulated deprecations and accumulated impairment from the cost. Cost includes the expenditure attributable directly to the acquisition of assets. The cost of self-constructed assets includes materials and direct labor, the cost that can be directly attributable to the assets at the state of use for the expected purpose, the cost incurred from the demolition and removal of the item and recovery to the original point, and the cost of borrowing meeting the conditions for capitalization of assets. In addition, cost also includes the purchase of real properties, plant, and equipment denominated in a foreign currency.

If the real properties, plant and equipment include different components, and the total cost of which is material and the application of different depreciation rate or depreciation method is more appropriate, it shall be handled as individual items of real properties, plant, and equipment (major components).

The capital gain deriving from the disposition of real properties, plant and equipment shall be determined by the difference between the book value of the real properties, plant and equipment and the proceeds of disposition, and the net value shall be recognized under the title of non-operating income and expense – “other incomes and loss-net”.

2. Subsequent cost

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

3. Depreciations

   Depreciations is based on the difference between the cost of the asset and the residual value calculated under the straight-line method along the life span of the asset subject to assessment of the major component of individual assets. If the life span of specific component is different from the others, this component shall be depreciated separately. Depreciations shall be recognized as income/loss.

   Recognition for depreciation of land is not necessary.

   The estimated life span in current period and the period for comparison is shown below:

Title	Life span
Housing and construction	
Plant and accommodation facility	50
Dust free chamber	20
Electrical facility	20
Others	10-20
Machinery equipment	1-7
Transportation equipment	5
Computer equipment	2-7
Business equipment	5-6
R&D equipment	1-9
Other equipment	2-7

4. The method of depreciation, life span, and residual value shall be reviewed at the end of each fiscal year. If the expected value is different from the previous estimation, make necessary adjustment. Such adjustment shall be handled in accordance with the rule of change in accounting estimation.

(XI)<u>Leasehold</u>

1. The Lessor

   The return on business leasehold shall be recognized as income within the lease term under the straight-line method. The initial direct cost incurred from the consultation and arrangement of business leasehold shall be added to the book value of leasehold assets and recognized as expense within the lease term under the straight-line method. For accomplishing leasehold arrangement whereby total incentive is provided in favor of the Lessee shall be recognized as the decrease of rental income under the straight-line method within the lease term.

Contingent leasehold payment shall be recognized as income for current period at the time leasehold adjustment is determined.

2. The Lessee

If under the terms and conditions of lease that the company assume almost all the risk and return deriving from ownership, it shall be classified as financing leasehold. At the time of initial recognition, the leasehold assets shall be measured at its fair value and the present value of minimum rental payment, whichever is lower, and subject to relevant processing under relate accounting policy later.

(XII) Intangible assets

1. Research and Development

Research phase refers to the activities with the anticipation of acquiring and understanding advanced knowledge of science or technology. Related expenses shall be recognized as profits and loss accounts at the time of realization.

The spending in the development phase shall be recognized as intangible assets if all the following conditions are satisfied. If not all the following conditions are satisfied, recognized as profit or loss accounts at the time of realization:

(1) The technological feasibility of intangible asset has been accomplished and the intangible asset is available to use or for sales.
(2) The intent of completing the intangible assets and make is available to use or for sales.
(3) With the ability to use or sell the intangible asset.
(4) The intangible asset can very likely to bring about economic benefit.
(5) Possession of sufficient technological, financial and other resources to accomplish the development and to use or sell the intangible asset.
(6) The spending attributable to the development phase of the intangible asset can be measured with reliability.

2. Other intangible assets

The acquisition of intangible asset by the company is measured by subtracting the accumulated depreciations and accumulated impairment from the cost.

3. Subsequent spending

Subsequent spending may be capitalized only when the spending can enhance the economic benefit of related specific assets. All other spending shall be recognized as profits or loss accounts at the time of realization, including the good will and brand of internal development.

4. Amortization

The amortization is the amount of the cost net of the residual value.

With the exception of good will and assets with no undetermined life span, intangible assets shall be depreciated along the life span under the straight-line method and the depreciations shall be recognized as profits and loss accounts:

Computer software 2-5 years

The residual value, period of amortizations and method of amortizations shall be subject to review at least at the end of each fiscal year. Any change thereof shall be deemed a change in accounting estimation.

(XIII) Impairment of financial assets

For inventory, deferred income tax assets, assets deriving from employee welfare and non-financial assets other than non-current assets classified as available for sales, the company shall assess for possible impairment at the end of each reporting period and estimates the recoverable amount on any signs of impairment. If the recoverable amount on individual assets cannot be assessed, the company will assess the impairment on the cash generation unit of this asset on the recoverable amount.

The recoverable amount is the fair value of individual assets or cash production units less the cost of sales, whichever is higher. If the recoverable amount of individual asset or cash generation unit falls below the book value, adjust the book value of the individual assets or cash generation unit to the recoverable amount and recognize for impairment loss. Impairment shall be recognized as profits and loss accounts in current period.

The company shall assess any possible sign of impairment at the end of each reporting period. The recognized impairment of non-financial assets beyond good will in previous years may no longer exist or reduced. If there is change in the recoverable amount determined to use for the estimate, reverse for impairment loss and add to the book value of individual assets or cash generation units to the recoverable amount. Subtract the book value after the recognition of depreciations or impairments if it does not exceed the unrecognized impairment loss of the individual assets or cash generation units of the previous year.

(XIV) Provision for liabilities

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

Provision for warranty liabilities shall be recognized at the time of product or service sale. The provision for liabilities shall be measured on the basis of the historical data on warranty and all possible results with reference to relevant probability.

(XV) Treasury stock

The proceeds (including the payment directly attributable to the cost) for the repurchase of company shares by the company shall be recognized as “treasury shares” net of applicable taxes, and as a debit item of equity. If the proceeds from the disposition of treasury shares are higher than the book value, the difference will be recognized as “capital surplus-treasury shares trade”. If the proceeds from the disposition of treasury shares are lower than the book value, the amount short will be written off from the capital surplus from the trading of the same kind of treasury shares. If there is still an amount short, recognized as debit item of retained earnings.

The book value of treasury shares shall be book entered separately under the weighted average method and the reasons for repurchase.

If specific lot of treasury shares is to be cancelled, recognize as capital surplus-stock issued at premium and capital stock in proportion of the quantity of shares. If the book value is higher than the total of the face value of the shares and the shares issued at premium, the amount short will be written off from the capital stock deriving from the same type of treasury shares. If there is still an amount short, write off from retained earnings. If the book value is lower than the total of and the shares issued at premium, recognize as a credit item of the capital surplus from the trade of the same type of a treasury shares.

(XVI) Recognition of incomes

1. Product sales

   The selling of merchandises in normal business operation net of sales return, commercial discount and quantity discount shall be measured on the basis of the fair value of received or receivables. Incomes shall be recognized on the basis of convincing evidence (usually exemplified by the signing of the sales agreement). The major risk and remuneration of the ownership right of the goods have been transferred to the buyer. The proceeds can be recovered. Related cost and possible sales return could be assessed with reliability, discontinuation of the participation in the management of the merchandises, and the amount of incomes could be measured with reliability.

   The time point of the transfer of risk and remuneration depends on individual business contracts.

2. Service

   Service incomes shall be recognized on the basis of the portion of service rendered into repotting period.

3. Commission income

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

4. Rental income

   Income from the lease of real properties shall be recognized under the title and non-operating income and expenses – “rental income”.

5. Dividend income

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

(XVII) Cost of Borrowing

1. Loans shall be initially recognized on the basis of fair value net of the transaction cost. Subsequent recognition shall be measured on the basis of the difference between the proceeds (net of the cost of trade) and the redemption price under the effective interest amortization methods on the cost during the borrowing period.
2. Expenses incurred for the acquisition of loans shall be recognized as the transaction

cost of the loan for possible partial of whole drawdown, and make effective adjustment of the interest rate at the time of recognition for the realization of drawdown. If drawdown in part or in whole is not possible, recognize the expense as prepayment and amortized along the facility period.

(XVIII) Government Subsidy

Government subsidy shall be recognized on the basis of fair value, if it is reasonably believed that the enterprise will duly observe the terms and conditions thereto and the subsidy can be actually received. If the nature of government subsidy is the compensation of the expenses of the company, recognize at profits and loss accounts in current period in the period of the realization of related expenses under systematic government subsidy.

(XIX) Employee Welfare

1. Short-term employee welfare

   Short-term employee welfare obligation shall be recognized as expense on the basis of no discount and at the time service is being rendered.

   The amount related to the payment of short-term cash dividend or expected payment under the bonus program shall be recognized as liabilities if the employees have rendered the service in the past the extent to which the company has present statutory or presumed obligation of payment and the obligation can be estimated.

2. Pension

   (1) Determined appropriation plan

   The obligation of determinate appropriation pension plan shall be recognized as employee welfare expenses under the profits and loss accounts in the period the employees provide service.

   (2) Determined welfare plan

   Pension welfare plan not classified as determined allocation plan shall be deemed determined welfare plan. The net determined welfare retirement plan of the company shall be calculated at the present value of the welfare fund earned from respective welfare plans by the employees in current period or in the past. Any unrecognized service cost and the fair value of respective plan resources in previous period shall be subtracted. Discount rate shall be the interest rate of the market yield rate for high quality corporate bonds resembled the prepaid welfare amount which maturity date approximates the net obligations of the company with the same currency denomination.

   Corporate net obligation shall be calculated by the actuarial professionals each year on the basis of the expected unit welfare. If the result of actuarial calculation is favorable to the company, recognize as assets on the basis of any service cost not being ever recognized, and up to the total value of the present value of the economic benefit possibly derived from the program or the decrease of the allocation to the program in the future. Consider the minimum fund allocation needs to any program of the company in the calculation of the present value of economic benefit. If specific benefit can be realized within the program period or at the settlement of the programs, it shall be deemed economic benefit to the company.

Improvement of the welfare in the program due to the service of the employees in the past shall be recognized as profits and loss accounts by averaging under the straight-line method in the period of realization. If the welfare is accessible immediately, related expenses shall be immediately recognized as profits and loss accounts. January 1 2012 was the date of conversion to the IFRSs approved by FSC. All profits and loss under actuarial calculation shall be recognized as retained earnings. Actuarial profits and loss subsequently generated from the determined welfare program of the company shall be immediately recognized as other comprehensive income.

In the event of streamlining or settlement of the company, recognize the profits and loss of the streamlining or settlement of the welfare plan. Streamlining or settlement includes any change in the fair value of planned assets, the present value of determined welfare obligation, any related actuarial profits and loss not being recognized, and the service cost in previous period.

3. Employee bonus and remuneration to Directors and Supervisors

The employee bonus and remuneration to Directors and Supervisors shall be recognized as expenses and liabilities under legal or presumed obligation and the amount could be reasonably estimated. If there is a difference between the actual appropriated amounts as resolved by the General Meeting of shareholders and the estimated amount, handle in accordance with accounting of change in estimate. The company calculates the quantity of shares for stock dividend the fair value per share on the day before the resolution of the General Meeting of shareholders after the financial reporting year in consideration of the ex-right and ex-dividend effect.

(XX) Stock-based compensation

The stock-based compensation to employees shall be recognized on the basis of the fair value as of the day of payment as remuneration cost with the addition of corresponding equity in the period that employees can unconditionally claim for the remuneration. The remuneration cost so recognized shall be subject to adjustment in accordance with the expected terms and conditions of service and the quantity of remunerations not under the established market conditions. The final amount for recognition shall be made on the basis of the quantity of shares for recognition as of the day of realization with the expected terms and conditions of service and the quantity of remunerations not under the established market conditions.

The unestablished conditions for the payment of share-based remuneration has already reflected in the measurement of the fair value on the day of payment, and the difference between the expected and the actual quantity is not required for further confirmation and adjustment.

The appreciation of the shares assigned to the employees shall be recognized as expenses with the addition of corresponding liabilities on the basis of the fair value of the shares as in the case of cash delivery and within the period that the employees can claim for the shares unconditionally. Related liabilities shall be subject to measurement on each reporting day and delivery day. The change in the fair value shall be recognized as human resources expenses under profits and loss accounts.

(XXI) Income tax

Income tax expenses shall include income tax in current period and deferred income tax. Income tax in current period and deferred income tax shall be recognized as profits and loss accounts except items related to corporate merger, direct attribution to equity and other comprehensive incomes.

Income tax in current period includes estimated payable income tax or refundable income tax of the taxable income (loss) in current period on the basis of the statutory tax rate or actual legislative tax rate as of the reporting day, and any other adjust of payable income tax carried forward from the previous year.

Deferred income tax shall be measured and recognized on the basis of the book value stated in the balance sheet and the temporary difference on the taxation base. The temporary differences resulted from the following situations shall not be recognized as deferred income tax:

1. The initial recognized assets or liabilities not as a part of the consolidated transactions of the enterprise and such transactions do not affect accounting profit and taxable income (loss) in the transactions.
2. Deriving from the investment in subsidiaries and equity joint venture, and is highly likely that no reversal would be expected in the foreseeable future.
3. Initial recognition of good will

Deferred income tax shall be measured on the basis of the tax rate applicable to the period of expected realization of assets or settlement of liabilities at the statutory tax rate or actual legislative tax rate as of the day of reporting.

The company will offset deferred income tax assets and deferred income tax liabilities only when the following conditions are satisfied:

1. Possession of the legal right of execution to offset deferred income tax assets and income tax liabilities in current period; and
2. The deferred tax assets and deferred income tax liabilities are related to any of the following subject of taxation in the same taxation office;
    (1) The same subject of taxation; or
    (2) Different subjects of taxation, but each subject desires to settle the deferred income tax liabilities and assets at net value or realize assets and settle liabilities simultaneously in each period with expected return of significant amount of deferred income tax assets and expected settlement of significant amount of deferred income tax liabilities.

For unused taxation loss and deferred income tax deduction and deductible temporary difference shall be recognized as deferred income tax assets within the applicable scope of taxation in the future. There will be reassessment on each reporting day and adjustment will be made on income tax benefit fall beyond the scope of possible realization.

(XXII) Earnings per share

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

(XXIII) Information on segments

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

V. The sources of uncertainty to the judgment, estimate and assumption of materiality in accounting

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

1. Provision for doubtful account receivables

   The company conducts assessment on the recoverability of account receivables on the basis of the credit quality of the customers and the collection of the accounts and the experience of bad debts in the past and estimates for the provision of doubtful accounts. If there is any event of change indicating that the balance cannot be recovered, the company shall estimate for the provision of doubtful account. If the cash received in the future is not congruent with the previous estimation, such difference will affect the book value of the account receivables and the expenses for bad debts in the year of change. As of December 31 2013, the book value of account receivables of the company amounted to NT$500,718 thousand (net of the provision of doubtful account amounted to NT$32,113 thousand).

2. Valuation of Inventory

   Inventory shall be evaluated on the basis of the lower the cost and net realizable value. As such, the company must make judgment and estimate the net realizable value of the inventory on the balance sheet date. Rapid technological change compels the company to assess the amount of normal wearing out and phasing out of inventory or inventory with no market price and write off the cost of inventory from net realizable value. As of December 31 2013, the book value of the inventory of the company amounted to NT$1,424,116 thousand. (Net of the provision for idle inventory and falling price totaled NT$146,023 thousand).

3. Realizability of deferred income tax assets

   Deferred income tax assets is the taxable income in the future highly likely for the deduction of temporary difference and shall be recognized if realized. The realizability of deferred income tax assets must involve the judgment and estimate of materiality in accounting by the management, including the growth of sales and profit rate, tax holiday, deductible items in taxation, and tax planning assumption. Any change in the global economic environment, industrial environment and legal environment may possibly cause major adjustment of deferred income tax assets. As of December 31 2013, the company had deferred income tax assets amounted to NT$32,707 thousand.

4. Recognition of income

   In general, sales shall be recognition at the completion of profitability. Related provision for liabilities is based on historical experience and other known reasons for assessing the cost of post-delivery warranty possibly incurred, and shall be recognized as the cost of goods sold at the point of selling the products subject to routine review of the rationality of the estimation. As of December 31 2013, the company recognized provision for liabilities amounted to NT$9,645 thousand.

5. The calculation of accruable pension liabilities

   In the calculation of the determined welfare obligation, the company must make use of judgment and estimate to determine relevant actuarial assumption on the balance sheet date, including the discount rate and the expected rate of return on planned assets. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the company. As of December 31 2013, the book value of accruable pension liabilities of the company amounted to NT$18,029 thousand.

VI. Note to major account titles

(I) Cash and cash equivalents

	December 31 2013	December 31 2012	January 1 2012
Cash:			
Cash in vault	$ 2,358	$ 716	$ 1,506
Bank deposits:			
Checking deposits	-	-	-
Foreign currency deposit	20,341	5,167	6,291
Demand deposit	395,250	299,084	353,214
Time deposit	-	128,200	415,300
Total	$ 417,949	$ 433,167	$ 776,311

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

(II) Net note receivables

	December 31 2013	December 31 2012	January 1 2012
Note receivables	$ 4,432	$ 4,824	$ 17,345
Less: provision for doubtful account	-	(54)	(137)
Net note receivables	$ 4,432	$ 4,770	$ 17,208
Note receivables –related parties	$ 5,365	$ 1,721	$ 5,120
Less: provision for doubtful accounts	—	—	—
Note receivables- related parties-net	$ 5,365	$ 1,721	$ 5,120

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

(III) Net receivables

	December 31 2013	December 31 2012	January 1 2012
Account receivables	$ 433,454	$ 584,916	$ 481,569
Less: provision for doubtful accounts	(3,811)	(9,845)	(6,354)
Net account receivables	$ 429,643	$ 575,071	$ 475,215

	December 31 2013	December 31 2012	January 1 2012
Account receivables－related parties	$ 61,478	$ 82,052	$ 65,026
Less: provision for doubtful account	(200)	(597)	(615)
Account receivables –related parties-net	$ 61,278	$ 81,455	$ 64,411

	December 31 2013	December 31 2012	January 1 2012
Account for collections (stated as other non-current assets)	$ 28,102	$ 17,411	$ 40,626
Less: provision for doubtful account	(28,102)	(17,411)	(40,626)
Net accounts for collection	$ —	$ —	$ —

1. All account receivables of the company are accrued from business operation and have not been pledged as collaterals.
2. The provision for doubtful accounts deriving from the impairment of account receivables and information on aging account analysis is shown below (refer to Note 12 (2) for credit risk disclosure):

	Impairment from collective assessment	Impairment from individual assessment	Total
January 1 2013	$ 11,960	$ 15,947	$ 27,907
Impairment stated in current period	—	11,951	11,951
Reversal of impairment in current period	(7,745)	—	(7,745)
Write off the amount loss in current period	—	—	—
Effect on exchange rate	—	—	—
December 31 2013	$ 4,215	$ 27,898	$ 32,113
January 1 2012	$ 8,923	$ 38,809	$ 47,732
Impairment stated in current period	3,037	—	3,037
Reversal of impairment in current period	—	(22,862)	(22,862)
Write off the amount loss in current period	—	—	—
Effect on exchange rate	—	—	—
December 31 2012	$ 11,960	$ 15,947	$ 27,907

3. Analysis of aging account receivables:

	December 31 2013		December 31 2012		January 1 2012	
	Total	**Impairment**	**Total**	**Impairment**	**Total**	**Impairment**
Before due	$459,496	$ -	$622,506	$ 4,978	$445,464	$ 3,623
Overdue 1~90days	37,184	2,602	34,992	508	91,543	14,609
Overdue 91~180 days	6,037	906	6,365	185	51,380	25,342
Overdue 181~360 days	2,012	503	996	498	18,516	1,872
Overdue 1~2 years	-	-	24,601	20,274	995	498
Overdue for more than 2 years	28,102	28,102	1,464	1,464	1,788	1,788
Total	$532,831	$32,113	$690,924	$27,907	$609,686	$47,732

(IV) Net inventory

	December 31 2013	December 31 2012	January 1 2012
Direct materials	$ 297,432	$ 304,730	$ 383,791
Indirect materials	46,735	40,600	34,907
Work in process (including	318,305	318,944	375,735

semi-finished items)			
Finished items	860,922	873,732	730,528
Merchandises	4,711	17,847	25,860
Materials in transit	42,034	7,923	5,203
Less: provision for falling price and idle inventory	(146,023)	(104,746)	(67,443)
Net inventory	$ 1,424,116	$ 1,459,030	$ 1,488,581

1. Inventory loss recognized in current period:

	FY2013	FY2012
Cost of inventory sold	$ 1,445,822	$ 1,384,516
Falling price and idle inventory loss(reversal gain)	41,276	37,303
Inventory scrapped	—	—
Other cost of operation- employee bonus	13,137	12,605
Selling of scraps and dumps	—	—
Estimated cost of warranty	(5,776)	6,789
Net cost of goods sold	$ 1,494,459	$ 1,441,213

2. As of December 31 2013, December 31 2012, and January 1 2012, the company had not pledged its inventory as collaterals.

(V) Financial assets on the basis of cost

The financial assets on the basis of cost held by the company on the financial reporting day are shown below:

	December 31 2013	December 31 2012	January 1 2012
Non-current items:			
TAISelec Co., Ltd	$ 20,231	$ 20,231	$ 20,231
Less: accumulated impairment	—	—	—
Total	$ 20,231	$ 20,231	$ 20,231

1. The investment of the company in stocks not listed in TWSE or GTSM could be classified as financial assets available for sales by intent of investment. However, the subject of investment has not active market for open trading and has no sufficient industry information on similar company and related financial information on the investees that no reasonably measurement of its fair value. As such, the company classified the asset as “financial assets on the basis of cost”.

2. As of December 31 2013, December 31 2012, and January 1 2012, the company had not pledged its financial assets on the basis of cost as collaterals.

(VI) Investment accounted for under the equity method

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

Name of investee	December 31 2013 Book value	December 31 2013 Proportion of shareholding (%)	December 31 2012 Book value	December 31 2012 Proportion of shareholding (%)	January 1 2012 Book value	January 1 2012 Proportion of shareholding (%)
Subsidiaries:						
MPI TRADING CORP.	$ 38,541	100 %	$ 34,648	100 %	$ 27,119	100 %
MMI HOLDING CO., LTD.	143,291	100 %	127,497	100 %	79,623	100 %
MEGTAS CO.,LTD.	25,188	60 %	24,697	60 %	26,973	60 %
Chain-Logic International Corp.	216,447	100 %	205,007	100 %	292,728	100 %
Chia Hsin Investment Co., Ltd.	15,147	100 %	19,095	100 %	28,044	100 %
Yi Hsin Investment Co., Ltd.	15,148	100 %	19,095	100 %	28,044	100 %
Won Tung Technology Co., Ltd.	352	100 %	377	100 %	415	100 %
Associates:						
Lumitek Co.,LTD	(4,977)	2.28%	-		-	
Total	$ 449,137		$ 430,416	-	$ 482,946	-

1. Changes in investment accounted for under the equity method:

	FY2013	FY2012
Balance at beginning of period	$ 430,416	$ 482,946
Addition of investment in current period	14,942	79,148
Cash dividend from associates	—	(84,707)
Return (loss) on investment in current period accounted for under the equity method	(11,723)	(43,771)
Exchange gain presented in the financial statements of overseas operations	13,684	(5,103)
Realized (unrealized) concurrent trade with associates	2,073	970
Other comprehensive income – Actuarial income (loss) of determined welfare	(255)	933
Balance at ending of period	$ 449,137	$ 430,416

2. Subsidiaries

   Refer to the consolidated financial statements of FY2013

3. The associates and their financial statements are shown below subject to adjustment in proportion to the shareholding of the company:

December 31 2013	Total assets	Total liabilities	Income	Earnings in current period
Associate				
Lumitek Co.,LTD	$ 527,616	$ 304,225	$ 119,155	$ (119,541)

December 31 2012	Total assets	Total liabilities	Income	Earnings in

				current period
Associate	$ -	$ -	$ -	$ -

January 1 2012	Total assets	Total liabilities	Income	Earnings in current period
Associate	$ -	$ -	$ -	$ -

3. The company recognized the income of these investees on the basis of their respective audited financial statements in proportion to the investment by the company accounted for under the equity method in FY2013 and FY2012.
4. The financial statements of subsidiary MEGTAS CO., LTD. in FY 2013 and FY2012 were audited by other certified public accountants. We did not audit these statements and based on the statements audited by other certified public accountants to recognize investment (loss) amounting to (NT$150) thousand and (NT$11,314) thousand, respectively.
5. The group made investment via its subsidiaries - Chia Hsin Investment Co., Ltd., Yi Hsin Investment Co., Ltd. and Chia Ying Investment Co., Ltd. to make direct investment in an associate -Lumitek Co.,LTD. The company holds 6,630,000 shares at NT$10/share for the time being. As of December 31 2012 and January 1 2012, the company held 17.87% of its shares. The company has dominant control over this associate with solid evidence even though the holding of shares still falls below 20%. As such, the investment is accounted for under the equity method.
6. The company has acquired 843,968 shares of stock issued by Lumitek Co.,LTD in April 2013 at the cost of NT$1,976 thousand. As of December 31 2013, the group held 7,473,968 shares or 2015% of the shares issued by Lumitek Co.,LTD and is accounted for under the equity method.
7. Guarantee

   As of December 31 2013, December 31 2012, and January 1 2012, the company had not pledged its investment accounted for under the equity method as collaterals.

(VII) <u>Real properties, plant and equipment</u>

1. The changes in the cost, depreciations and impairments of the real properties, plant and equipment of the company in FY2013 and FY2012:

	Lands	**Housing and structures**	**Machinery equipment**	**Transportation equipment**	**Business equipment**	**R&D equipment**	**Other equipment**	**Work in progress**	**Total**
Cost:									
January 1 2013	$303,362	$1,023,136	$281,971	$ -	$ 55,883	$255,733	$ 14,097	$ 16,800	$1,950,982
Addition	-	12,291	18,305	1,320	11,181	38,178	1,052	497	82,824
Disposition	(11,883)	(4,117)	(68,651)	-	(10,433)	(7,021)	(1,061)	-	(103,166)
Transfer	-	16,800	43,583	-	472	57,829	-	(16,800)	101,884
December 31 2013	$291,479	$1,048,110	$275,208	$ 1,320	$ 57,103	$344,719	$ 14,088	$ 497	$2,032,524
Cost:									
January 1 2012	$239,133	$ 675,677	$261,852	$ -	$ 52,270	$184,420	$ 10,661	$139,777	$1,563,790
Addition	64,229	26,269	7,399	-	12,351	15,890	773	202,831	329,742

Disposition	-	-	(23,224)	-	(9,182)	(1,780)	(883)	-	(35,069)
Transfer	-	321,190	35,944	-	444	57,203	3,546	(325,808)	92,519
December 31 2012	$303,362	$1,023,136	$281,971	$ -	$ 55,883	$255,733	$ 14,097	$ 16,800	$1,950,982
Accumulated depreciations and impairments									
January 1 2013	$ -	$ 100,281	$203,572	$ -	$ 29,747	$128,928	$ 6,786	$ -	$ 469,314
Addition	-	26,058	29,138	183	9,266	37,973	1,873	-	104,491
Disposition	-	(205)	(68,651)	-	(10,205)	(7,021)	(1,053)	-	(87,135)
Transfer	-	-	-	-	(25)	-	-	-	(25)
December 31 2013	$ -	$ 126,134	$164,059	$ 183	$ 28,783	$159,880	$ 7,606	$ -	$ 486,645
Accumulated depreciations and impairments:									
January 1 2012	$ -	$ 80,546	$202,546	$ -	$ 31,238	$101,896	$ 6,309	$ -	$ 422,535
Addition	-	19,735	24,186	-	7,494	28,738	1,360	-	81,513
Disposition	-	-	(23,160)	-	(8,985)	(1,706)	(883)	-	(34,734)
Transfer	-	-	-	-	-	-	-	-	-
December 31 2012	$ -	$ 100,281	$203,572	$ -	$ 29,747	$128,928	$ 6,786	$ -	$ 469,314
Net book value									
December 31 2013	$291,479	$ 921,976	$111,149	$ 1,137	$ 28,320	$184,839	$ 6,482	$ 497	$1,545,879
December 31 2012	$303,362	$ 922,855	$ 78,399	$ -	$ 26,136	$126,805	$ 7,311	$ 16,800	$1,481,668
January 1 2012	$239,133	$ 595,131	$ 59,306	$ -	$ 21,032	$ 82,524	$ 4,352	$139,777	$1,141,255

2. Guarantee

   The detail of guarantee for long-term loans and credit limit as of December 31 2013, December 31 2012, and January 1 2012 is shown in Note 8.

3. The amount of capitalized interest is shown in Note 6 (16) 2. Cost of financing.

(VIII) Intangible assets

The cost, amortization and impairment of intangible assets of the company in FY2013 and FY2012 are shown below:

	Computer software		Computer software
January 1 2013	$ 20,609	**January 1 2012**	$ 13,170
Addition	9,656	Addition	18,987
Reclassification	—	Reclassification	—
Amortization	(12,294)	Amortization	(11,548)
December 31 2013	$ 17,971	**December 31 2012**	$ 20,609

1. Recognized amortization and impairment

   The amortizations of intangible assets and other deferred expenses in FY2013 and FY2012 are shown in the table below:

	FY 2013	FY2012
Cost of operation	$ 8,189	$ 4,287
Operating expense	23,646	26,828
Total amortizations	$ 31,835	$ 31,115

2. R&D Spending

In FY2013 and FY2012, the R&D spending deriving from intangible assets internally developed amounted to NT$550,451 thousand and NT$544,180 thousand, respectively, recognized under the title of "Operating expenses –R&D expenses" in the consolidated income statement.

(IX) Short-term loans: no

(X) Other payables

	December 31 2013		December 31 2012		January 1 2012	
Payables	$	276,053	$	242,653	$	237,646
Payable employee bonus		28,071		29,055		63,905
Short-term employee welfare		34,703		25,375		3,302
Others (less than 5%)		7,017		11,537		15,976
Total	$	345,844	$	308,620	$	320,829

(XI) Provision for liabilities

	Warranty			Warranty	
Balance on January 1 2013	$	17,379	**Balance on January 1 2012**	$	13,491
Increase (decrease) in current period		(7,734)	Increase (decrease) in current period		3,888
Balance on December 31 2013	$	9,645	**Balance on December 31 2012**	$	17,379
Current	$	9,645	Current	$	17,379
Non-current		-	Non-current		-
Balance on December 31 2013	$	9,645	**Balance on December 31 2012**	$	17,379

The provision for warranty liabilities of the company in FY2013 and FY2012 was mainly related to the sales of semiconductor production process and test equipment. The provision for warranty liabilities is estimated on the basis of historical data on warranty. The company expected most of the liabilities would be realized in the year after the sales.

(XII) Long-term loans

Lending bank	**Nature**	**Credit limit**	**Term**	**December 31 2013**
Land Bank of Taiwan-Tunghsinchu Branch	Mortgage loan	$163,000	March 02 2009 ~ March 02 2022	$ 76,953
Less: current portion of long-term loans				(9,329)
Total				$ 67,624
Interest range				1.56 %

Lending bank	**Nature**	**Credit limit**	**Term**	**December 31 2012**
Land Bank of Taiwan-Tunghsinchu Branch	Mortgage loan	$163,000	March 02 2009 ~ March 02 2022	$ 86,282

Less: current portion of long-term loans		(9,329)
Total	$	76,953
Interest range		1.56 %

Lending bank	**Nature**	**Credit limit**	**Term**	**January 1 2012**	
Land Bank of Taiwan-Tunghsinchu Branch	Mortgage loan	$163,000	March 02 2009 ~ March 02 2022	$	95,611
Less: current portion of long-term loans					(9,329)
Total				$	86,282
Interest range					1.56 %

1. Information on the exposure of interest risk and liquidity risks of the company is shown in Note 12 (2).
2. Collaterals for bank loans
   The company pledged its assets under lien as collaterals for the security of loans from the banks. Related information is shown in Note 8.

(XIII) Pension

1. Determined welfare plan
   (1) The company has established the regulation for retirement with welfare in accordance with the "Labor Standards Act", which is applicable to the years of service for full-time employees before the implementation of the "Labor Pension Act" on July 1 2015, and the employees continued to adopt the "Labor Standards Act" after the "Labor Pension Act" has come into effect. Employees meeting the criteria for retirement shall be entitled to a pension on the basis of the years of service and the average salaries in the 6 months prior to retirement thereby each year of service will be given 2 basis points within 15 years of service and will be given 1 basis point in each year of service beyond 15 years up to 45 points. The company contributes at 2% of the total salary on a monthly basis to the pension fund and deposit at the special pension account under the title of the Pension Reserve Monitoring Committee at the Bank of Taiwan. As of December 31 2013, the balance of the pension contribution in the special account at the Bank of Taiwan amounted to NT$34,288 thousand.
   (2) The amount recognized in the balance sheet is shown below:

	December 31 2013	December 31 2012	January 1 2012
Present value of allocated determined welfare obligation	$ 52,257	$ 50,863	$ 42,406
Fair value of planned assets	(34,228)	(30,305)	(26,639)
	18,029	20,558	15,767
Present value of determined welfare obligation pending on	-	-	-

allocation			
Unrecognized actuarial incomes	-	-	(30,211)
Unrecognized service cost from previous period	-	-	-
Adjustment of book opening	-	-	30,211
Net liabilities recognized in the balance sheet	$ 18,029	$ 20,558	$ 15,767

(3) Change in the present value of determined welfare obligation is shown below:

	FY 2013	**FY2012**
Present value of determined welfare obligation on January 1	$ 50,863	$ 42,406
Service cost	123	119
Interest cost	839	746
Actuarial income/loss	432	7,592
Present value of determined welfare obligation on December 31	$ 52,257	$ 50,863

(4) Change in the fair value of planned assets is shown below:

	FY 2013	**FY2012**
Fair value of planned assets on January 1	$ 30,305	$ 26,639
Employer contribution	3,523	3,392
Welfare spending – from planned assets	-	-
Actual return	400	274
Fair value of planned assets on December 31	$ 34,228	$ 30,305

(5) Total expenses recognized in the consolidated balance sheet

	FY 2013	**FY2012**
Service cost in current period	$ 123	$ 119
Interest cost	839	746
Actual return on planned assets	(400)	(274)
Gain/loss of return on planned assets	16	(66)
Total expenses recognized as profits and loss accounts	$ 578	$ 525

(6) Actuarial incomes recognized under other comprehensive incomes:

	FY 2013	**FY2012**
Balance on January 1	$ (6,727)	$ —
Recognition in current period	(672)	(6,727)
Accumulated balance on December 31	$ (7,399)	$ (6,727)

(7) The expected return on the entire planned assets is based on the historical trend of the return with forecast covering the whole period of return on the obligation, and estimated on the basis of the management of the labor pension fund under the old system as announced by the Pension Fund Monitoring Committee with reference to the guaranteed rate of return in the last 3 to 5 years.

(8) The assumption of the actuarial calculation of pension is shown below: (presented

by weighted average)

	FY 2013	FY2012	January 1 2012
Discount rate	1.90%	1.65%	1.76%
Salary and welfare standard in the future	2.25%	2.25%	2.25%
Expected rate of return on planned assets	1.20%	1.20%	1.20%

(9) Historical information on adjustment through experience:

	December 31 2013	December 31 2012	January 1 2012
Present value of determined welfare obligation	$ 52,257	$ 50,863	$ 42,406
Fair value of planned assets	(34,228)	(30,305)	(26,639)
Plan shortage (surplus)	$ 18,029	$ 20,558	$ 15,767
Determined welfare obligation gain/loss			
Adjustment through experience	$ 2,902	$ 7,592	$ -
Change in the assumption of actuary	$ (2,470)	$ -	$ -
Adjustment of planned assets through experience	$ (15)	$ 63	$ -

(10) In the calculation of present value of determined welfare obligation, the company must make judgment and estimate to determine related actuarial assumptions on the balance sheet date, including employee turnover rate and the changes in salary in the future. Any change in the actuarial assumption may cause the amount of the determined welfare obligation of the company at significant level.

(11) The assumption of discount rate of the company has significant influence on the amount of incomes to the company. Change in the assumption of discount rate will yield the following effect:

	FY2013		**FY2012**	
	Increase of 0.25%	**Decrease of 0.25%**	**Increase of 0.25%**	**Decrease of 0.25%**
Effect on determined welfare obligation	(4.48%)	4.73%	(4.61%)	4.88%
Income sensitivity	$ 2,341	$ (2,472)	$ 2,345	$ (2,482)

(12) The company has allocated the amount of NT$3,531 thousand to the pension plan in the year after the reporting date of December 31 2013.

2. Determined contribution plan

(1) With effect on July 1 2015, the company has established the regulation for the contribution of pension fund in accordance with the “Labor Pension Act” which is applicable to employees of ROC nationality. For the employees electing to adopt the “Labor Pension Act” for retirement, the company allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the

personal pension account with accumulated return payable monthly or in lump sum.

(2) In FY2013 and FY2012, the company has recognized pension expenses amounted to NT$32,561 thousand and NT$28,615 thousand in accordance with the regulation for determination of pension allocation.

(XIV) Equity

1. Adjustment of the quantity of outstanding common shares of the company at the beginning and the ending of period:

Unit: share

	FY2013	FY2012
Balance on January 1	76,610,400	76,602,400
Exercise of ESO	2,000	8,000
Cancellation of treasury shares	(8)	-
Balance on December 31	76,612,392	76,610,400

2. Capital surplus

(1) According to the Company Act with new amendment in January 2012, capital surplus shall be allocated to cover the loss carried forward in the first priority before releasing to shareholders as new shares or in cash with the realized portion in proportion to their shareholdings. Realized capital surplus as mentioned shall include the premium in excess of the face value of the shares at the time of issuance and income as gifts. According to the Criteria for the Offering and Issuance of Securities by Issuers, the amount of capital surplus available for allocation each year shall not exceed 10% of the paid-in capital.

(2) The content of the capital surplus balance of the company:

	December 31 2013	December 31 2012	January 1 2012
Common share premium	$ 210,163	$ 210,040	$ 209,499
Premium from conversion of corporate bonds	480,676	480,676	480,676
Treasury stock trade	10,777	10,777	10,777
Shareholders' gift	1	-	-
Changes in the shareholders' equity of associates accounted for under the equity method	19,306	19,306	19,306
Others- acceptance of new shares	19,858	19,858	19,858
Total	$ 740,781	$ 740,657	$ 740,116

A. The company has completed the conversion of the 1st and the 2nd issues of domestic unsecured convertible corporate bonds. The conversion generated capital surplus- conversion of corporate bonds at premium amounted to NT$480,676 thousand – treasury stock trade- NT$8,477 thousand.

B. The company has repurchased 500,000 shares in accordance with the "Regulation for the First Repurchase of Shares for Assignment to Employees" at the cost of NT$35,387 thousand. As resolved by the Board in a session dated November 26 2009, the treasury shares were assigned to the employees and set November 26 2009 as the subscription date. The Board also resolved to assign all the shares to the employees and the employees of subsidiary Chain-Logic International Corp at NT$61.53/share. Under the Black-Scholes pricing model, it is estimated that the fair value of each share is NT$14.03. The company had capital surplus –treasury trade amounted to NT$2,300 thousand.

C. Information on the capital surplus – shareholders' gift of the company is shown in Note 6 (14)-4. Treasury shares.

D. The company has made investment through subsidiaries - Chia Hsin Investment Co., Ltd., Yi Hsin Investment Co., Ltd. and Chia Ying Investment Co., Ltd. in associated enterprise - Lumitek Co.,LTD, and has raised new capital through the issuance of new shares and the exercise of ESO. The subsidiaries have not subscribed in proportion to their shareholding, the company recognized capital surplus-change in the net equity value of associated accounted for under the equity method amounted to NT$19,206 thousand.

E. The company has issued new shares on June 15 2002 and engaged in a swap with subsidiary - Chain-Logic International Corp. with 100% holding. The difference between the cost of investment on the investment day and the net value of the equity acquired amounted to NT$ 19,858 thousand, and booked as capital surplus- others.

3. Retained earnings

(1) According to the Articles of Incorporation of the company: if there is a surplus after account settlement of a fiscal year, the surplus will be appropriated in the following orders: (I) tax payment; (II) cover loss carried forward; (III) 10% as mandatory reserve, (IV) special reserve as required by law, (V) the amount net of the aforementioned deductions of (I) to (IV) plus the undistributed earnings at the beginning of the period will be designed for distribution by the Board if there is still a surplus, and the Board will present the plan of distribution to the General Meeting for final approval. The earnings shall be paid in the following proportion:

- Employee bonus: at least 12%;
- Remuneration to Directors and Shareholders: up to 3%;
- Shareholders bonus: the remainder net of the amount stated in the preceding 2 paragraphs.

The recipients of employee bonus shall include the employees of the subsidiaries.

(2) The Articles of Incorporation of the company have been amended under a resolution of the General Meeting of shareholders dated June 17 2011: the company is still at the growth stage and a number of factors including the investment environment, capital needs, domestic and international competition and

capital budgeting at present and in the future shall be taken into consideration. In addition, the company shall also address to shareholders' equity, balanced dividend and long-term financial planning thereby prepared the proposal of the distribution of earnings by the Board and present before the General Meeting for resolution each year. The distribution of earnings shall be conditioned by capital needs and the dilution of earnings per share, and will be paid out in the forms of cash dividend or stock dividend. Cash dividend will not fall below 10% of the total dividend.

(3) Mandatory reserve

According to the Company Act amended in January 2012, the company shall allocate 10% of its corporate earnings as mandatory reserve until the reserve is equal to the authorized capital. If there is no loss, the company may, at the resolution of the General Meeting, capitalize the pool of mandatory reserve into new shares for release or pay out in cash up only when with the portion of mandatory reserve at the amount in excess of 25% of the paid-in capital.

(4) Special reserve

Earnings may be distributed only special reserve is recognized as a debit balance under the title of other equities on the balance sheet day of the year as required by law. If there is reversal of the debit balance of the title of other equities in the future, reverse the amount and state under the title of earnings available for distribution.

(5) The company estimated employee bonus of NT$28,071 thousand and remunerations to Directors and Supervisors of NT$7,017 thousand in FY2013, and recognized as the cost of operation or operating expenses in FY2013. The estimated amount as mentioned has been passed by the Board on March 21 2013 and the estimation was made on the basis of shareholders' equity and employee welfare with reference to the proportion of allocation for employee bonus over the years, industry standard, and operation in the future. Under these considerations, at least 12% of the earnings could be allocated as employee bonus and 3% of the earnings could be allocated as remuneration to Directors and Supervisors and recognized as employee bonus expenses for current period and released in accordance with the Articles of Incorporation. The quantity of shares for release as stock dividend will be calculated on the basis of the closing price on the day before the resolution of the General Meeting in FY2014 with consideration of ex-right and ex-dividend effect. If the actual amount as resolved by the General Meeting varied with the estimated amount, the difference will be recognized as the income/loss in FY2014.

(6) In FY2012, the company paid out NT$191,526 thousand as cash dividend to the shareholders, NT$27,039 thousand as employee bonus, and NT$6,760 thousand as remuneration to Directors and Shareholders from the earnings of FY2012, which

varied with the recognized amount of employee bonus of NT$29,055 thousand and remuneration to Directors and Shareholders of NT$7,264 thousand by (NT2,520) thousand. The variation is mainly caused by the adjustment of the estimated employee bonus and remuneration to Directors and Supervisors under the consideration of the Board on shareholders' equity and employee welfare with reference to industry standard and operation needs in the future. This is a matter of accounting adjustment and has been stated as income/loss in FY2013.

(7) In FY 2011, the company actually released cash dividend of NT$344,724 thousand, employee bonus of NT$48,667 thousand, and remuneration to Directors and Supervisors of NT$12,167 thousand from the earnings, which varied with the recognized amount of employee bonus of NT$63,905 thousand, remuneration to Directors and Supervisors of NT$15,976 thousand with a difference of (NT$19,047) thousand. The variation is mainly caused by the adjustment of the estimated employee bonus and remuneration to Directors and Supervisors under the consideration of the Board on shareholders' equity and employee welfare with reference to industry standard and operation needs in the future. This is a matter of accounting adjustment and has been stated as income/loss in FY2012.

(8) Information on the resolution of the Board on the motions and the decision of the General Meeting on the distribution of earnings in employee bonus and remunerations to Directors and Supervisors is available at the MOPS at the official website of Taiwan Stock Exchange Corporation.

4. Treasury shares

(1) Reason for repurchase of shares and the change in the quantity:

Unit: share

January 1 to December 31, 2013

Reason for repurchase	Quantity at beginning of period	Increase in current period	Decrease in current period	Quantity at the ending of period
For assignment to employees	2,000,000	—	—	2,000,000
Shareholders surrender the shares	—	8	8	—
Total	2,000,000	8	8	2,000,000

Unit: share

January 1 to December 31, 2012

Reason for repurchase	Quantity at beginning of period	Increase in current period	Decrease in current period	Quantity at the ending of period
For assignment to employees	2,000,000	—	—	2,000,000

(2) According to the Securities and Exchange Act, the quantity of outstanding shares to be repurchased by the company shall not exceed 10% of the total outstanding shares. The total amount of the repurchase of shares shall not exceed the sum of

retained earnings and capital surplus from shares issued at premium and the realized capital surplus. In the period of August to October, 2011, the company has repurchased 2,000,000 treasury shares amounting to NT$152,606 thousand.

(3) The treasury shares held by the company are not permitted to place under lien under the Securities and Exchange Act and such shares do not give entitlement of shareholders until the assignment to holders.

(4) According to the Securities and Exchange Act, the shares repurchased for purpose of assigning to employees shall be assigned to the employees within 3 years after the day of repurchase or shall be deemed unissued shares which shall be subjected to cancellation and deregistration.

(5) The company acknowledged the surrender of 8 shares by shareholders in June 2013 and accepted the shares. The company may hold the shares acquired from the surrender of the shareholders to treasury shares under applicable laws and entered into book at fair value of the day and credit as capital surplus – acceptance of gifts from shareholders and NT$1000. In a resolution of the Board dated July 9 2013, these shares were deregistered for decapitalization as of July 10 2013.

(XV) Stock-based compensation

The stock-based compensation-employee reward effected by the company on or before December 31 2007 is disclosed as follows:

1. Under a resolution of the Board dated November 9 2007, the company established the Regulation for the Issuance and Subscription of Employee Share Options pursuant to Article 28-3 of the Securities and Exchange Act and issued 5,000,000 units of which each ESO unit entitled for the subscription of 1 common share. The company delivers the units as new shares. The subscription price shall be the closing price of common share as of the day the ESO is issued. The ESO is valid for 6 years and no assignment, pledge, donation as gifts or refer to any other means of disposition within such period except under succession. After the 2nd anniversary of granting ESO, employees may exercise the subscription right for common shares in accordance with the timetable and the proportion. In the event of change in the common shares of the company (raise new capital by issuing new shares through offering or private placement, capitalization of retained earnings, capitalization of capital surplus, corporate merger, share split up, raising new capital through the issuance of overseas depository receipts and acceptance of new shares issued by a third party company) after the ESO is issued, the unit price for subscription shall be adjusted accordingly (round to the nearest 10 cents in NTD).
2. The details of the aforementioned ESO plan:

	2013		**2012**	
(in 1,000 shares)	**Qty of ESO**	**Weighted average exercise price (NTD)**	**Quantity of ESO**	**Weighted average exercise price (NTD)**

Outstanding ESO at beginning of period	1,811	$71.7(Note 3)	2,002	$77.6(Note 2)
ESO released in current period	—		—	
ESO exercised in current period	(2)	$71.7(Note 3)	(8)	$71.7~77.6(Note 2)
ESO surrendered in current period (note 1)	(41)		(183)	
Quantity of expired ESO	(1,768)		—	
Outstanding ESO attending of period	—	$68.7(Note 4)	1,811	$71.7(Note 2)
ESO can be exercised at ending of period	—		1,992	
Weighted average of ESO released in current period at fair value (NTD)	$ 37.8616		$ 37.8616	

(Note 1) The ESO bear resigned and surrender the right.

(Note 2) Distribution of earnings which set the conversion price at NT$77.6 from August 21 2011.

(Note 3) Distribution of earnings which set the conversion price at NT$71.7 from September 2 2012.

(Note 4) Distribution of earnings which set the conversion price at NT$68.7 from September 1 2013.

3. As of December 31 2013, information on outstanding ESO is shown below: no.
4. The company adopted the embedded value method in the calculation of ESO released in 2007 and these ESO is not required to be recognized as the cost of remuneration. If the fair value method is adopted in the recognition of the aforementioned cost of ESO, the information on related methods, assumption, and the net profit considered to present and earnings per share is shown below:

		ESO plan in 2007
Pricing model	The Binomial options pricing Model	
Assumption	Risk free interest rate	2.59 %
	Validity	6 years
	Expected price fluctuation rate	41.12%
	Expected dividend rate	3.34%

		FY2013	**FY2012**
Earnings attributable to the company	Earnings stated in financial statement	$ 271,033	$ 261,931
	Earnings to be considered	$ 271,033	$ 261,931
Basic EPS	EPS recognized in the financial statement (NTD)	$ 3.54	$ 3.42
	EPS to be considered (NTD)	$ 3.54	$ 3.42

(XVI) <u>Non-operating incomes and expenses</u>

1. <u>Other incomes and loss - net</u>

	FY2013	**FY2012**
Capital gain (loss) from the disposition	$ 145	$ (232)

of real properties, plant and equipment		
Net exchange gain (loss)	8,354	(7,277)
Others	(54)	(1,759)
Total	$ 8,445	$ (9,268)

2. Cost of financing

	FY2013	FY2012
Interest expenses	$ 1,268	$ 1,415
Less: capitalized interest	(722)	(975)
Total	$ 546	$ 440

(XVII) Income tax

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

	FY2013	FY2012
Income tax in current period:		
Realized in current period	$ 43,664	$ 38,772
Under (over) estimation of income tax in previous year	3,167	—
Total income tax in current period	46,831	38,772
Deferred income tax		
Realization and reversal of temporary difference	3,382	(9,051)
The effect of change in tax rate	—	—
Total deferred income tax	3,382	(9,051)
Total	$ 50,213	$ 29,721

2. The income tax expense recognized under the title of other comprehensive income in FY2013 and FY2012 were both NTD0.

3. The relation between income tax expense (benefit) and accounting profit

	FY2013	FY2012
Earnings (loss) before taxation	$ 321,246	$ 291,652
Income tax rate on Earnings (loss) before taxation in the country of the company (17%)	54,612	49,581
Effect of difference in tax rate in foreign jurisdiction	—	(530)
Effect of removed items under the Tax Code on income tax	7,330	17,574
Effect of deferred income tax assets/liabilities on income tax	3,382	(9,051)
Unrecognized deferred income tax assets	—	—
Tax free income	(18,680)	(22,231)
Effect of deduction for encouragement of investment on income tax	(47,830)	(67,491)
10% income tax levied on undistributed earnings	4,569	22,566
Effect of minimum taxation system on income tax	43,663	39,303
Over or under estimation of income tax in previous year	3,167	—
Total	$ 50,213	$ 29,721

4. Deferred income tax assets and liabilities

(1) Recognized deferred income tax assets and liabilities

	FY2013				
	January 1	Recognized	Recognized	Exchange	December 31

		as income	as other incomes	difference	
Deferred income tax assets					
Temporary difference					
Unrealized falling price and idle inventory	$ 17,807	$ 7,017	-	-	$ 24,824
Unrealized exchange loss	529	(304)	-	-	225
Unrealized warranty cost	2,954	(1,314)	-	-	1,640
Bad debts	3,570	983	-	-	4,553
Unrealized gain between associates	1,722	(352)	-	-	1,370
Taxation difference of depreciations	14	-	-	-	14
Deduction for encouragement of investment	8,985	(8,904)	-	-	81
Total	$ 35,581	$ (2,874)	-	-	$ 32,707
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (200)	$ (154)			$ (354)
Unrealized ROI (overseas)	(4,013)	146			(3,867)
Recognized pension expense (short)	(2,792)	(500)			(3,292)
Total	$ (7,005)	$ (508)	-	-	$ (7,513)

	FY2012				
	January 1	Recognized as income	Recognized as other incomes	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized falling price and idle inventory	$ 11,465	$ 6,342	-	-	$ 17,807
Unrealized exchange loss	519	10	-	-	529
Unrealized warranty cost	2,294	660	-	-	2,954
Bad debts	7,218	(3,648)	-	-	3,570
Unrealized gain between associates	1,887	(165)	-	-	1,722
Taxation difference of depreciations	14	-	-	-	14
Deduction for encouragement of investment	6,980	2,005	-	-	8,985
Total	$ 30,377	$ 5,204	-	-	35,581
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (595)	395			$ (200)
Unrealized ROI (overseas)	(7,801)	3,788			(4,013)
Recognized pension expense (short)	(2,456)	(336)			(2,792)
Total	$ (10,852)	$ 3,847	$ -	$ -	$ (7,005)

(2) Unrecognized deferred income tax assets

	December 31 2013	December 31 2012	January 1 2012
Deduction for encouragement of investment	-	$ 43,265	$ 104,997
Amount not recognized as deferred income tax assets	-	$ 43,265	$ 104,997

As of December 31 2013, the company recognized the tax deductible amount for encouragement of investment on deferred income tax assets have the following expiration dates:

Deductibles	Total deduction	Amount deducted	Deductible amount in current period	Undeducted balance	Final year of deduction
R&D spending in FY2009	$ 51,918	$ —	$ 34,852	$ —	FY 2013
HR training expense in FY 2009	150	—	—	—	FY 2012
Domestic production equipment in FY 2009	101	—	—	—	FY 2013
Domestic production equipment in 2010	81	—	—	81	FY2014
R&D spending in FY2013	47,418	—	12,978	—	(no deference)
	$ 99,668	$ —	$ 47,830	$ 81	

(Note) According to the "Regulation Governing the Application of Deduction for Research and Development for Encouragement of Investment by Business Enterprises" , the deductible items shall not exceed 30% of the income tax payable in the year of taxation and cannot be carried forward to subsequent taxation years.

(3) Unrecognized deferred income tax liabilities

	December 31 2013	December 31 2012	January 1 2012
Temporary of payable tax	-	-	-
Amount of unrecognized deferred income tax liabilities	-	-	-

4. Approval of income tax

The company has its corporate income tax approved by the taxation authorities until FY2011

5. Information on the implementation of the new taxation system by the company:

	December 31 2013	December 31 2012
Balance of deductible account	$ 124,282	$ 112,674

	FY2013 (expected)	FY2012 (Actual)
Deductible rate for distribution of earnings	13.37 %	12.63 %

The information on the aforementioned new taxation system is based on the content of Ministry of Finance Letter Tai-Tsai-Shui-No. 10204562810 dated October 17 2013 in the amount and rate.

6. Information on undistributed earnings of the company

The balance of undistributed earnings of the company amounted to NT$322 thousand except that before FY2007 and all the remainder is classified as undistributed earnings in FY2008.

(XVIII) Earnings per share

1. Basic EPS

Basic earnings per share shall be the income attributable to the holders of the common shares of the company divided by the weighted average quantity of outstanding common shares.

2. Diluted EPS

Diluted earnings per share is the effect of dilution inherent to the common shares for adjustment of the income attributable to all common shares holders of the company and calculated by the weighted average outstanding quantity of shares.

3. The calculation of basic EPS and diluted EPS of the company is shown below:

	FY2013			**FY2012**		
	Amount after taxation	**Weighted average quantity of outstanding shares (1,000 shares)**	**Earnings per share (NTD)**	**Amount after taxation**	**Weighted average quantity of outstanding shares (1,000 shares)**	**Earnings per share (NTD)**
Basic EPS						
Earnings in current period attributable to the holders of common shares	$ 271,033	76,612	$ 3.54	$261,931	76,610	$ 3.42
Diluted EPS						
Earnings in current period attributable to the holders of common shares	$ 271,033	76,612		$261,931	76,610	
Dilution effect inherent to common shares						
Adjustment for the exercise of ESO	–	–		–	–	
Employee dividend	–	468		–	536	
Earnings in current period attributable to the holders of common shares plus the Dilution effect inherent to common shares	$ 271,033	77,080	$ 3.52	$261,931	77,146	$ 3.40

Please refer to Note VI (XIV) for further information on raising new capital.

(XIX) Employee welfare, depreciations, depletion, and amortizations are summarized in the table below by function

By function / By attribute	FY2013			FY2012		
	Attributable to cost of operation	Attributable to operating expense	Total	Attributable to cost of operation	Attributable to operating expense	Total
Employee welfare expenses						
Salary expense (including employee bonus)	414,561	440,026	854,587	345,069	382,523	727,592
Labor and health	30,190	31,289	61,479	23,831	26,713	50,544
insurance premiums						29,140
Pension expense	15,792	17,347	33,139	13,505	15,635	70,216
Other employee welfare expense (note)	57,886	17,564	75,450	51,953	18,263	81,513
Depreciations	48,443	56,048	104,491	28,701	52,812	
Depletions	—	—	—	—	—	—
Amortizations	8,189	23,646	31,835	4,287	26,828	31,115

(Note) Other employee welfare expenses include meals, overtime payment, and employee fringe benefits.

VII. Transactions with related parties

(I) Relations between parent company and subsidiary

The Company's subsidiaries are stated as follows:

	Place of incorporation	Owner's equity (shareholding %) December 31, 2013	December 31, 2012	January 1, 2012
Chain-Logic International Corp.	Taiwan	100%	100%	100%
Yi Hsin Investment Co., Ltd.	Taiwan	100%	100%	100%
Chia Hsin Investment Co., Ltd.	Taiwan	100%	100%	100%
Chia Ying Investment Co., Ltd.	Taiwan	100%	100%	100%
Won Tung Technology Co., Ltd.	Taiwan	100%	100%	100%
MPI TRADING CORP.	Samoa	100%	100%	100%
MMI HOLDING CO., LTD.	Samoa	100%	100%	100%
CHAIN-LOGIC TRADING CORP.	Mauritius	100%	100%	100%
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Mainland China	100%	100%	100%
LEDA-ONE (Shenzhen) Co.	Mainland China	100%	100%	100%
MEGTAS CO.,LTD.	Korea	60%	60%	60%

(II) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(III) Important transactions with related parties

1. Sale of products and labor services to related parties

The Company's sales value and unsettled balance to related parties are stated as follows:

	2013	2012
Sale of products:		
-Affiliates	$ 40,025	$ 51,116
-The Company's director	335,040	244,097
-Subsidiary	63,570	45,950
Sale of labor services:		
-Affiliates	—	—
-The Company's director	36,770	45,080
-Subsidiary	—	—
Total	$ 475,405	$ 386,243

	Receivable accounts-related parties		
	December 31, 2013	December 31, 2012	January 1, 2012
Affiliates	$ 11,032	$ 17,315	$ 11,412
The Company's director	29,873	59,351	40,165
Subsidiary	25,938	7,107	18,569
Total	$ 66,843	$ 83,773	$ 70,146

The price of the Company's sale to related parties was not significantly different from the Company's general selling price.

2. Purchase of products from related parties

The Company's purchase value and unsettled balance to related parties are stated as follows:

	Purchase	
	2013	2012
Affiliates	$ 34	$ 52
The Company's director	12,091	20,132
Subsidiary	3,313	4,599
Total	$ 15,438	$ 24,783

	Payable accounts-related parties		
	December 31, 2013	December 31, 2012	January 1, 2012
Affiliates	$ 10	$ 51	$ 595
The Company's director	2,097	1,666	873
Subsidiary	541	4,653	29
Total	$ 2,648	$ 6,370	$ 1,497

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

3. Purchase of labor services from related parties

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

	Expenditure	
	2013	**2012**
Promotion-expenditure in commission:		
Affiliates	$ 1,210	$ 748
The Company's director	899	1,366
Subsidiary	71,831	88,239
Promotion-expenditure in royalty:		
-The Company's director	39,228	35,855
Production-processing fee		
-Affiliates	104	1,595
Total	$ 113,272	$ 127,803

	Other payable accounts-related parties		
	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Affiliates	$ 54	$ 157	$ —
The Company's director	7,497	11,328	8,592
Subsidiary	29,412	26,988	137,942
Total	$ 36,963	$ 38,473	$ 146,534

(1) For the calculation of the royalty to related parties, please see Note IX(II).

(2) The unsettled balance to the related parties shall be repaid in cash within 3 months after the reporting date. The payment of the general expenses was not significantly different. The trading price was not significantly different from the general trading price.

4. Purchase or sale of real property and other assets

(1) The real property and other assets purchased by the Company from related parties are stated as follows:

	Nature	**2013**	**2012**
The Company's director	Machine & equipment	$ 1,042	$ —
Subsidiary	Machine & equipment	$ 72	$ —

(2) The Company's sale of real property and other assets to related parties

2013: N/A

2012:

	Name of property	Cost	Accumulated depreciation	Book value	Selling price	Gain (loss) from disposition
Subsidiary	Furniture and fixtures	$ 1	$ 1	$ –	$ –	$ –
Subsidiary	Computer equipment	$ 30	$ 6	$ 24	$ 25	$ 1

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

2013

	Maximum balance	Balance, ending	Interest rate %	Interest revenue
Subsidiary	$ 3,009	$ 3,074	4.93%	$ 65 (Note)

(Note) The interest revenue has not been received before December 31, 2013, which was stated as other receivable accounts-related party.

2012: N/A

6. Lease

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

	2013	**2012**
Subsidiary	$ 4,276	$ 3,670

The main contents of lease contract:

Subject matter	Duration of lease	Mode of collection
Rent the offices, parking lots and health center at Zhonghe St., Zhubei City, Hsinchu County	October 1, 2008~December 31, 2008 Renewed automatically upon expiration	Initially NT$242 thousand (before tax) per month, and adjusted as NT$319 thousand per month as of September 1, 2012 (before tax); The rent of health center was NT$2,000 (before tax) after August 20, 2012; The rent of parking lots was calculated subject to the actual service condition on a monthly basis.
Jiaren St., Zhubei City, Hsinchu County (Employee dormitory)	December 1, 2005~November 30, 2006 Renewed automatically upon expiration	Settled based on the actual number of persons on a monthly basis.
Rent the branch company office at Luchu, Kaohsiung City	April 18, 2008~April 17, 2009 Renewed automatically upon expiration	NT$10 thousand per month (before tax)

7. Others

(1) Other receivable accounts

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiary	$ 933	$ 1,028	$ 700

Receivable amortization expenses for rent of offices.

(2) Prepayment for purchases (stated as prepayment)

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiary	$ 174	$ 1,238	$ —

(3) Prepaid expenses (stated as prepayment)

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiary	$ —	$ —	$ 1,185

(4) Payment on behalf of others (stated as other current assets)

	December 31, 2013	December 31, 2012	January 1, 2012
Subsidiary	$ 7,282	$ 7,742	$ 3,020

Out-of-pocket expenses of the general expenditure

(5) Advance sale receipts

	December 31, 2013	December 31, 2012	January 1, 2012
Affiliates	$ 3,684	$ —	$ 169
The Company's director	5,000	74	74
Subsidiary	50,250	4,102	455
Total	$ 58,934	$ 4,176	$ 698

(6) Temporary receipts (stated as other current liabilities)

	December 31, 2013	December 31, 2012	January 1, 2012
The Company's director	$ 97	$ —	$ —

(7) Manufacturing expenses (stated as operating cost)

	Nature	2013	2012
The Company's director	Repair and maintenance expense	$ —	$ 53
The Company's director	Other expenses	$ 50	$ 152
Subsidiary	Other expenses	$ 152	$ 66
Subsidiary	Miscellaneous purchases	$ 176	$ —

(8) Selling expenses

	Nature	2013	2012
The Company's director	Other expenses	$ 700	$ 251
The Company's director	Miscellaneous purchases	$ 78	$ —
The	Repair and	$ 140	$ —

Company's director	maintenance expense		
The Company's director	Traveling expenses	$ —	$ 14
Subsidiary	Other expenses	$ 370	$ —

(9) Management expenses

	Nature	2013	2012
Affiliates	Other expenses	$ 51	$ —
Subsidiary	Dormitory fees paid by employees	$ (49)	$ (83)

(10) Research expense

	Nature	2013	2012
The Company's director	Other expenses	$ —	$ 4
Subsidiary	Other expenses	$ 175	$ 188
Subsidiary	Miscellaneous purchases	$ 73	$ -

(11) Other revenue

	2013	2012
The Company's director	$ 125	$ —
Affiliates	$ 1,561	$ 298
Subsidiary	$ 22	$ 213

(III) Information about remuneration to the management

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

	2013	2012
Salary and other short-term employee benefits	$ 10,045	$ 15,972
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Share-based payment	—	—
Total	$ 10,045	$ 15,972

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

VIII. Pledged assets

The following assets have been provided to the Company as the collaterals for bank loans, import business tax and sale commitment. The book value thereof is stated as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Land	$ 227,250	$ 227,250	$ 227,250
Building	326,563	334,393	342,223
Pledged time deposit (stated as other current assets)	8,376	7,355	131,546
Bank reserve account (stated as other current assets)	–	–	2
Total	$ 562,189	$ 568,998	$ 701,021

IX. Significant contingent liability and unrecognized contractual commitment

(1) Contingency: N/A.

(2) Commitment:

1. In order to upgrade the product quality and local content rate, the Company entered into the cooperative contract with the following companies. The main contents of the contract are stated as follows:

Cooperative company	Payment method	Product by technical cooperation
the Company's director-MICRONICS JAPAN CO., LTD.	The technical remuneration equivalent to 3% of the total sales value of all probe cards manufactured and sold by the Company shall be payable once per quarter.	Provide the technology and intelligence for improvement on precision of the position of pins applied to IC wafer inspection.

2. Balance of unused letter of credit issued by the Company, guarantee money paid and service charges: N/A.
3. The Company rented the land lots in Tainan Science Park from Southern Taiwan Science Park Administration for construction of Luchu 1st Plant and 2nd Plant. The lease commenced from February 15, 2005 and October 1, 2006 respectively. According to the lease contract, the lease of the land shall persist for no more than 20 years, and the lease shall expire on December 31, 2024. Upon expiration of the lease, both parties may enter into a new contract; otherwise, the contract shall terminate naturally and the Company is prohibited from claiming the continuance of lease or irregular lease with any excuse. In the case of land price re-set by the government pursuant to laws, the rent shall be adjusted and collected based on the re-set land price. Further, the Company rented the land at Taiho Section, Zhubei City, Hsinchu County from a non-related party for parking lots. The lease shall be effective from May 15, 2012 to May 14, 2017, for a total of 5 years. The Company shall surrender the land to the lessor upon expiration of termination of the lease contract.

   The income expenses for said two lots of long-term operating leased land were stated as

NT$5,603 thousand and NT$4,616 thousand in 2013 and 2012.

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

	December 31, 2013
Less than one year	$ 5,603
one year to five years	19,690
More than five years	23,307
Total	$ 48,600

4. The outstanding amount under the purchase orders signed for purchase of equipment and construction in progress until December 31, 2013 was about NT$56,396 thousand.

X. Significant disaster loss: N/A.

XI. Significant subsequent events:

In order to meet the need for development of market and entire operation, the Group planned to invest Lumitek (Changchou) Co. Ltd. incorporated in Mainland China via its subsidiary, MMI HOLDING CO., upon resolution of the Company's Board of Directors on November 8, 2013. The investment amount was set as US$6 million preliminarily. The investment project was approved by Investment Commission, Ministry of Economic Affairs. The Company has remitted US$4 million outward to execute the investment project in January 2013, and completed the registration and received the company license locally.

XII. Others

(1) Financial instruments

1. Information about fair value of financial instrument

	December 31, 2013		December 31, 2012		January 1, 2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial assets						
Cash and cash equivalent	$ 417,949	$ 417,949	$ 433,167	$ 433,167	$ 776,311	$ 776,311
Receivable notes and receivable accounts	500,718	500,718	663,017	663,017	561,954	561,954
Other receivable accounts	9,577	9,577	1,695	1,695	5,755	5,755
Other financial assets-current	17,589	17,589	15,659	15,659	136,289	136,289
Total	$ 945,833	$ 945,833	$ 1,113,538	$ 1,113,538	$ 1,480,309	$ 1,480,309
Financial liabilities						
Short-term loan	$ -	$ -	$ -	$ -	$ -	$ -
Payable notes and payable accounts	374,536	374,536	384,569	384,569	436,484	436,484
Other payable accounts	399,790	399,790	385,006	385,006	480,771	480,771
Long-term loan (including the current portion)	76,953	76,953	86,282	86,282	95,611	95,611
Total	$ 851,279	$ 851,279	$ 855,857	$ 855,857	$ 1,012,866	$ 1,012,866

2. Valuation technology and hypotheses applied by measurement at fair value:

   The fair value of financial assets and liabilities means the value of the spot trading of the instruments with buyers with willingness (not by force or liquidation). The Company adopts the following methods and hypotheses for valuation of fair value of financial assets and liabilities:

   (1) The book value of cash and cash equivalent, receivable accounts, payable accounts, other current assets and other current liabilities shall be the fair value of the same. The reason is that the maturity date of said instruments is close.

   (2) The fair value of financial assets and liabilities with standard terms and conditions and traded in open market shall be decided subject to the market quotation (including TWSE/GTSM stock and bond, et al.).

   (3) The fair value of derivative financial instruments shall be valued based on the open quotation. When the open quotation is unavailable, the fair value of derivative financial instruments other than options shall be subject to the cash flow discounting analysis, based on the yield rate curve applicable in the duration of such instruments.

3. Fair value recognized in the balance sheet:

   The Company did not hold any financial assets (liabilities) at fair value through profit or loss and available-for-sale financial assets after the initial recognition on the dates of the financial statements, i.e. December 31, 2013, December 31, 2012 and January 1, 2012. Therefore, it is necessary for the Company to disclose the following analysis information by three levels:

   1st level: Open quotation of the same assets or liabilities in an active market.

   2nd level: Except the open quotation under 1st level, the import parameter of assets or liabilities may be observable directly (namely, the price) or indirectly (namely, presumed from the price).

   3rd level: The import parameters of assets or liabilities are not based on observable market information (non-observable parameters).

4. Derivative financial instruments: N/A.

(II) Financial risk management

1. Purpose

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

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

with the requirements related to financial risk management defined by the Company.

2. Nature and degree of important financial risk

(1) Market risk

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

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

A. Foreign exchange risk

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

The Company's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. With respect to some fund in foreign currency, the Company used the forward exchange agreement to manage foreign exchange risk. Considering that said natural hedging and foreign exchange risk management by forward exchange agreement did not meet the hedging accounting policy, the Company did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Company's income and equity. The Company's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen and Euro.

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

	December 31, 2013			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 4,364	29.741	$129,789
	NTD/JPY	$ 21,376	0.284	$ 6,066
	NTD/EUR	$ 8	39.375	$ 315
	NTD/RMB	$ 131	4.9	$ 642
	NTD/KRW	$ 809	0.0284	$ 23
	NTD/HKD	$ 4	3.794	$ 17
	NTD/GBP	$ 1	49.145	$ 52
	NTD/SGD	$ 1	23.560	$ 30
	NTD/MYR	$ 3	8.732	$ 30
Financial liabilities	NTD/USD	$ 3,305	29.838	$ 98,616
	NTD/JPY	$46,348	0.286	$ 13,246
	NTD/EUR	$ 49	41.653	$ 2,041

	December 31, 2012			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 6,498	29.985	$188,348
	NTD/JPY	$ 1,046	0.3364	$ 352
	NTD/EUR	$ 22	38.284	$ 829
	NTD/RMB	$ 40	4.66	$ 189
	NTD/KRW	$ 502	0.0273	$ 14
	NTD/HKD	$ 7	3.699	$ 28
	NTD/GBP	$ -	46.705	$ 1
	NTD/SGD	$ 1	23.63	$ 30
	NTD/MYR	$ 2	9.101	$ 20
Financial liabilities	NTD/USD	$ 2,338	29.086	$ 68,015
	NTD/JPY	$ 9,688	0.3384	$ 3,278
	NTD/EUR	$ 5	38.684	$ 196
	NTD/RMB	$ 2	4.758	$ 9
	NTD/SGD	$ 3	24.03	$ 80

January 1, 2012			
Currency unit	**Amount in foreign currency (thousand**	**Applicable foreign exchange rate, ending**	**Book value (NTD) (thousand dollars)**

		dollars)	(Dollar)	
Financial assets	NTD/USD	$ 8,406	30.222	$254,053
	NTD/JPY	$ 31,889	0.3887	$ 12,395
	NTD/EUR	$ 1	39.07	$ 51
	NTD/RMB	$ 68	4.807	$ 328
	NTD/KRW	$ 3,602	0.0263	$ 95
	NTD/HKD	$ 7	3.8475	$ 28
	NTD/GBP	$ -	46.6	$ 1
	NTD/SGD	$ 6	23.185	$ 137
	NTD/MYR	$ 1	9.148	$ 8
Financial liabilities	NTD/USD	$ 2,705	30.322	$ 82,017
	NTD/JPY	$16,359	0.3925	$ 6,422
	NTD/EUR	$ 2	39.379	$ 67
	NTD/RMB	$ 19	4.909	$ 91
	NTD/SGD	$ 5	23.58	$ 130

B. Interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Company's interest rate risk arises primarily from the loan with floating interest rate.

The Company maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

C. Pricing risk

Due to the fact that in the investment held by the Company indicated in the individual balance sheet, the Company did not hold the financial assets including equity instruments. Therefore, the Company did not suffer significant pricing risk.

D. Other risks over market value

In addition to meeting expected consumption and sale needs, the Company did not sign any product contract which did not apply net settlement.

E. Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2013, December 31, 2012 and January 1, 2012 is stated as following:

December 31, 2013

Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/- 3,215 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(192) thousand

December 31, 2012

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-3,547 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(215) thousand

January 1, 2012

Primary risk	Range of change	Sensitivity of income
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-5,351 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(239) thousand

(2) Credit risk

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

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

C. In 2013 and 2012, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart's failure to perform contract.

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

E. The Company's Finance Dept. manages the credit risk over the deposits in banks and other financial instruments according to the Group's policy. The

Company's trading counterparts were decided by the internal control procedure, who were trustworthy banks and corporations which were not expected to breach the contracts. Therefore, there should be no significant credit risk.

G. Guarantee

According to the Company's policy, the Company may only make financial guarantee for the subsidiaries wholly owned by the Company. Before December 31, 2013, December 31, 2012 and January 1, 2012, the Company has never made any endorsements/guarantees.

(3) Liquidity risk

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

B. The Company's will call the management meeting periodically to assist Financial Accounting Dept. control the need for cash flow and the optimal investment return in cash. Generally, the Company will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect, which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Company's loan totaled NT$140,000 thousand on December 31, 2013.

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

	December 31, 2013			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ -	$ -	$ -	$ -
Payable accounts (including related party)	374,536	-	-	374,536
Other payable accounts (including related party)	399,790	-	-	399,790
Long-term loan (including the current portion)	9,329	9,329	58,295	76,953
Total	$ 783,655	$ 9,329	$ 58,295	$ 851,279

	December 31, 2012			
Non-derivative financial	**Within 1**	**1~2 years**	**More than 2**	**Total**

liabilities	year		years	
Short-term loan	$ -	$ -	$ -	$ -
Payable accounts (including related party)	384,569	-	-	384,569
Other payable accounts (including related party)	385,006	-	-	385,006
Long-term loan (including the current portion)	9,329	9,329	67,624	86,282
Total	$ 778,904	$ 9,329	$ 67,624	$ 855,857

	January 1, 2012			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ -	$ -	$ -	$ -
Payable accounts (including related party)	436,484	-	-	436,484
Other payable accounts (including related party)	480,771	-	-	480,771
Long-term loan (including the current portion)	9,329	9,329	76,953	95,611
Total	$ 926,584	$ 9,329	$ 76,953	$1,012,866

(III) Capital risk management

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

The Company controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Company maintained the same strategy as that 2012 in 2013, dedicated to maintaining the debt/equity ratio less than 100%. The Company's debt ratios on December 31, 2013, December 31, 2012 and January 1, 2012are stated as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Total liabilities	$ 1,550,077	$ 1,771,931	$ 1,759,434
Total net worth	3,055,611	2,962,948	3,056,950
Debt/equity ratio	51%	60%	58%

XIII. Disclosures of Notes

(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Company shall also disclose the information about important transactions:

No.	Contents	2013
1	Loans to others:	Attached table 1

2	Endorsement/guarantees made for others:	N/A
3	Marketable securities-ending	Attached table 2
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period:	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital:	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital:	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital:	Attached table 3
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital:	N/A
9	Information about transactions of derivative instruments:	N/A
10	Business relationship and important transactions between parent company and subsidiaries:	Individual financial statement Not required to be disclosed

Attached table 1: Loans to others:

No. (Note 1)	Lender	Borrower	Account titles	Whether Related party or not	Maximum balance in current period	Ending Balance (Note 2)	Drawdown	Interest rate interval	Nature of loan	Amount of Business transactions	Reasons necessary for offering short-term loans	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 3)	Limit of total loans (Note 3)
													Name	Value		
0	The Company	MEGTAS CO.,LTD.	Other receivable accounts-related party	Yes	$3,009	$3,009	$3,009	4.93%	Short-term loans	—	Working capital	—	—	—	$305,193	$1,220,772

Note 1: “0" for the Company, and each investee is numbered in sequential order starting from 1.

Note 2: The Company's board of directors resolved on July 9, 2013 to loan the fund to its subsidiary, MEGTAS CO., LTD., in the amount of NT$3,009 thousand.

Note 3: According to the Company's Operating Procedure for Loaning to Others, the limit of loan shall be set in the following manners:

(1) The limit of total loans shall be no more than 40% of the net worth in the Company's latest financial statement: 3,051,929 thousand (the Company's net worth on March 31, 2013) X 40% ＝ 1,220,772 thousand.

(2) The limit of loan to any single subsidiary shall be no more than 10% of the net worth in the Company's latest financial statement: 3,051,929 thousand (the Company's net worth on March 31, 2013) X 10% ＝ 305,193 thousand.

Attached table 2: Marketable securities-ending (excluding those held by invested subsidiaries, affiliates and joint ventures)

Holder of securities	Securities Type and name	Affiliation with issuer of securities	Account title	Ending				Remark
				Quantity	Book value	Shareholding ratio	Fair value	
MPI Corporation	TAISelec Co., Ltd.	—	Financial assets measured at cost-noncurrent	150,000 (shares)	$ 20,231	18.75 %	—	

Attached table 3: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital:

Purchaser/ seller	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Duration	Unit price	Duration	Balance	Percentage in total accounts/notes receivable (payable)	
The Company	MJC Electronics Corporation	Subsidiary of the Company's director, MJC	Sale	$ 335,947	12 %	same as that applicable to the general customer	—	—	Receivable accounts $29,873	6 %	

(II) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Company may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) is stated as follows:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee Income in the current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 38,541	$ 2,964	$ 2,964	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO., LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 133,374	$ 120,407	4,390,045	100%	$ 143,291	$ (3,317)	$ (3,317)	Subsidiary of MPI Corporation (Note 5)

MPI Corporation	MEGTAS CO.,LTD.	134Gunseo-ri,Jikson-eub,Seobuk-gu,Cheonan,Chungnam,331-811, Korea	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	$ 39,906	$ 39,906	300,000	60%	$ 25,188	$ (251)	$ (504)	Subsidiary of MPI Corporation (Note 4)
MPI Corporation	Chain-Logic International Corp.	3F, No. 153, Zhonghe Street, Zhubei City, Hsinchu County	Professional agent of semi-conductor	$ 50,000	$ 50,000	5,000,000	100%	$ 216,447	$ 6,679	$ 6,679	Subsidiary of MPI Corporation
MPI Corporation	Chia Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	$ 33,500	$ 33,500	3,350,000	100%	$ 15,147	$ (7,773)	$ (7,773)	Subsidiary of MPI Corporation
MPI Corporation	Yi Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	$ 33,500	$ 33,500	3,350,000	100%	$ 15,148	$ (7,773)	$ (7,773)	Subsidiary of MPI Corporation
MPI Corporation	Won Tung Technology Co., Ltd.	1F, No. 100, Jiaren Street, Zhubei City, Hsinchu County	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	$ 500	$ 500	50,000	100%	$ 352	$ (24)	$ (24)	Subsidiary of MPI Corporation
MPI Corporation	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 1,976	—	843,968	2.28%	$ (4,977)	$ (120,041)	$(1,976)	MPI adopted the evaluation under equity method.
Chain-Logic International Corp.	Chain-Logic Trading Corp.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	$ 46,921	$ 46,921	1,400,100	100%	$ 103,890	$ 11,041	—	Subsidiary of Chain-Logic International Corp.
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	$ 33,300	$ 33,300	3,330,000	100%	$ 11,419	$ (5,966)	—	Subsidiary of Chain-Logic International Corp.
Chia Ying Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 18,000	$ 18,000	1,836,000	4.95%	$ 11,058	$ (120,041)	—	Chia Ying Investment Co., Ltd. adopted the evaluation under equity method.

Chia Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 33,000	$ 33,000	2,397,000	6.46%	$ 14,431	$ (120,041)	－	Chia Hsin Investment Co., Ltd. adopted the evaluation under equity method.
Yi Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 33,000	$ 33,000	2,397,000	6.46%	$ 14,431	$ (120,041)	－	Yi Hsin Investment Co., Ltd. adopted the evaluation under equity method.

Note 1: Except MEGTAS CO., LTD., which recognized the investment income based on the financial statements audited and certified by other external auditors, the investment income of the others were recognized based on the financial statements audited by the parent company's external auditors.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: In order to meet the need for business expansion, the subsidiary, MEGTAS CO., LTD., increased capital by 500 million won on March 9, 2012, including the capital invested by the Company, 300 million won (equivalent to NT$7,945 thousand). Until December 31, 2013, the Company had held 300,000 shares, i.e. shareholding of 60%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

Note 5: In order to meet the need for business expansion, the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$1,170,000 thousand (equivalent to NT$34,813 thousand) in June 2012, and by US$120,000 (equivalent to NT$3,593 thousand) in July 2012, by US$1,000,000 (equivalent to NT$29,300 thousand) in November 2012, by US$120,000 (equivalent to NT$3,496 thousand) in December 2012, and by US$440,000 (equivalent to NT$12,967 thousand) in October 2013. So far, the Group has invested a total of US$4,390,045 in the subsidiary, MMI HOLDING CO., LTD., totaling 4,390,045 shares, at the par value of US$1 per share. The Company's shareholding was 100%.

In order to develop the market in Mainland China, the Group's subsidiary, LEDA-ONE (Shenzhen) Co., increased capital by US$1,170,000 via the subsidiary, MMI HOLDING CO., LTD., in June 2012. So far, the Group has invested a total of US$1,800,000 in the subsidiary, LEDA-ONE (Shenzhen) Co.. The shareholding of the subsidiary, MMI HOLDING CO., LTD., was 100%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

In order to develop the market in Mainland China, the Group's affiliate, MMK (Kunshan), increased capital by US$120,000 via the subsidiary, MMI HOLDING CO., in July 2012, and by US$1,000,000 in November 2012, by US$120,000 in December 2012, and by US$440,000 in October 2013. So far, the Group has invested a total of US$1,960,000 in the affiliate, MMK

(Kunshan). The shareholding of the subsidiary, MMI HOLDING CO., LTD., was 40%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

(III) <u>Information related to investments in China</u>:

1. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines	Paid-in capital	Mode of investment	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee income recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 4)	Book value, ending	Accumulated investment income received until the end of period
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Primarily engaged in international trading	USD 1,400,000 ($46,917)	(Note 1)	USD 1,400,000 ($ 46,917)	－	－	USD 1,400,000 ($ 46,917)	$ 8,296	100 %	$ 8,296	$ 99,297	
Mjc Microelectronics (Shanghai) Co., Ltd (Note 4)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	－	－	USD 600,000 ($ 20,813)	$ 6,093	40 %	$ 2,437	$ 42,365	$32,573
MET	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	－	－	－	－	$ 3,027	40 %	$ 1,211	$ 2,664	
LEDA-ONE (Shenzhen) Co.	Production of new electronic components, LED prober, LED sorting machine, and LED spectrometer, and development of new electronic components	USD 1,800,000 ($54,111)	(Note 2)	USD 1,800,000 ($ 54,111)	－	－	USD 1,800,000 ($ 54,111)	$ 848	100 %	$ 848	$ 43,381	
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,520,000 ($ 44,456)	USD 440,000 ($12,967)	－	USD 1,960,000 ($ 57,423)	$ (15,273)	40 %	$(6,109)	$ 49,064	

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP..

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD..

Note 3: Reinvest the company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd..

Note 4: The investment income was recognized based on the financial statements audited by the parent company's external auditors.

2. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 5,760,000 (NTD 179,264)	USD 5,760,000 (NTD 179,264)	NTD 1,833,367

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

3. Important transactions:

For the important transactions of the Company with the investees in Mainland China, direct or indirect, in 2013 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

XIV. Information by department

Please see the consolidated financial statements 2013.

XV. First adoption of the IFRSs

The Company’s financial statement on December 31, 2012 was prepared in accordance with the generally accepted accounting principles, as stated in Note 4(1). This individual financial statement was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

The accounting policy referred to in Note 4 has been applied to the comparative individual financial statement 2012, individual balance sheet on December 31, 2012, and the individual balance sheet upon the first-time application of IFRSs on January 1, 2012 (the Company’s date of conversion).

When preparing the relevant reports 2012, the Company made the adjustment based on the amounts reported in the financial statements prepared in accordance with the generally accepted accounting principles initially as the starting point, and enumerates the effect and note to the Company’s financial position, financial performance and cash flow in various periods in the following table and notes thereto upon conversion of the generally accepted accounting principles to the IFRSs approved by FSC.

(1) According to IFRS No. 1 "First-time Adoption of International Financial Reporting Standards", when a company adopts the IFRSs at the first time, it shall prepare its financial statements according to all of the accounting principles effective then and adjust the relevant figures retroactively, unless it may apply optional exemptions and mandatory exceptions.

1. The Company's application of optional exemptions is summarized as following:

(1) Recognition cost

The Company's property, plant and equipment is valued at cost according to the ROC GAAP for the time being, and depreciated reasonably and systematically over their useful years. Therefore, for the time being, the book value of the Company's property, plant and equipment meets the requirements about the model of cost referred to in IAS 16 "Property, Plant and Equipment". Considering that the model of cost matches the operating model of the Company's property, plant and equipment better. The Company does not intend to identify the fair value as the recognition cost on the date of conversion to IFRSs and, therefore, waives the optional exemptions.

(2) Employee benefits

The Company chose to state all of the accumulated actuated income related to the employee benefit plan into the retained earnings in whole on the date of conversion to the IFRSs.

Meanwhile, the Company also chose to apply the exemptions from disclosure under IFRS No. 1 to defer the decided amounts in each accounting period as of the date of conversion, and disclose the present value of defined benefit obligations, fair value of planned assets and earnings/loss of the plan, and information about experience adjustments. Therefore, the Company plans to adopt such exemptions and state all of the accumulated actuated income in whole, and adjusts the retained earnings accordingly.

(3) Share-based payment

The Company's share-based payment transactions primarily include employees' stock dividends and options. According to the ROC GAAP applicable then, the Company stated them into allocation of earnings and inclusive value before 2008. Notwithstanding, after 2008, the Company stated them according to the accounting treatment required under the Statement of Financial Accounting Standards No. 39 "Accounting Principles for Share-based Payment", in line with IFRS No. 2. If the share-based payment transactions before 2008 apply IFRS No. 2 retroactively, some adverse effect might be produced on shareholders' equity. Therefore, the Company does not plan to apply the same retroactively.

The Company waived to apply the IFRS No. 2 "Share-based Payment" retroactively to the transactions of the share-based payment given and vested before the date of conversion to IFRSs.

2. The Company's application of mandatory exceptions is summarized as following:

The accounting estimates made based on IFRSs on January 1, 2012 are identical with those made based on the ROC GAPP on the same date.

(II) The adjustment upon conversion from the ROC GAPP to IFRSs

1. Adjustment of equity:

December 31, 2012	January 1, 2012

	Conversion from GAPP	into IFRSs Effect	IFRSs	Conversion from GAPP	into IFRSs Effect	IFRSs	Note
Assets							
Current assets							
Cash and cash equivalent	$ 433,167		$ 433,167	$ 776,311		$ 776,311	
Receivable notes and receivable accounts	663,017		663,017	561,954		561,954	
Other receivable accounts	1,028	667	1,695	-	5,755	5,755	
Income tax assets in the current period	-		-	-		-	(8)
Inventory	1,459,030		1,459,030	1,488,581		1,488,581	
Prepayment	69,605		69,605	80,616	(9,079)	71,537	(8)
Other current assets	50,817	(35,158)	15,659	175,832	(39,543)	136,289	(1)(6)(8)
Total current assets	2,676,664	(34,491)	2,642,173	3,083,294	(42,867)	3,040,427	
Non-current assets							
Financial assets measured at cost - noncurrent	20,231		20,231	20,231		20,231	
Investment under equity method	440,912	(10,496)	430,416	495,365	(12,419)	482,946	
Property, plant and equipment	1,476,877	4,791	1,481,668	1,135,657	5,598	1,141,255	(2)(3)
Intangible assets	-	20,609	20,609	-	13,170	13,170	(8)
Deferred income tax assets	-	35,581	35,581	-	30,377	30,377	(1)
Other non-current assets	129,601	(25,400)	104,201	106,746	(18,768)	89,978	(2)(3)(8)
Total non-current assets	2,067,621	25,085	2,092,706	1,757,999	17,958	1,775,957	
Total assets	$4,744,285	(9,406)	$4,734,879	$4,841,293	(24,909)	$4,816,384	
Liabilities							
Current liabilities							
Payable notes and payable accounts	$ 384,569		$ 384,569	$ 436,484		$ 436,484	
Other payable accounts	36,319	310,774	347,093	79,881	387,482	467,363	(4)(5)(8)
Income tax liabilities in the current period	38,426		38,426	52,938		52,938	(8)
Liability reserve-current	17,379		17,379	13,491		13,491	
Other current liabilities	1,165,197	(285,399)	879,798	1,060,316	(384,181)	676,135	(1)(4)(8)
Total current liabilities	1,641,890	25,375	1,667,265	1,643,110	3,301	1,646,411	
Non-current liabilities							
Long-term loan	76,953		76,953	86,282		86,282	
Liability reserve-noncurrent	-		-	-		-	
Deferred income tax liabilities	5,914	1,091	7,005	8,897	1,955	10,852	(1)
Accrued pension liabilities	1,149	19,409	20,558	-	15,767	15,767	(6)
Other non-current liabilities	10,282	(10,132)	150	11,224	(11,102)	122	
Total non-current liabilities	94,298	10,368	104,666	106,403	6,620	113,023	
Total liabilities	1,736,188	35,743	1,771,931	1,749,513	9,921	1,759,434	
Equity							
Capital stock	786,104		786,104	786,024		786,024	
Capital surplus	740,657		740,657	740,116		740,116	
Retained earnings	1,639,806	(62,720)	1,577,086	1,701,436	(34,830)	1,666,606	(5)(6)
Other equities	(5,864)	17,571	11,707	16,810		16,810	(6)(7)
Treasury stock	(152,606)		(152,606)	(152,606)		(152,606)	
Total equities	3,008,097	(45,149)	2,962,948	3,091,780	(34,830)	3,056,950	
Total liabilities and equities	$4,744,285	(9,406)	$4,734,879	$4,841,293	(24,909)	$4,816,384	

2. Adjustment of comprehensive income

	2012			
	Effect of conversion from GAPP	into IFRSs Effect	IFRSs	Note

Operating revenue	$ 2,678,483		$2,678,483	
Operating cost	(1,427,563)	(12,680)	(1,440,243)	(5)
Gross profit	1,250,920	(12,680)	1,238,240	
Selling expenses	(266,437)	(1,555)	(267,992)	
Management expenses	(116,800)	(144)	(116,944)	(5)(6)
R&D expenses	(537,375)	(6,805)	(544,180)	
Total operating expense	(920,612)	(8,504)	(929,116)	
Operating income	330,308	(21,184)	309,124	
Non-operating revenue and expense				
Other gains and losses, net	(9,269)	1	(9,268)	
Financial cost	(440)		(440)	
Share of income of affiliates and joint ventures under equity method	(43,791)	20	(43,771)	
Interest revenue	3,522		3,522	
Rent revenue	8,051		8,051	
Reversal of bad debt to gain	19,825		19,825	
Other revenue-others	4,609		4,609	
Net profit (loss) before tax	312,815	(21,163)	291,652	
Income tax expenses	(29,721)		(29,721)	
Net profit	283,094	(21,163)	261,931	
Other comprehensive income:				
Exchange difference arising from translation of the financial statement of foreign operations	-	(197)	(197)	(7)
Actuarial loss on defined benefit plan	-	(6,727)	(6,727)	(6)
Share of other comprehensive income of affiliates and joint ventures under equity method	-	(4,906)	(4,906)	
Other comprehensive income in the current period (net after tax)	-	(11,830)	(11,830)	
Total comprehensive income	$ 283,094	(32,993)	$ 250,101	

3. Major adjustment on statement of cash flow:

   The individual statements of cash flow on December 31, 2012 and January 1, 2012 prepared by the Company in accordance with the IFRSs approved by FSC has no material deviation from those prepared in accordance with the generally accepted accounting principles previously.

4. Details about adjustment:

   (1) Classification of deferred income tax and allowance valuation titles

   According to the ROC GAPP, the Company classified deferred income tax assets or liabilities into the category of current or noncurrent items in accordance with the nature of the liabilities and assets. Irrelevant assets or liabilities were classified into the category of current or noncurrent items in accordance with the expected turnover period. Upon conversion into the IFRSs, the deferred income tax assets or liabilities are all classified into the category of noncurrent items.

   Further, according to the ROC GAPP, allowance valuation amount is recognized upon evaluation of the realizability of deferred income tax assets. Upon conversion into the IFRSs, income tax gain may be stated as deferred income tax asset only when it is "very likely" to be realized, and no allowance valuation titles are applied.

   According to the IFRSs, the Company's other current assets-deferred income tax assets reclassified into the deferred income tax assets under non-current assets were NT$35,581 thousand and NT$30,377 thousand, and other current liabilities-deferred income tax liabilities reclassified into the deferred income tax liabilities under non-current liabilities were NT$1,091 thousand and NT$1,955 thousand.

(2) Classification of assets leased to others

Before conversion into the IFRSs, assets leased to others were stated as other assets. After conversion into the IFRSs, the assets leased to others initially stated as other assets were classified into property, plant and equipment subject to their nature. The assets leased to others were primarily leased as dormitory occupied by employees and some factory premises occupied by suppliers. The former was stated as the property occupied by employees, categorized as non-investment property according to the relevant standards, while the latter was also categorized as non-investment property because it occupied a small area but could not be sold independently.

According to IFRSs, the Company's assets leased to others reclassified into property, plant and equipment were NT$46,592 thousand and NT$47,135 thousand on December 31 and January 1, 2012.

(3) Expression of prepayment for equipment

The prepayment made by the Company for purchase of fixed assets was stated into the "fixed assets" in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Notwithstanding, according to IFRSs, they should be stated into "other non-current assets" subject to their nature.

According to IFRSs, the Company's property, plant and equipment reclassified into other non-current assets were NT$41,801 thousand and NT$41,537 thousand on December 31 and January 1, 2012.

(4) Expression of payable expenses

According to the FSC's "Regulations Governing the Preparation of Financial Reports by Securities Issuers", payable expenses shall be stated as other payable accounts subject to their nature. Therefore, the Company’s other non-current liabilities-payable expenses reclassified into other payable accounts were NT$281,126 thousand and NT$384,180 thousand on December 31 and January 1, 2012.

(5) Employee benefits

Taiwan's current accounting standards do not expressly provide any requirements about recognition of vacation pay and other short-term benefits. The Company recognized the relevant expenses when they are paid actually. Nevertheless, according to IAS 19 "Employee Benefits", accumulated vacation pay expenses and other short-term benefits shall be estimated on the date of balance sheet.

Therefore, the Company adjusted other payable accounts on December 31 and January 1, 2012as NT$25,375 thousand and NT$3,302 thousand, and increased operating costs by NT$12,679 thousand and operating expenses by NT$9,394 thousand in 2012, and decreased retained earnings by NT$3,302 thousand on January 1, 2012.

(6) Pension

A. The discount rate applied in the actuarial valuation of pension fund was set in consideration of the factors required to be considered in accordance with the R.O.C. Statement of Financial Accounting Standards (SFAS) No. 18. However, in accordance with IAS No. 19 “Employee Benefits”, the discount rate shall be decided based on the currency at the closing date of the reporting period and the market yield rate of the high-quality corporate bond consistent with the pension plan during the period. In the countries where there is no deep market in corporate bonds, the market yield rate of the government bonds (at the closing date of the reporting period) shall apply.

B. According to the ROC GAAP, if the accumulated benefit obligation exceeds the fair value of pension fund assets on the date of balance sheet, the excess shall be recognized as minimum pension liabilities. However, IAS 19 "Employee Benefits" does not provide any requirements about such minimum pension liabilities.

C. The Company's actuated pension income was stated as the net pension cost in the current period based on the corridor approach in accordance with the ROC GAPP. However, according to the IAS 19 "Employee Benefits", it shall be stated into other comprehensive net profit. That stated into other comprehensive income shall be stated into retained earnings immediately, and be prohibited from being reclassified into income in the subsequent periods.

D. According to the Company’s accounting policy, the unrecognized transitional benefit obligation-net is amortized using the straight-line method over the average years of service remaining of the employees expected to deserve the pension. However, in consideration of the Company’s first-time adoption of the IFRSs, the transitional requirement provided in IAS No. 19“Employee Benefits” cannot apply to the Company. Therefore, the Company did not state the transitional liabilities.

In conclusion, the Company decreased other current assets by NT$12,465 thousand and increased accrued pension liabilities by NT$19,063 thousand on the date of conversion, January 1, 2012, resulting in the decrease in retained earnings by NT$31,528 thousand.

Until December 31, 2012, the Company has increased accrued pension liabilities by NT$19,774 thousand and decreased retained earnings by NT$31,528 thousand, resulting in decrease in the operating expenses by NT$910 thousand and other equities by NT$10,844 thousand in 2012, and also expressed the actuated loss on other comprehensive income-defined benefit plan as NT$6,727 thousand and decrease in retained earnings by NT$6,727 thousand.

(7) Accumulated translation adjustment

According to IFRSs, the Company stated the decrease/increase in exchange difference of accumulated translation adjustment directly stated into shareholders' equity according to the ROC GAPP, NT$5,103 thousand, into the other comprehensive income in the individual comprehensive income statement preliminarily in 2012.

(8) Others

To help comparison of financial statements, some titles in the balance sheet dated January 1, 2012 and financial statement 2012 prepared in accordance with the ROC GAPP were re-classified.

Declaration

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2013 (Jan. 1, 2013- Dec. 31, 2013) pursuant to the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" are the same as those to be included into the consolidated financial statement of the parent company and subsidiaries pursuant to the IAS No. 27. Further, the related information to be disclosed in the consolidated financial statement of affiliated enterprises has been disclosed in the said consolidated financial statement of parent company and subsidiaries. Accordingly, it is not necessary for the Company to prepare the consolidated financial statement of affiliated enterprises separately.

Declared by:

Company name: MPI Corporation

Responsible person: Steve Chen

March 28, 2014

Auditors' Report

To: **MPC Corporation:**

We have audited the balance sheets of **MPI Corporation and subsidiaries** prepared on December 31 2013, December 31 2012, and January 1 2012 on individual entities, and the consolidated income statements, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows covering FY 2013 and January 1 to December 31, 2013. The financial statements are the responsibility of the management. Our responsibility is to express an opinion on the financial statements based on our audits. Information on the subsidiaries of **MPI Corporation** included in the aforementioned statements covering the period of 2013 and 2012, and the information on direct investment as disclosed in note XIII are valuated as audited by other public accountants. We have not audited those financial statements, which indicated recognized total assets of NT$52,125 thousand, NT$45,683 thousand, and NT$49,362 thousand or accounted for 1.11%, 0.95%, and 1.03% of the consolidated total assets as of December 31 2013, December 31 2012, and January 1 2012, respectively. As of January 1 to December 31, 2013 and 2012, MPI Corporation had net sales amounted to NT$52,221 thousand and NT$32,280 thousand, or accounted for 1.72% and 1.13% of the consolidated net sales, respectively.

We conducted the audit in accordance with the "Standards on the Audit of Financial Statements" and the accounting principle generally accepted in the Republic of China. These principle and standards required the undersigned to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in financial statements of individual entities and in consolidation. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believed that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements as referred to, on the basis of our audits and the audit reports of other public accountants, as stated in the first paragraph, are present fairly, in all material aspects of the financial of MPI Corporation as of December 31

2013, December 31 2012, and January 1 2012, and the results of January 1 to December 31, 2013 and 2012 operation and cash flows of all entities in consolidation for the periods then ended in conformity with the "Criteria for the Compilation of Financial Statements by Issuers of Securities", the IFRS, international accounting standards, interpretation and the statements of interpretation recognized by Financial Supervisory Commission.

We hereby express an unqualified opinion in favor of **MPI Corporation** on the financial statements of the parent company only so prepared for 2013 and 2012.

Auditor: ______________________

Chang, Yu-Ming, CPA

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Chen, Shih-Yuan, CPA

Nexia Sun Rise CPAs & Co.

SFB Certificate No.: (86) Tai-Chi-Zheng (VI) No. 088087
SFB Certificate No.: (92) Tai-Chi-Zheng (VI) No. 101109

Date: March 28 2014

MPI Corporation

Consolidated Balance Sheet (Assets)

December 31 2013, December 31 2012, January 1 2012

Currency unit: in NTD 1,000

			December 31 2013		January 1 2012 is below			
Code	Assets	Note	Amount	%	Amount	%	Amount	%
	Current assets							
1100	Cash and cash equivalents	VI (I)	$ 623,796	13	$ 602,904	13	$ 951,369	20
1150	Net note receivables	VI (II)	17,555	1	5,585	-	20,817	-
1170	Net account receivables	VI(III)	510,531	11	637,283	13	535,835	11
1180	Account receivables –related parties-net	VI (III) and VII	41,113	1	76,066	2	49,578	1
1200	Other receivables		7,468	-	3,149	-	3,829	-
1210	Other receivables-related parties		10	-	24	-	77	-
130X	Net inventory	VI (IV)	1,498,928	32	1,538,839	32	1,513,360	32
1410	Prepayments		97,195	2	70,763	1	68,619	1
1470	Other current assets	VIII	12,615	-	18,331	1	151,179	4
11XX	Total current assets		2,809,211	60	2,952,944	62	3,294,663	69
	Non-current assets							
1543	Financial assets on the basis of cost-non-current	VI (V)	20,231	-	20,231	-	20,231	-
1550	Investment accounted for under the equity method	VI (VI)	126,332	3	138,067	3	129,295	3
1600	Real properties, plants and equipment	VI (VII), VII, and VIII	1,590,963	34	1,531,677	32	1,191,820	25
1780	Intangible assets	VI (VIII)	17,977	-	20,620	0	13,186	-
1840	Deferred income tax assets		33,324	1	36,531	1	33,742	1
1900	Other non-current assets		117,537	2	116,167	2	104,969	2
15XX	Total non-current assets		1,906,364	40	1,863,293	38	1,493,243	31
1XXX	Total assets		$ 4,715,575	100	$ 4,816,237	100	$ 4,787,906	100

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation

Consolidated Balance Sheet (Liabilities and Shareholders' Equity)

December 31 2013, December 31 2012, and January 1 2012

Currency unit: in NTD 1,000

			December 31 2013		December 31 2012		January 1 2012	
Code	Liabilities and Shareholders' Equity	Note	Amount	%	Amount	%	Amount	%
	Current Liabilities							
2100	Short-term loans	VI (IX)	$ 4,265	-	$ -	-	$ -	-
2150	Note payables		2,052	-	3,655	-	3,156	-
2170	Account payables		392,844	9	405,080	8	462,268	10
2180	Account payables-related parties	VII	2,107	-	1,717	-	899	1
2213	Payables for equipment		16,983	1	37,913	1	13,509	1
2219	Other payables	VI (X)	356,945	8	323,439	7	347,728	7
2220	Other payables –related parties	VII	7,551	-	11,485	-	8,592	-
2230	Current income tax liabilities		44,238	1	40,798	1	70,095	1
2250	Provision for liabilities –current	VI (XI)	9,645	-	17,379	-	13,491	-
2310	Cash on receipt	VII	673,907	14	857,228	18	647,982	14
2320	Current portion of long-term debts	VI (XII)	9,329	-	9,329	-	9,329	-
2399	Other current liabilities		20,013	1	15,991	-	12,551	-
21XX	Total current liabilities		1,539,879	33	1,724,014	35	1,589,600	34
	Non-current liabilities							
2540	Long-term loans	VI (XII)	67,624	1	76,953	2	86,282	2
2570	Deferred income tax liabilities		15,254	-	12,808	-	15,925	-
2640	Accruable pension liabilities	VI (XIII)	19,959	1	22,899	1	19,063	-
2670	Other non-current assets- others		220	-	150	-	2,104	-
25XX	Total non-current liabilities		103,057	2	112,810	3	123,374	2
2XXX	Total liabilities		1,642,936	35	1,836,824	38	1,712,974	36
	Shareholders' Equity	VI (XIV)						
31XX	Shareholders' equity attributable to parent company							
3110	Common stock equity		786,124		786,104	16	786,024	16
3200	Capital Surplus		740,781	16	740,657	15	740,116	16
	Retained earnings							
3310	Legal reserve		383,839	8	355,530	8	292,154	6
3320	Special reserve		17,571		-	-	-	
3350	Undistributed earnings		1,254,511	27	1,221,556	25	1,374,452	29
3300	Total retained earnings		1,655,921	35	1,577,086	33	1,666,606	35
	Other equities							
3410	Exchange gain/loss from financial statements of overseas operations through conversion		25,391	-	11,707	1	16,810	-
3400	Total other equities		25,391	-	11,707	1	16,810	-
3500	Treasury stocks		(152,606)	(3)	(152,606)	(3)	(152,606)	(3)
31XX	Total shareholders' equity attributable to parent company		3,055,611	65	2,962,948	62	3,056,950	64
36XX	Uncontrolled equity		17,028	-	16,465	-	17,982	-
3XXX	Total shareholders' equity		3,072,639	65	2,979,413	62	3,074,932	64
1XXX	Total liabilities and shareholders' equity		$ 4,715,575	100	$ 4,816,237	100	$ 4,787,906	100

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation

Consolidated Income Statement

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

Code	Title	Note	FY 2013 Amount	FY 2013 %	FY 2012 Amount	FY 2012 %
	Net Sales	VII				
4110	Sales revenue		$ 2,987,419	98	$ 2,806,313	98
4170	Less: sales return		(774)	-	(10,922)	(1)
4190	Less: sales discount		(579)	-	(4,718)	-
4614	Commission income		49,712	2	74,539	3
4000	Subtotal of net sales		3,035,778	100	2,865,212	100
5000	Cost of operation	VI (IV) and VII	(1,634,352)	(54)	(1,552,087)	(54)
5900	Gross profit		1,401,426	46	1,313,125	46
5910	Unrealized income(loss) from sales		-	-	(744)	-
5920	Realized income (loss) from sales		2,895	-	3,931	-
5950	Net gross profit		1,404,321	46		46
	Operating expenses	VII				
6100	Marketing expenses		(337,705)	(11)	(292,818)	(10)
6200	Management expenses		(182,865)	(6)	(185,689)	(7)
6300	R&D expenses	VI (VIII)	(550,203)	(18)	(544,006)	(19)
6000	Subtotal operating expenses		(1,070,773)	(35)	(1,022,513)	(36)
6900	Operating income		333,548	11	293,799	10
	Non-operating incomes and expenses					
7020	Other net incomes and loss	VI (XVI)	11,160	-	(14,168)	-
7050	Cost of financing	VI (XVI)	(750)	-	(440)	-
7060	Net portions of incomes/loss of subsidiaries, affiliated and joint ventures accounted for under the equity method		(27,099)	-	(23,517)	(1)
7100	Interest income		2,462	-	4,599	-
7110	Rental income		3,906	-	4,382	-
7175	Income from reversal of doubtful accounts		-	-	20,972	1
7190	Other incomes – others	VII	3,372	-	4,630	-
7000	Subtotal non-operating incomes and expenses		(6,949)	-	(3,542)	-
7900	Earnings before taxation		326,599	11	290,257	10
7950	Income tax expense	VI (XVII)	(55,666)	(2)	(35,869)	(1)
8200	Earnings in current period		270,933	9	254,388	9
	Other consolidated income/loss					
8310	Exchange gain/loss from financial statements of overseas operations through conversion		14,593	-	(4,266)	-
8360	Confirmed actuarial gain/loss of welfare		(672)	-	(6,727)	(1)
8371	Net portions of incomes/loss of affiliates and joint ventures accounted for under the equity method		(246)	-	(108)	-
8300	Other net consolidated incomes		13,675	-	(11,101)	(1)
8500	Consolidated income in current period (total)		$ 284,608	9	$ 243,287	8
	Net gain/loss attributable to					
8610	Parent company shareholders		271,033	9	261,931	9
8620	Uncontrolled equity		(100)	-	(7,543)	-
	Corporate earnings in current period		$ 270,933	9	$ 254,388	9
	Consolidated income attributable to					
8710	Parent company shareholders		$ 284,045	9	$ 250,101	9
8720	Uncontrolled equity		563	-	(6,814)	(1)
	Total consolidated income in current period		$ 284,608	9	$ 243,287	8
	Earnings per common share: (Unit: NTD)	VI (XVIII)	Before taxation		After taxation	
9750	Basic earnings per share		$ 3.54		$ 3.42	
9850	Diluted earnings per share		$ 3.52		$ 3.40	

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation

Parent Company Only Statement of Changes in Shareholder's Equity

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

		Capital Stock		Retained Earnings			Other Equities				
Title		Common shares	Retained Earnings	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange gain/loss from financial statements of overseas operations through conversion	Treasury Stock	Total Equity	Uncontrolled equity	Total equity
	Code	3110	3,200	3310	3320	3350	3410	3500	31xx	36xx	3xxx
Balance on January 1 2012	A1	$ 786,024	$ 740,116	$ 292,154	$ -	$ 1,374,452	$ 16,810	$ (152,606)	$ 3,056,950	$ 17,982	$ 3,074,932
Allocation and distribution of earnings:											
Legal reserve	B1			63,376		(63,376)			–		–
Cash dividend for common shares	B5					(344,724)			(344,724)		(344,724)
Net profit in Jan 1 –Dec 31, 2012	D1					261,931			261,931	(7,543)	254,388
Other consolidated incomes in Jan 1 –Dec 31, 2012	D3					(6,727)	(5,103)		(11,830)	729	(11,101)
Total consolidated income in current period	D5	-	-	-	-	255,204	(5,103)	-	250,101	(6,814)	243,287
Payment transactions on the basis of shares	N1	80	541						621		621
Decrease (increase) of non-controlling interests	01									5,297	5,297
Balance on December 31 2012	Z1	$ 786,104	$ 740,657	$ 355,530	$ -	$ 1,221,556	$ 11,707	$ (152,606)	$ 2,962,948	$ 16,465	$ 2,979,413
Balance on January 1 2013	A1	$ 786,104	$ 740,657	$ 355,530	$ -	$ 1,221,556	$ 11,707	$ (152,606)	$ 2,962,948	$ 16,465	$ 2,979,413
Allocation and distribution of earnings:											
Legal reserve	B1			28,309		(28,309)			–		–
Special reserve	B3				17,571	(17,571)			–		–
Cash dividend for common shares	B5					(191,526)			(191,526)		(191,526)
Changes in other capital surplus:											
From gift and derivatives	C3		1					(1)	–		–
Net profit in Jan 1 –Dec 31, 2013	D1					271,033			271,033	(100)	270,933
Other consolidated incomes in Jan 1 –Dec 31, 2013	D3					(672)	13,684		13,012	633	13,675
Total consolidated income in current period	D5	-	-	-	-	270,361	13,684	-	284,045	563	284,608
Cancellation of treasury stock	L3	-	-					1	1		1
Payment transactions on the basis of shares	N1	20	123						143		143
Balance on December 31 2013	Z1	$ 786,124	$ 740,781	$ 383,839	$ 17,571	$ 1,254,511	$ 25,391	$ (152,606)	$ 3,055,611	$ 17,028	$ 3,072,639

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation

Consolidated Statement of Cash Flows

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

Code	Title	FY 2013	FY 2012
AAAA	Cash flows from operation – indirect approach		
A10000	Corporate earnings in current period	$ 326,599	$ 290,257
A20000	Adjustments		
A20010	Income/expenses unaffected by cash flows		
A20100	Depreciations expense	112,482	88,703
A20200	Amortizations expense	31,843	31,122
A20300	Provisions (reversal) of doubtful accounts	7,452	(20,972)
A20900	Interest expenses	750	440
A21200	Interest incomes	(2,462)	(4,599)
A21300	Dividend incomes	6,953	5,621
A22300	Portions of gain/loss from subsidiaries, affiliates, and joint ventures accounted for under the equity method	27,099	23,517
A22500	Capital gains/loss from dispositions and scrap of real properties, plants and equipment	(92)	159
A22600	Real properties, plant, and equipment recognized as expenses	117	15
A23900	Unrealized gain/loss from sales	-	744
A24000	Realized gain/loss from sales	(2,895)	(3,931)
A29900	Others – exchange gain/loss from prepayment for purchase of equipment	737	213
A30000	Changes in assets/liabilities related to operations		
A31000	Net changes in assets related to operations		
A31130	Decrease (increase) of note receivables	(11,915)	15,327
A31150	Decrease (increase) of account receivables	130,185	(106,740)
A31160	Increase (decrease) of receivables – related parties	35,632	(25,368)
A31180	Decrease (increase) of other receivables	(4,374)	2,352
A31200	Decrease (increase) of inventory	39,911	(25,479)
A31230	Decrease (increase) of prepayments	(26,431)	(2,145)
A31240	Decrease (increase) of other current assets	6,809	8,866
A31990	Decrease (increase) of other operating assets	(11,685)	23,215
A32000	Net changes in liabilities related to operations		
A32130	Decrease (increase) of note payables	(1,604)	500
A32150	Decrease (increase) of account payables	(12,236)	(57,188)
A32160	Decrease (increase) of account payables –related parties	390	817
A32180	Decrease (increase) of other payables	(158,075)	(369,001)
A32190	Decrease (increase) of other payables – related parties	(3,934)	2,893
A32200	Increase (decrease) of provisions for debts	(7,734)	3,888
A32210	Increase (decrease) of cash on receipt	(183,322)	209,246
A32230	Increase (decrease) of other current liabilities	4,022	3,440
A32240	Increase (decrease) of accruable pensions	(3,611)	(2,890)
A33000	Cash inflows (outflows) from operation	300,611	93,022
A33100	Collected interest	2,517	4,766
A33300	Paid interest	(695)	(452)
A33500	Paid income tax	(46,559)	(71,019)
AAAA	Net cash inflows (outflows) from operations	255,874	26,317
BBBB	Cash flows from investments		
B01800	Investment accounted for under the equity method	(14,942)	(36,389)
B02700	Acquisition of real properties, plants, and equipment	(207,569)	(405,894)
B02800	Disposition of real properties, plants, and equipment	16,292	1,252
B04500	Acquisition of intangible assets	(9,656)	(18,987)
B06500	Increase of other financial assets	(1,093)	-
B06600	Decrease of other financial assets	-	123,982
B06700	Increase of other non-current assets	(20,915)	(30,767)
BBBB	Net cash inflows (outflows) from investments	(237,883)	(366,803)

(to be continued)

MPI Corporation

Consolidated Statement of Cash Flows (continued from previous page)

January 1 to December 31, 2013 and 2012

Currency unit: in NTD 1,000

Code	Title	FY 2013	FY 2012
CCCC	Cash flow from financing	4,265	-
C00100	Increase of short-term loans	(9,328)	(9,328)
C01700	Retirement of long-term loans	70	(1,955)
C04400	Decrease of other non-current liabilities	143	621
C04800	Exercise of Employee Stock Options	663	5,297
C05800	Changes in uncontrolled equity	(4,187)	(5,365)
CCCC	Net cash inflows (outflows) from financing		
DDDD	Effect of exchange rate fluctuation on cash and cash equivalents	7,088	(2,614)
EEEE	Increase (decrease) of cash and cash equivalents in current period	20,892	(348,465)
E00100	Balance of cash and cash equivalents at beginning of period	602,904	951,369
E00200	Balance of cash and cash equivalents at ending of period	$ 623,796	$ 602,904

(The notes to this statement and the Auditors' Report by Chang, Yu-Ming, and Chen, Shih-Yuan, CPAs of Nexia Sun Rise CPAs & Co. constitute an integral part of this report)

CEO: Steve Chen President: Scott Kuo Chief Accounting Officer: Rose Jao

MPI Corporation & its subsidiaries

Notes to the consolidated financial statements

December 31, 2013 and 2012

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

I. Company profile

(I) MPI Corporation (hereinafter referred to as the "Company") was founded according to the Company Law and other related laws on July 25, 1995. Upon capital increase for several times, the Company's paid-in capital has been NT$786,124 thousand and outstanding stock has been 76,612,392 shares (less the treasury stock totaling 2,000,000 shares) until December 31, 2013. Upon resolution of the special shareholders' meeting on December 28, 2006, the Company raised the authorized capital as NT$1,000,000,000, divided into 100,000,000 shares at par value of NT$10 per share. The board of directors is authorized to issue the stock in lots. NT$50,000 thousand is withheld from the gross capital referred to in the preceding paragraph, divided into 5,000,000 shares at par value of NT$10 per share, available for the subscription by exercise of stock warrants and issued upon resolution of a directors' meeting.

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

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

II. Date and procedure for ratification of financial report

The consolidated financial statements have been approved and released by the Board of Directors on March 28, 2014.

III. Application of new and amended standards and interpretations

(I) The Company has applied the new and amended standards and interpretations recognized by Financial Supervisory Commission (“FSC”).

N/A, given the first adoption of the IFRSs this year.

(II) The Company has not yet applied the new and amended standards and interpretations recognized by FSC.

International Accounting Standards Board (“IASB”) promulgated the IAS No. 9 “Financial Instruments” in November 2009, which was effective as of January 1, 2013 (the IASB postponed the effective date until January 1, 2015 in December 2011). Said standard has been approved by FSC, provided that enterprises are prohibited from applying the same earlier, but shall apply the IAS No. 39 “Financial Instruments” 2009. Until the end of the reporting period ("the reporting date”), the effective date of the standard has not yet been published. If the Group starts to apply the standard, the classification and measurement of financial assets in the consolidated financial statements are expected to be changed accordingly.

(III) New and amended standards and interpretations not yet recognized by FSC.

The following refers to the new and amended standards which were promulgated by the IASB and are potentially critical to the Group, but have not yet been recognized by FSC, for which the effective dates have not yet been published either, before the reporting date:

Date of promulgation	New or amended standard	Contents	Effective Date Promulgated by IASB
May 12, 2011 June 28, 2012	· IFRS No. 10 "Consolidated Financial Statements" · IFRS No. 11 "Joint Agreements · IFRS No. 12 "Disclosure of Interests in Other Entities" · Amendments to IAS No. 27 "Separate Financial Statements" · Amendments to IAS No. 28 "Investment in Associates and Joint Ventures"	· On May 12, 2011, a series of new standards and amended provisions related to consolidation, and investment in affiliates and joint ventures were promulgated. The new standards provide a single control model to judge and analyze whether the control over investees (including entities for special purposes) sustains. Notwithstanding, the consolidation procedure still applies the original requirements and approaches. Joint agreements are categorized into joint operations (integration of the conceptions about the original joint controlled assets and joint controlled operations) and joint ventures (similar to the original joint controlled entities), and proportionate consolidation method is deleted. · The amended provisions were promulgated on June 28, 2012 to clarify the transitional provisions for those standards.	January 1, 2013
May 12, 2011	IFRS No. 13 "Fair Value Measurement"	The standard replaces the other standards about measurement of fair value of financial and non-financial assets, in order to integrate the single standards.	January 1, 2013
June 16, 2011	Amendments to IAS No. 1 "Presentation of Financial Statements"	The other comprehensive income items, which may be reclassified into income and may not be reclassified into income, should be presented separately.	July 1, 2012
June 16, 2011	Amendments to IAS No. 19 "Employee Benefits"	Primarily to delete the buffer area act and cancel the existing standards which permit enterprises to recognize all defined benefit obligations and planned assets as income immediately, and also required that the service cost in previous period should not be amortized but should be recognized as income immediately.	January 1, 2013
May 20, 2013	IFRSIC No. 21 "Levies"	Payments levied by the governments pursuant to laws: If they may apply IAS No. 37 "Provisions, Contingent Liabilities and Contingent Assets", they shall be recognized as the timing and accounting treatment of liabilities.	January 1, 2014

May 29, 2013	Amendments to IAS No. 36 "Impairment of Assets"	The amendments effective on January 1, 2013, requiring that when the amount of goodwill or intangible assets with undefined useful years is considered material, the enterprise shall disclose the collectible amount of each "cash-generating unit". According to the amendments, such information shall be disclosed only when the impairment loss should be provided or reversed. Meanwhile, add the requirement that where the collectible amount is calculated based on fair value less selling cost, the enterprise shall disclose the level of its fair value and hypotheses about critical valuation (2nd or 3rd level).	January 1, 2014 Applicable earlier
December 16, 2011	Amendments to IAS No. 32 "Financial Statements: Presentation" Amendments to IFRS No. 7 "Financial Instruments: Disclosures	Amendments to the requirement about offset of financial assets and liabilities (to provide more guidance about judgment) and related disclosures.	January 1, 2014 (Presentation requirements) January 1, 2013 (Disclosure requirements)

The Group is still evaluating the potential effect on the financial statements after starting to implement the same.

IV. Summary of Significant Accounting Policies

The important accounting policies applied by the financial statements are summarized as follows: Unless otherwise provided, the following accounting policies have been applied to the presentation periods of the financial statement and the initial IFRSs consolidated balance sheet January 1, 2012 prepared for the purpose of conversion into IFRSs, IAS, IFRSIC and IFRS SIC recognized by FSC (hereinafter referred to as "IFRSs recognized by FSC").

(I) Statement of compliance

1. The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and IFRSs recognized by FSC.
2. The consolidated financial statements are the first annual consolidated financial statements prepared in accordance with the Regulations and the IFRSs recognized by FSC, and also apply the IFRS No. 1 "First-time Adoption of International Financial Reporting Standards" recognized by FSC.
3. When preparing the balance sheet dated January 1, 2012, the Group has adjusted the figures reported in the financial statements prepared in accordance with the ROC GAAP. For how the conversion from the ROC GAAP to the IFRSs recognized by FSC affects the Group's financial position, financial performance and cash flow, please see Note 15.

(II) Basis for preparation

1. Basis for measurement

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

   (1) Financial instruments at fair value through profit or loss (including derivative financial instruments):
   (2) Available-for-sale financial assets measured at fair value;
   (3) Defined benefit assets, which are recognized based on the net after the pension fund assets plus unrecognized service cost in previous cost and unrecognized actuarial loss less unrecognized actuarial gain and present value of defined benefit obligation.

2. Functional currency and presentation of currency

   The functional currency of each of the Group's entities shall be subject to the currency applicable in the main economic environment in which its business place is situated. The consolidated financial statements should be presented based on the Company's functional currency, NTD. All of the financial information presented in NTD should be held presented in NTD 1,000 as the currency unit.

(III) Basis for consolidation

1. Principles for preparation of consolidated financial statements

   The entities in the consolidated financial statements include the Company and its subsidiaries.

   The subsidiary's financial statement shall be included into the consolidated financial statements as of the date of acquisition of the control is acquired, until the date of loss of the control. The income from non-controlling interests vested in the subsidiary shall be stated as non-controlling interests, and the same shall apply if the non-controlling interests become loss.

   The inter-Group transactions, balance and unrealized income and expense have already been eliminated when the consolidated financial statements were prepared.

   Any change in the Group's ownership of any subsidiaries, which did not result in loss of control, is treated as the equity transaction with the owner.

2. Subsidiaries included into the consolidated financial statements and status of change thereof:

Investee Name	Subsidiary Name	Nature of business	Equity (%)			Note
			2013 December 31	2012 December 31	2012 January 1	
The Company	Chain-Logic International Corp.	Professional agent and trading of semi-conductor	100%	100%	100%	Founded on January 25, 1994
The Company	MPI TRADING CORP.(Samoa)	Trading of probe cards and semi-automatic probers	100%	100%	100%	Founded on December 22, 2000

The Company	MPI TRADING CORP.(Samoa)	General investment	100%	100%	100%	Founded on August 7, 2002
The Company	MEGTAS CO., LTD. (Korea)	Manufacturing, processing and sale of semi-conductor equipment and industrial mechanical spare parts, and manufacturing and sale of pottery and electronic spare parts	60%	60%	60%	Founded on September 1, 2010
The Company	Chia Hsin Investment Co., Ltd.	General investment	100%	100%	100%	Founded on April 30, 1994
The Company	Yi Hsin Investment Co., Ltd.	General investment	100%	100%	100%	Founded on April 30, 1994
The Company	Won Tung Technology Co., Ltd.	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	100%	100%	100%	Founded on December 22, 2010
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)	International trading	100%	100%	100%	Founded on November 19, 2001
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	General investment	100%	100%	100%	Founded on April 30, 1994
CHAIN-LOGIC TRADING CORP.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	International trading	100%	100%	100%	Founded on February 8, 2002
MMI HOLDING CORP.	LEDA-ONE (Shenzhen) Co.	Production, management and development of new electronic components, et al.	100%	100%	100%	Founded on May 7, 2010

External auditors audited the financial statements of said subsidiaries. The investment income was recognized based on the shareholdings according to the financial statements of said investees ended the same period as audited by external auditors.

The financial statements 2013 and 2012 of said subsidiary, MEGTAS CO., LTD., were audited by other external auditors commissioned by it, instead of the Company's external auditors. The investment (losses) recognized according to the financial statements audited by other external auditors and based on the shareholdings were

NT$150 thousand and NT$11,314 thousand.

3. Subsidiaries not included into the consolidated financial statements: N/A.
4. Different adjustment and treatment by subsidiaries in the accounting period: N/A.
5. Nature and procedure for the material restrictions on any subsidiary's ability to transfer fund to the parent company, if any: N/A.

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

1. Foreign currency transactions

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

2. Foreign operations

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

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

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

(V) Current and non-current assets and liabilities

Assets, which meet one of the following conditions, shall be classified into current assets, and any assets other than the current assets shall be classified into noncurrent assets:

1. Assets expected to be realized, or intent to be sold or consumed, in the Company's normal operating cycle;
2. Assets primarily held for the purpose of trading;
3. Assets expected to be realized within 12 months after the date of the balance sheet;
4. Cash or cash equivalent, exclusive of the assets to be used for an exchange or to settle a liability, or otherwise remain restricted at more than 12 months after the date of the balance sheet.

Liabilities, which meet one of the following conditions, shall be classified into current liabilities, and any liabilities other than the current liabilities shall be classified into noncurrent liabilities:

1. Liabilities expected to be repaid in the Company's normal operating cycle;
2. Assets primarily held for the purpose of trading;
3. Liabilities expected to be repaid within 12 months after the date of balance sheet, irrelevant with whether any long-term re-financing or payment re-arrangement agreement has been completed after the balance sheet date but before the date of ratification of financial report.
4. Liabilities of which the Company does not have an unconditional right to defer settlement for at least 12 months after the date of the balance sheet. Terms of a liability that could, at the option of the counterpart, result in its settlement by the issue of equity instruments do not affect its classification.

(VI) Cash and cash equivalent

Cash or cash equivalent include cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalent.

(VII) Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a part to the financial instrument contract.

1. Financial assets

   The Group's financial assets are classified into financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and accounts receivable.

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

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

The financial assets held for trading are acquired or incurred principally for the purpose of sale in the near term or repurchase.

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

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

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

(2) Loans and accounts receivable

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

(3) Impairment on financial assets

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

The objective evidence about impairment on financial assets include obvious financial problems confronting the issuer or debtor, breach (e.g. overdue or non-performance of interest or principal payment), the debtor likely to wind up or proceed with other financial reorganizations, and the active market of financial assets extinguishing due to financial difficulty. Meanwhile, the fair value of available-for-sale equity investment declining drastically or permanently until it is less than the cost of the equity investment also constitutes objective evidence of impairment.

For some accounts receivable was held unimpaired upon individual evaluation, the impairment should be evaluated on a combined basis again. The combined objective evidence for accounts receivable might include the Company's past experience in collection, the increase in overdue payment, and observable national or regional economic changes related to the defaulted accounts receivable.

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

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

(4) Derecognition of financial assets

The Group will derecognize financial assets only when the contractual rights toward the cash flow of the assets are terminated or the financial assets are transferred and the risk and return over the ownership of the assets are transferred to another enterprise.

2. Financial liabilities and equity instruments

(1) Classification of liabilities or equity

The obligation and equity instruments issued by the Company are classified into financial liabilities or equities according to definitions of the financial liabilities and equity instruments referred to in an agreement.

The equity instruments mean any contracts signifying the residual equity of the Group's assets less its liabilities. The equity instruments issued by the Group should be recognized based on the payment of acquisition less the direct issuing cost.

(2) Other financial liabilities

When recognizing the financial liabilities other than those held for trading and not designated to be measured at fair value through profit or loss (including short-term and long-term loans, accounts payable and other payables) initially, such liabilities shall be evaluated based on fair value, plus the directly attributable transaction cost. The following measurement shall be based on the cost after amortization under the effective interest rate method. The interest expenses on asset costs, which are not capitalized, should be stated as "financial cost" under the non-operating revenue and expenses.

(3) Derecongition of financial liabilities

The Group will derecognize financial liabilities upon performance, cancellation or expiration of contractual obligations.

(4) Offset of financial assets and liabilities

Financial assets and financial liabilities may be offset against each other and reported in the balance sheet in net amount only when the Group is entitled to the right to offset exercisable under laws and intends to settle in net amount, or assets are realized and liabilities are repaid at the same time.

(VIII) Inventory

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

Net realizable value is the estimated selling price of inventories less all estimated costs of completion and necessary selling costs under the normal operation.

(IX) Investment in affiliates

An affiliate means an entity in which the Group has major influence over the financial and operating policies but has no control over the same. The Group will be assumed having major influence when it holds 20%~50% of the voting right in the investee.

Under the equity method, the investment is stated at cost at time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

The consolidated financial statements shall include the income from the invested affiliates recognized subject to the shareholdings and other comprehensive income upon adjustment made in line with the Group’s accounting policy, from the date when the Group has major influence until the date when the Group loses the major influence.

The unrealized gains from transactions between the Group and affiliates have been derecognized from the Group's equity in the investees. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains, provided that the unrealized loss is limited to that arises under no impairment evidence is available.

When the Group’s share of loss from any affiliate to be recognized on a pro rata basis is equivalent to or more than its equity in the affiliate, it shall stop recognizing the loss, but shall recognize the additional loss and relevant liabilities only when legal obligation or constructive obligation is incurred or the Group makes payment on behalf of the investee.

(X) Property, plant and equipment

1. Recognition and measurement

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

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

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

2. After cost

If the future economic effect expected to be generated from the after expenses of property, plant and equipment is very likely to flow into the Group and the amount thereof may be measured, the expenses shall be stated as a part of the book value and the relocated book value should be derecognized. The routine maintenance and repairs of property, plant and equipment shall be stated as income when incurred.

3. Depreciation

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

No depreciation of land is required.

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

Item	Useful years
House and building	
Plant and dormitory	50
Clean room	20
Electrical and mechanical facilities	20
Others	10-20
Machine & equipment	5-10
Transportation equipment	4-6

Furniture and fixtures	3-10
Research equipment	5
Other equipments	3-8

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

(XI) Lease

1. Lessor

The lease income on business lease shall be stated as income on the straight-line basis over the lease term. The original direct cost generated from negotiation and arrangement for business lease plus the book value of leased assets shall be stated as expenses on a straight-line basis over the lease term. The total gain for the incentives provided to the lessee to achieve the lease arrangement shall be stated as decrease in rental revenue under straight-line method during the lease term.

Contingent lease payment shall be stated as the current revenue when the lease adjustment is confirmed.

2. Lessee

The assets are classified into a financial lease when the Group succeeds to the risk and return over the ownership pursuant to the lease terms and conditions. At the initial recognition, the leased assets shall be stated at the lower of fair value and present value of minimum lease payment, and then treated pursuant to the accounting policy related to the assets.

(XII) Intangible assets

1. R&D

The research stage means the activity carried out in order to secure and understand new scientific or technical knowledge. The related expenses thereof are stated as income when they are occurred.

The expenses at the development stage shall be stated as intangible assets when they meet all of the following conditions at the same time; otherwise, they shall be stated as income when they are occurred:

(1) Achievement of the technical feasibility for completion of intangible assets to enable the intangible assets to be usable or sellable.
(2) Intend to complete the intangible assets and use or sell the same.
(3) Able to use or sell the intangible assets.
(4) The intangible assets are very likely to generate future economic effects.
(5) Possession of sufficient technology, finance and other resources to complete the development, and use or sell the intangible assets.
(6) Expenses at development stage attributed to the intangible assets may be measurable reliably.

2. Other intangible assets

The other intangible assets acquired by the Group shall be stated at cost less accumulated amortization and accumulated impairment.

3. After expenses

The after expenses may be capitalized only when they are able to increase the future economic effect of the relevant specific assets. The other expenses shall be stated as income when incurred, including the goodwill and brand developed internally.

4. Amortization

The amortizable amount shall be the cost of assets less residual value.

Other than goodwill and intangible assets with indefinite useful years, the intangible assets shall be amortized under straight-line method over useful years since the intangible assets become usable, and the amortization is recognized as income:

Computer software 2-5 years

Residual value, amortization period and method of amortization shall be reviewed at the end of each fiscal year at least. The changes, if any, shall be treated as changes in accounting estimates.

(XIII) Impairment on non-financial assets

The Group will evaluate whether there is impairment on inventories, deferred income tax assets, assets generated from employee benefits and non-financial assets other than available-for-sale noncurrent assets on each reporting date, and estimate the collectible amount of the assets that are likely to be impaired. If it is impossible to estimate the collectible amount of an individual asset, the Group will estimate the collectible amount of the cash generation unit vested in the asset to evaluate the impairment loss.

The collectible amount shall be the higher of the fair value of individual asset or cash generation unit less the selling cost and the utilization value. If the collectible amount of individual asset or cash generation unit is less than the book value, the book value shall be decreased until it is equivalent to the collectible amount at least, and the impairment loss should be stated. The impairment loss shall be stated as the current income immediately.

The Group will re-evaluate whether there is any sign showing that the impairment loss on non-financial assets other than goodwill recognized in the previous years has extinguished or decreased on each reporting date. If the estimate used to decide the collectible amount is changed, the impairment loss shall be reversed to increase the book value of the individual asset or cash generation unit until it is equivalent to the collectible amount, provided that it shall not make the Book Value of the assets more than the amortized cost when no impairment losses of the assets are recognized.

(XIV) Reserve for liabilities

The reserve for liabilities shall be recognized when the Group has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

(XV) Treasury stock

The issued stock recalled by the Group is stated based on the consideration paid for repurchase (including direct vested cost), recognized as "treasury stock" at the net after tax and presented as a deduction from equity. Where the gain on disposal of treasury stock is higher than the book value, the difference shall be credited under the title "additional paid-in capital-transaction of treasury stock". Where the gain is lower than the book value, the difference is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. The book value thereof is calculated based on the weighted average method according to the type of stock (common stock or special shares) and causes for the withdrawal.

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

(XVI) Recognition of revenue

1. Sale of products

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

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

2. Labor service

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

3. Revenue from commission

   When the Group acts as agent instead of principal in a transaction, the revenue is stated based on the net commission as collected.

4. Rent revenue

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

5. Dividend revenue

   When the Group is entitled to collect dividends, the related dividend revenue shall be recognized.

(XVII) Cost of borrowing

1. Loans shall be measured based on the fair value less trading cost at the time of initial recognition. The subsequent measurement of any difference between the price (less trading cost) and redemption value shall be stated at the amortized cost under effective interest method within the borrowing period.
2. When it is very likely to withdraw the expenses paid for setting the borrowing limit, in part or in whole, the expenses shall be stated as the trading cost for the loan, deferred and stated as effective interest adjustment when the loan is drawn down. When it is not likely to withdraw the expenses, in part or in whole, the expenses shall be stated as prepayment and amortized within the period related to the limit.

(XVIII) Government subsidies

The government subsidies shall be stated at fair value when it is reasonable to ensure that an enterprise will comply with the conditions incident to the government subsidies and the subsidies may be received affirmatively. If the government subsidies, in nature, are intended to compensate the expenses incurred by the Group, the government subsidies shall be stated as the current income on a systematic basis when the related expenses are incurred.

(XIX) Employee benefits

1. Short-term employee benefits

   Short-term employee benefit obligation shall be measured at a non-discounted rate, and stated as expense when the relevant service is provided.

   If the Group has a present statutory or presumed benefit obligation due to the past service provided by employee and such obligation may be estimated reliably, the short-term cash bonus or amount expected to be paid under the bonus plan shall be stated as liabilities.

2. Pension

   (1) Defined contribution plan

   The obligation to contribute a pension fund under the defined contribution pension plan shall be recognized as employee benefit expenses stated into the income during the period when employees provide labor services.

   (2) Defined benefit plan

   The termination benefit plan other than the defined contribution plan shall be identified as the defined benefit plan. The Group's net obligation under the defined benefit pension plan is converted to the present value based on the future benefit earned from the services provided by the employees under various benefit plans in the current period or in the past. Any unrecognized service cost in the previous period and fair value of various planned assets shall be deducted. The discount rate is based on the interest rate of the market yield rate of high-quality government bond with the expiry date near to expiration of the Group’s net obligation and denominated in the currency which is the same as that applied to the anticipated benefit payment on the reporting date.

A qualified actuary shall actuate the enterprise’s net obligation on a yearly basis based on the Projected Unit Credit Method. When the result is favorable to the Group, the assets recognized shall be no more than the total of unrecognized service cost in the previous period and the fund refundable under the plan or the present value of economic benefit to be earned by decrease in the contribution under the plan. The calculation of present value of economic benefit shall take into consideration the minimum funding contribution needed applicable to the Group’s plan. If any effect may be realized within the time limit of the plan or repayment of the liabilities under the plan, it shall be held to be an economic benefit to the Group.

When the benefit under the plan is improved, the increase in benefit as a result of the service provided by employees in the past shall be recognized as income under straight-line method during the average vested period of the benefit. If the benefit may be vested immediately, the relevant expense shall be recognized as income.

On January 1, 2012, the date of conversion into IFRSs approved by FSC, all actuarial income shall be stated into the retained earnings. The Group's actuarial income generated subsequent to the defined benefit plan shall be stated as other comprehensive income.

The Group will recognize the gain or loss on reduction or repayment of the defined benefit plan, if any. The gain or loss on reduction or repayment includes changes of fair value of any planned assets, changes of present value of the defined benefit obligation, unrecognized actuarial gain or loss and service cost in previous periods.

3. Employee bonus and remuneration to directors/supervisors

Employee bonus and remuneration to directors/supervisors shall be recognized as expenses and liabilities only when legal or constructive obligation is constituted and the value thereof may be estimated reasonably. Subsequently, if the actual distributed amount resolved by a shareholders’ meeting is different from the estimate, the difference shall be treated as a change in accounting estimate. Further, the Company calculates the number of shares for stock dividend based on the fair value per share prevailing on the date precedent to the date of resolution made by the shareholders’ meeting held in the year following the year of the financial statements and by taking into consideration the amount upon the ex-dividend and ex-right effects.

(XX) Share-based payment

The equity-settled share-based payment to employees shall be measured at the fair value of equity instrument prevailing on the grant date. The remuneration cost shall be recognized and the relative equity shall be increased when employees may be entitled to the remuneration unconditionally. The recognized remuneration cost is adjusted based on the quantity of remuneration expected to meet service conditions and non-market value benefited conditions. The amount recognized ultimately is measured based on the quantity of remuneration expected to service conditions and non-market value benefited conditions on the benefited date.

The non-benefited conditions related to share-based payment has been reflected in the measurement of fair value on the grant date of share-based payment. It is not necessary to verify or adjust the difference between the expectation and actual result.

The stock appreciation right to be payable to employees which is settled on a cash basis after measurement of fair value of the share appreciation right is stated as expense and the relative liabilities are increased when employees may be entitled to the remuneration unconditionally. The related liabilities shall be re-measured on each reporting date and settlement date. Any changes in the fair value thereof shall be stated as the personnel expenses under income.

(XXI) Income tax

The income tax expenses consist of current income tax and deferred income tax. The current income tax and deferred income tax shall be stated as income, other than the income tax related to combined entities, and items stated into other comprehensive income or stated into equity directly.

The current income tax includes the projected income tax payable or tax refund receivable calculated at the statutory tax rate or the tax rate substantially enacted on the reporting date based on the current taxable income (loss), and the adjustment on income tax payable in the previous years.

The deferred income tax is recognized based on the book value of assets and liabilities for the purpose of financial reporting and temporary difference generated from the taxation basis for assets and liabilities. No deferred income tax will be recognized in the case of the temporary difference generated under the following circumstances:

1. Assets or liabilities recognized initially in the transactions other than combined business, and the accounting profit and taxable income (loss) remain unaffected at the time of transaction.
2. Generated from investment in subsidiaries and joint ventures and very unlikely to be reversed in the foreseeable future.
3. Initial recognition of goodwill.

The deferred income tax is measured at the tax rate prevailing when the assets are expected to be realized or liabilities are expected to be repaid, and based on the statutory tax rate or tax rate substantially enacted on the reporting date.

Deferred income tax assets and deferred income tax liabilities will be offset against each other only when the following conditions are met:

1. When the Company is entitled to the right to offset the current income tax assets against the current income tax liabilities; and
2. The deferred income tax assets and deferred income tax liabilities are related to the subjects on whom the same tax collection authority imposed the income tax;
   (1) The same subject; or
   (2) Different subjects, but each subject desires to repay the assets and liabilities on a net basis or concurrently realize and repay the assets and liabilities in each of the following periods in which the major deferred income tax assets are expected to recovered and deferred income tax liabilities are expected to be repaid.

The unused taxation loss and unused income tax credit carry-forward and deductible temporary difference shall be stated as deferred income tax assets when the temporary difference is very likely to credit against the future taxable income. Meanwhile, revaluation shall be conducted on each reporting date, so that the related income tax gains may be adjusted or decreased when they are not likely to be realized.

(XXII) <u>EPS</u>

The Group will enumerate the basic and diluted EPS vested in the Company's common stock holders. The Group’s EPS is calculated based on the income vested in the Company's common stock holders dividing by the number of shares of the weighted average outstanding common stock. The diluted EPS is calculated upon adjustment of the effect of all potential diluted common stocks based on the income vested in the common stock holders and the number of shares of the weighted average outstanding common stock. The Group's potential diluted common stock includes the stock options granted to employees.

(XXIII) <u>Information by department</u>

The Group consists of various members including the operations engaged in operating activities likely to earn revenue and incur expense (including the revenue and expense from the transactions with the other members within the Group). The operating results of all operations are rechecked by the Group's operating decision maker periodically for making of the decision to allocate resources to each operation and evaluation of each operation's performance. Each operation's financial information is independent from that of the others.

V. <u>Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty</u>

The accounting estimations made by the Group were based on the reasonable expectation toward future events subject to current circumstances on the balance sheet date; nevertheless, the actual results might be different from the estimations. The estimations and hypotheses about the risk over material adjustment of book value of assets and liabilities in next fiscal year, please see the following notes:

1. Allowance for bad debt of receivable accounts

   The Group evaluates and estimates the collectible receivable accounts and allowance for bad debt according to the loan quality and collection of debt from customers and based on the past experience in collecting bad debt. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for bad debt. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and bad debt expenses in the year in which the estimation is changed. Until December 31, 2013, the book value of receivable accounts has been NT$569,199 thousand (exclusive of the allowance for bad debt, NT$36,229 thousand).

2. Evaluation of inventory

   The inventories shall be stated at the lower of cost and net realizable present value. Therefore, the Group has to decide the net realizable present value of the inventory on the balance sheet date based on judgment and estimation. Due to the repaid transformation of technology, the Group evaluates the value of inventories after excluding the torn and worn, out-of-fashion or unmarketable ones on the balance sheet date, and offset the cost of inventories against net realizable value. Until December 31, 2013, the book value of the Group's inventories has been NT$1,498,928 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NT$147,812 thousand).

3. Realizability of deferred income tax assets

   Deferred income tax assets shall be recognized only when it is very likely that there will be sufficient taxable income afford to deduct temporary difference. To evaluate the realizability of deferred income tax assets, the management has to exert judgment and estimation, including the hypotheses about expectation toward growth and profit rate of future sale revenue, tax-free period, applicable income tax credit and taxation planning. The transformation of global economic environments and industrial environments and changes in laws and regulations, if any, might result in material adjustment on deferred income tax assets. Until December 31, 2013, the deferred income tax assets recognized by the Group have been NT$33,324 thousand.

4. Recognition of revenue

   In principle, sale revenue is recognized at the time the earning process. The related reserve for liabilities is provided based on the estimated after-sale warranty cost potentially incurred due to historical experience and other known causes, and stated as the sale cost in the period in which the product is sold. The reasonability of estimation is also reviewed periodically. Until December 31, 2013, the reserve for liabilities recognized by the Group have been NT$9,645 thousand.

5. Calculation of accrued pension liabilities

   When calculating the present value of defined benefit obligation, the Group has to exert judgment and estimation to decide the relevant actuarial hypotheses on the balance sheet date, including the discount rate and expected rate of return of planned assets. Any changes in the actuarial hypotheses might affect the value of the Group’s defined benefit obligation materially. Until December 31, 2013, the book value of the Group's accrued pension liabilities have been NT$19,959 thousand.

VI. <u>Notes to Major Accounting Titles</u>

(I) Cash and cash equivalent

	December 31, 2013	December 31, 2012	January 1, 2012
Cash:			
Cash on hand	$ 3,027	$ 1,968	$ 2,656
Bank deposit:			
Check deposit	10	10	(50)
Demand deposit	619,619	470,866	495,603
Time deposit	1,140	130,060	453,160
Total	$ 623,796	$ 602,904	$ 951,369

The bank deposits provided by the Group as collateral have been re-stated as other current assets. Please see Note 8.

(II) Receivable notes, net

	December 31, 2013	December 31, 2012	January 1, 2012
Receivable notes	$ 17,555	$ 5,640	$ 20,967
Less: Allowance for bad debt	–	(55)	(150)
Receivable notes, net	$ 17,555	$ 5,585	$ 20,817

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

(III) Receivable accounts, net

	December 31, 2013	December 31, 2012	January 1, 2012
Receivable accounts	$ 517,284	$ 647,710	$ 542,808
Less: Allowance for bad debt	(6,753)	(10,427)	(6,973)
Receivable accounts, net	$ 510,531	$ 637,283	$ 535,835

	December 31, 2013	December 31, 2012	January 1, 2012
Receivable accounts-related party	$ 41,313	$ 76,945	$ 51,577
Less: Allowance for bad debt	(200)	(879)	(1,999)
Receivable accounts-related party, net	$ 41,113	$ 76,066	$ 49,578

	December 31, 2013	December 31, 2012	January 1, 2012
Receivable on demand (stated as other non-current assets)	$ 29,276	$ 17,592	$ 40,807
Less: Allowance for bad debt	(29,276)	(17,592)	(40,807)
Receivable on demand, net	$ –	$ –	$ –

1. The Group's receivable accounts were incurred for business and never been provided as collateral.
2. For the information about the changes of bad debt provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note XII(II)):

Group evaluation	Individual	Total

	Impairment loss	evaluation Impairment loss	
January 1, 2013	$ 13,006	$ 15,947	$ 28,953
Impairment loss provided in the current period	—	11,951	11,951
Impairment loss reversed in the current period	(4,499)	—	(4,499)
Accounts written off and uncollected in the current period	(241)	—	(241)
Foreign exchange rate effect	65	—	65
December 31, 2013	$ 8,331	$ 27,898	$ 36,229
January 1, 2012	$ 11,119	$ 38,810	$ 49,929
Impairment loss provided in the current period	3,057	—	3,057
Impairment loss reversed in the current period	(1,166)	(22,863)	(24,029)
Accounts written off and uncollected in the current period	—	—	—
Foreign exchange rate effect	(4)	—	(4)
December 31, 2012	$ 13,006	$ 15,947	$ 28,953

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

	December 31, 2013		December 31, 2012		January 1, 2012	
	Total	Impairment	Total	Impairment	Total	Impairment
Undue	$ 503,853	$ -	$ 679,238	$ 5,793	$ 491,708	$ 5,639
Overdue for 1~90 days	52,968	2,945	34,993	508	91,543	14,609
Overdue for 91~180 days	10,732	1,050	6,364	185	51,380	25,342
Overdue for 181~360 days	5,723	700	996	498	18,564	1,873
Overdue for 1~2 years	1,236	618	24,601	20,274	995	497
Overdue for more than 2 years	30,916	30,916	1,695	1,695	1,969	1,969
Total	$ 605,428	$ 36,229	$ 747,887	$ 28,953	$ 656,159	$ 49,929

(IV) Inventory, net

	December 31, 2013	December 31, 2012	January 1, 2012
Raw material	$ 298,796	$ 305,783	$ 384,655
Supplies	47,128	40,953	35,112
Work in process (including semi-finished goods)	320,980	322,049	379,616

Finished goods	860,922	873,732	730,528
Commodity	76,880	94,827	47,952
Materials and supplies in transit	42,034	7,923	5,203
Less: Allowance for inventory devaluation and obsolescence losses	(147,812)	(106,428)	(69,706)
Inventory, net	$ 1,498,928	$ 1,538,839	$ 1,513,360

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

	2013	2012
Cost of sold inventory	$ 1,585,202	$ 1,487,386
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	41,363	36,735
Inventory retirement loss	426	2,584
Other operating cost - employee bonus	13,137	12,605
Revenue from sale of scraps	—	—
Estimated maintenance and warranty cost	(5,776)	12,777
Sale cost, net	$ 1,634,352	$ 1,552,087

2. Before December 31, 2013, December 31, 2012 and January 1, 2012, the Group's inventories have never been provided as collaterals.

(V) Financial assets measured at cost

The financial assets measured at cost by the Group on the reporting date are stated as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Noncurrent items:			
TAISelec Co., Ltd	$ 20,231	$ 20,231	$ 20,231
Less: Impairment loss	—	—	—
Total	$ 20,231	$ 20,231	$ 20,231

1. The non-TWSE/GTSM stock investment held by the Group shall be classified into available-for-sale financial assets according to the intent of investment. Notwithstanding, because the objects are not traded in a public market and it is impossible to access sufficient industrial information about similar companies, it is impossible to reliably measure the fair value of such objects and they are classified into “financial assets measured at cost”.
2. Before December 31, 2013, December 31, 2012 and January 1, 2012, the Group's financial assets measured at cost had never been provided as collateral.

(VI) Investment under equity method

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

Investee	December 31, 2013 Book value	Ratio of shareholding %	December 31, 2012 Book value	Ratio of shareholding %	January 1, 2012 Book value	Ratio of shareholding %
Affiliates:						
Mjc Microelectronics (Shanghai) Co., Ltd (Note 4)	$ 42,326	40 %	$ 44,428	40 %	$ 41,901	40 %
MMK (Kunshan)	49,064	40 %	39,850	40 %	7,712	40 %
Lumitek Co.,LTD	34,942	20.15 %	53,789	17.87 %	79,682	17.87 %
Total	$ 126,332		$ 138,067		$ 129,295	

1. Changes in investment under equity method:

	2013	2012
Balance, beginning	$ 138,067	$ 129,295
Increase in investment in the current period	14,942	36,389
Cash dividend distributed by affiliates	(6,953)	(5,621)
Investment income (loss) recognized under equity method	(27,099)	(23,517)
Exchange difference arising from translation of the financial statement of foreign operations	4,480	(1,666)
Realized (unrealized) income from downstream transactions with affiliates	2,895	3,187
Balance, ending	$ 126,332	$ 138,067

2. The affiliates' financial information is summarized as following, which is not adjusted based on the ratio of the Group's ownership:

December 31, 2013	Total assets	Total liabilities	Revenue	Net profit
Mjc Microelectronics (Shanghai) Co., Ltd.	$ 122,393	$ 16,480	$ 143,234	$ 6,093
MMK (Kunshan)	157,265	34,606	20,370	(15,273)
Lumitek Co.,LTD	527,616	304,225	119,155	(119,541)
Total	$ 807,274	$ 355,311	$ 282,759	$ (128,721)

December 31, 2012	Total assets	Total liabilities	Revenue	Net profit
Mjc Microelectronics (Shanghai) Co., Ltd.	$ 153,926	$ 1,177	$ 161,669	$ 28,904
MMK (Kunshan)	101,361	1,738	–	(10,052)
Lumitek Co.,LTD	697,022	352,714	175,810	(161,144)
Total	$ 952,309	$ 355,629	$ 337,479	$ (142,292)

January 1, 2012	Total assets	Total liabilities
Mjc Microelectronics (Shanghai) Co., Ltd.	$ 146,638	$ 22,167
MMK (Kunshan)	19,509	228
Lumitek Co.,LTD	953,393	447,333
Total	$ 1,119,540	$ 469,728

3. The Group recognized the share of investment income under equity method based on the investees' financial statements 2013 and 2012 audited by external auditors.
4. The Group reinvested the affiliate, Lumitek Co.,LTD, via its subsidiaries, Chia Hsin Investment Co., Ltd., Yi Hsin Investment Co., Ltd. and Chia Ying Investment Co., Ltd. So far, the Group held a total of 6,630,000 shares at par value of NT$10 per share, and until December 31 and January 1, 2012, the Company's shareholdings were both 17.87%. Because some evidence showed that the Group has significant influence over the affiliate, the investment was recognized under equity method, although the Group's shareholdings were less than 20%.
5. The Group acquired 843,968 shares of Lumitek Co.,LTD via the Company in April 2013, at the acquisition cost of NT$1,976 thousand. Until December 31, 2013, the Group has held a total of 7,473,968 shares of Lumitek Co.,LTD and shareholding of 20.15%, treated under equity method.
6. Guarantee

   Before December 31, 2013, December 31, 2012 and January 1, 2012, the Group's investment under equity method has never been provided as collaterals.

(VII) Property, plant and equipment

1. The details about changes in the cost, depreciation and impairment loss of property, plant and equipment in 2013 and 2012 are stated as follows:

	Land	House and building	Machine & equipment	Transportation equipment	Furniture and fixtures	Research equipment	Other equipments	Construction in progress	Total
Cost									
January 1, 2013	$303,362	$1,052,220	$298,989	$ 3,935	$ 67,585	$255,732	$ 25,915	$ 16,800	$2,024,538
Addition	-	12,292	19,133	1,320	11,498	38,178	1,052	497	83,970
Disposition	(11,883)	(4,117)	(68,667)	(414)	(10,973)	(7,021)	(1,062)	-	(104,137)
Transfer	-	16,800	43,589	-	473	57,829	-	(16,800)	101,891
Effect of foreign exchange rate change	-	1,601	708	206	392	-	529	-	3,436
December 31, 2013	$291,479	$1,078,796	$293,752	$ 5,047	$ 68,975	$344,718	$ 26,434	$ 497	$2,109,698
Cost									
January 1, 2012	$ 239,133	$ 705,670	$273,529	$ 4,559	$ 63,074	$ 184,420	$ 21,709	$139,777	$1,631,871
Addition	64,229	26,269	12,755	70	14,328	15,889	1,385	202,831	337,756
Disposition	-	-	(23,774)	-	(10,277)	(1,780)	(883)	-	(36,714)
Transfer	-	321,190	35,944	-	444	57,203	3,546	(325,808)	92,519
Effect of foreign exchange rate change	-	(909)	535	(694)	16	-	158	-	(894)
December 31, 2012	$ 303,362	$1,052,220	$298,989	$ 3,935	$ 67,585	$ 255,732	$ 25,915	$ 16,800	$2,024,538
Accumulated									

depreciation and impairment:									
January 1, 2013	$ -	$ 109,116	$206,730	$ 2,133	$ 35,756	$128,928	$ 10,198	$ -	$ 492,861
Depreciation	-	27,402	31,370	1,051	10,964	37,973	3,722	-	112,482
Disposition	-	(205)	(68,656)	(217)	(10,548)	(7,020)	(1,052)	-	(87,698)
Transfer	-	-	-	-	(25)	-	-	-	(25)
Effect of foreign exchange rate change	-	523	172	135	90	-	195	-	1,115
December 31, 2013	$ -	$ 136,836	$169,616	$ 3,102	$ 36,237	$159,881	$ 13,063	$ -	$ 518,735
Accumulated depreciation and impairment:									
January 1, 2012	$ -	$ 88,307	$204,020	$ 1,361	$ 36,558	$101,896	$ 7,909	$ -	$ 440,051
Depreciation	-	21,064	25,935	918	8,906	28,739	3,141	-	88,703
Disposition	-	-	(23,160)	-	(9,696)	(1,707)	(883)	-	(35,446)
Effect of foreign exchange rate change	-	(255)	(65)	(146)	(12)	-	31	-	(447)
December 31, 2012	$ -	$ 109,116	$206,730	$ 2,133	$ 35,756	$ 128,928	$ 10,198	$ -	$ 492,861
Net book value									
December 31, 2013	$ 291,479	$ 941,960	$124,136	$ 1,944	$ 32,738	$ 184,838	$ 13,371	$ 497	$ 1,590,963
December 31, 2012	$ 303,362	$ 943,104	$ 92,259	$ 1,802	$ 31,829	$ 126,804	$ 15,717	$ 16,800	$ 1,531,677
January 1, 2012	$ 239,133	$ 617,363	$ 69,509	$ 3,198	$ 26,516	$ 82,524	$ 13,800	$139,777	$ 1,191,820

2. Guarantee

   For details about the secured long-term loan and facility until December 31, 2013 and 2012 and January 1, 2012, please see Note VIII.

3. For the capitalized interest, please see Note VI(XVI) 2. Financial cost

(VIII) Intangible assets

The details about changes in the cost, amortization and impairment loss of intangible assets in 2013 and 2012 are stated as follows:

	Computer software		**Computer software**
January 1, 2013	$ 20,620	**January 1, 2012**	$ 13,186
Addition	10,470	Addition	18,986
Reclassification	(10)	Reclassification	—
Amortization expenses	(13,103)	Amortization expenses	(11,552)
Exchange difference, net	—	Exchange difference, net	—
December 31, 2013	$ 17,977	**December 31, 2012**	$ 20,620

1. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses 2013 and 2012 were stated as the following items in the comprehensive income statement:

	2013	2012
Operating cost	$ 8,189	$ 4,287
Operating expense	23,654	26,835
Total amortization expenses	$ 31,843	$ 31,122

2. R&D expenditure

The R&D expenditures related to intangible assets incurred internally in 2013 and 2012 were NT$550,203 thousand and NT$544,006 thousand, stated as the "operating expenses-R&D expenses" in the comprehensive income statement.

(IX) Short-term loan

	December 31, 2013		December 31, 2012		January 1, 2012	
Nature of loan	Amount	Interest rate	Amount	Interest rate	Amount	Interest rate
Credit loan	$ 4,265	4.93%	—		—	
Mortgage loan	—		—		—	
Total	$ 4,265		—		—	

For the information about exposure of the Group's interest rate and liquidity risks, please refer to Note XII(II).

(X) Other payable accounts

	December 31, 2013	December 31, 2012	January 1, 2012
Payable expenses	$ 286,605	$ 255,741	$ 258,957
Payable employee bonus	28,071	29,055	69,439
Short-term employee benefits	—	25,375	3,302
Payable stock dividends	—	—	—
Others (all less than 5%)	42,269	13,268	16,030
Total	$ 356,945	$ 323,439	$ 347,728

(XI) Reserve for liabilities

	Warranty		Warranty
Balance, January 1, 2013	$ 17,379	**Balance, January 1, 2012**	$ 13,491
Increase (decrease)	(7,734)	Increase (decrease)	3,888
Balance, December 31, 2013	$ 9,645	**Balance, December 31, 2012**	$ 17,379
Current	$ 9,645	Current	$ 17,379
Non-current	-	Non-current	-
Balance, December 31, 2013	$ 9,645	**Balance, December 31, 2012**	$ 17,379

The Group's reserve for warranty and liabilities in 2013 and 2012 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranty and liabilities was estimated based on the historical warranty information. The Group expects that the liabilities would be mostly incurred in the following year of the sale.

(XII) Long-term loan

Bank	Nature	Limit	Duration	December 31, 2013
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$163,000	2009/03/02~2022/03/02	$ 76,953
Less: current portion				(9,329)
Total				$ 67,624
Interest rate range				1.56 %

Bank	Nature	Limit	Duration	December 31, 2012
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$163,000	2009/03/02~2022/03/02	$ 86,282
Less: current portion				(9,329)
Total				$ 76,953
Interest rate range				1.56 %

Bank	Nature	Limit	Duration	January 1, 2012
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$163,000	2009/03/02~2022/03/02	$ 95,611
Less: current portion				(9,329)
Total				$ 86,282
Interest rate range				1.56 %

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

   For bank loans secured by the Group's assets, please see Note VIII.

(XIII) Pension

1. Defined benefit plan

   (1) The Company and its domestic subsidiaries have instituted regulations for the defined pension plan under the "Labor Standards Law" applicable to the years of services of employees before July 1, 2005, which is the day that the new "Labor Pension Act" came into full force, and the following years of services of employees who choose to continue applying the Labor Standard Law upon enforcement of the Labor Pension Act. Employees who meet the retirement requirements will be paid the pension based on their years of service and average salary or wage of the last 6 months prior to retirement. Two units are accrued for each year of service for the first 15 years and one unit is accrued for each additional year thereafter, up to a maximum of 45 units. The Company and its domestic subsidiaries contribute 2% of the total salaries of the employees to the special pension fund account with Bank of Taiwan supervised by the Employee Pension Fund Reserve Supervisory Committee. Until the end of December 2013, the balance of the pension funds contributed to the special pension fund account at Bank of Taiwan was $41,614.

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

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of contributed defined benefit obligation	$ 61,573	$ 59,674	$ 51,886
Fair value of planned assets	(41,614)	(37,305)	(33,208)
	19,959	22,369	18,678
Present value of unallocated defined benefit obligation	-	-	(1,092)
Unrecognized actuarial loss	-	-	(30,436)
unrecognized service cost in previous period	-	-	-
Billing adjustment	-	-	31,528
Net liabilities recognized in the balance sheet	$ 19,959	$ 22,369	$ 18,678

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

	2013	2012
Present value of defined benefit obligation, January 1	$ 59,674	$ 51,886
Service cost	207	225
Interest cost	980	918
Actuarial loss/gain	712	6,645
Present value of defined benefit obligation, December 31	$ 61,573	$ 59,674

(4) Changes in fair value of planned assets:

	2013	2012
Fair value of planned assets, January 1	$ 37,305	$ 33,208
Contribution by employer	3,819	3,758
Benefit payment-from planned assets	-	-
Actual remuneration	490	339
Fair value of planned assets, December 31	$ 41,614	$ 37,305

(5) Total expenses recognized in comprehensive income statement:

	2013	2012
Service cost in current period	$ 207	$ 225
Interest cost	980	918
Actual remuneration of planned assets	(490)	(339)
Gain (loss) from remuneration of planned assets	20	(82)
Total expenses recognized in income statement	$ 717	$ 722

(6) Actuarial income recognized in other comprehensive income statement:

	2013	2012
Accumulated balance, January 1	$ (6,727)	$ —
Recognized in the current period	(672)	(6,727)
Accumulated balance, December 31	$ (7,399)	$ (6,727)

(7) The expected rate of return on the entire planned assets was estimated based on the forecast about the historical remuneration trend within the entire benefit period, and the information about business overview of the labor pension fund under the old system published by Labor Pension Fund Supervisory Committee, and by taking into consideration the guaranteed average yield rate for the most recent 3~5 years.

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

	2013	2012	January 1, 2012
Discount rate	1.90%	1.60%~1.65%	1.76%~1.82%
Future salary and benefit level	2.25%~2.75%	2.25%~2.75%	2.25%~2.75%
Projected rate of return on planned assets	1.20%	1.20%	1.20%

(9) Historical information about empirical adjustment is stated as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 61,573	$ 59,674	$ 51,886
Fair value of planned assets	(41,614)	(37,305)	(33,208)
Deficit (surplus) of plan	$ 19,959	$ 22,369	$ 18,678
Income on defined benefit obligation			
Empirical adjustment	$ 3,628	$ 6,645	$ -
Changes of actuarial hypotheses	$ (2,917)	$ -	$ -
Empirical adjustment on planned assets	$ (20)	$ 82	$ -

(10) When calculating the present value of defined benefit obligation, the Group has to exert judgment and estimation to decide the relevant actuarial hypotheses on the balance sheet date, including the turnover rate and changes in future salary. Any changes in the actuarial hypotheses might materially affect the value of the Group's defined benefit obligation materially.

(11) The Group's hypotheses about discount rate would materially affect the amount of income. The changes in hypotheses about discount rate, if any, would render the following influence:

	2013		2012	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
Effect on defined benefit obligation	(4.49%)	4.74%	(4.64%)	4.90%
Sensitivity of income	$ 2,765	$ (2,919)	$ 2,766	$ (2,926)

(12) The Group schedules to contribute NT$3,823 thousand to the retirement plan within one year after the reporting date on December 31, 2013.

2. Defined contribution plan

(1) As of July 1, 2005, the Group instituted the defined contribution retirement plan according to the "Labor Pension Act", applicable to the native employees. The Group shall contribute the amount equivalent to 6% of the monthly salary of respective native employees to the individual pension accounts of the employees at Labor Insurance Bureau, with respect to the labor pension system under the "Labor Pension Act" chosen by employees. Retired employees may claim for pension disbursement in accordance with the status of their individual accounts and the cumulative contribution in the account through monthly payment or in lump sum.

(2) Foreign subsidiaries shall contribute specific ratio of the local employees' total salary, on a monthly basis, as the pension or fund of endowment insurance according to the local government regulations. The pension of each employee shall be arranged and managed by government. Except that the subsidiaries shall be obligated to contribute the fund on a monthly basis, the subsidiaries shall bear no other obligations.

(3) The pension expenses recognized under the Group's defined contributed pension regulations were NT$36,569 thousand and NT$32,735 thousand in 2013 and 2012.

(XIV) Equity

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

Unit: share

	2013	**2012**
Balance, January 1	76,610,400	76,602,400
Execution of employee stock options	2,000	8,000
Cancellation of treasury stock	(8)	-
Balance, December 31	76,612,392	76,610,400

2. Capital surplus

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

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

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Common stock premium	$ 210,163	$ 210,040	$ 209,499
Convertible corporate bond conversion premium	480,676	480,676	480,676

Treasury stock trading	10,777	10,777	10,777
Donation from shareholders	1	-	-
Changes in net worth of equity of affiliates recognized under equity method	19,306	19,306	19,306
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858	19,858
Total	$ 740,781	$ 740,657	$ 740,116

A. The conversion of 1st and 2nd non-secured domestic convertible corporate bonds already issued by the Company has been completed and generated the capital surplus-convertible corporate bond conversion premium, NT$480,676 thousand, and capital surplus-treasury stock trading, NT$8,477 thousand.

B. The Group repurchased a total of 500,000 shares at the cost of NT$35,387 thousand in accordance with the "Regulations Governing Transfer of 1st Repurchased Shares to Employees". Upon resolution of the board of directors on November 26, 2009, the treasury stock was transferred to employees and the record date of employees' subscription for shares was set as November 26, 2009. The board of directors resolved to transfer the shares, in whole, to the employees of the Company and the subsidiary, Chain-Logic International Corp., at the price of NT$61.53 per share. According to the estimation under Black-Scholes evaluation model, the fair value was NT$14.03 per share. The capital surplus-treasury stock trading, NT$2,300 thousand, was generated therefor.

C. For the Group's capital surplus-donation from shareholders, please see Note VI(XIV) 4. Treasury stock

D. The Group reinvested the affiliate, Lumitek Co.,LTD, via its subsidiaries, Chia Hsin Investment Co., Ltd., Yi Hsin Investment Co., Ltd. and Chia Ying Investment Co., Ltd. The Group has carried out the capital increase in cash and exercise of stock options based on employee stock warrant. Because the subsidiary did not subscribe for equity in proportion to its ownership percentage, the changes in net worth of equity of affiliates, NT$19,306 thousand, were recognized under the capital surplus-equity method.

E. The Company issued new shares and swapped the equity with the subsidiary, Chain-Logic International Corp. on June 15, 2002. The Company's shareholding is 100%. The difference between the investment cost and net worth of the acquired equity was NT$19,858 thousand on the date of investment, stated as capital surplus-others.

3. Retained earnings

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

resolution. Where the earnings are resolved to be allocated, they shall be allocated in the following manners:

- Employee bonus: at least 20% of the allocable earnings;
- Remuneration to directors/supervisors: no more than 3% of the allocable earnings;
- Shareholders bonus: the remainder less the allocated amount referred to in the preceding two sub-paragraphs.

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

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

(3) Legal reserve

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

(4) Special reserve

Pursuant to laws, when allocating earnings, the Company shall provide the special reserve from the credit balance under other equities on the balance sheet date in current year and then may allocate the earnings. Where the credit balance under other equities is reversed, the reversed amount may be included into the allocable earnings.

(5) The Company's estimated employee bonuses were NT$28,071 thousand and estimated remuneration to directors/supervisors NT$7,017 thousand from January to December 2013, stated as the operating cost or operating expense 2013. The estimated amount was resolved by the board of directors on March 21, 2013 and based on the shareholders' equity and employee benefits, and the Company's historical allocation ratio of employee bonus, the standards in the same trade and future operation, and the percentage of allocable earnings from the net profit after tax before employee bonus expenses were estimated. As a result, 12% was estimated for employee bonus and 3% for remuneration to directors/supervisors as the basis for recognition of employee bonus expenses in the year. According to the Company Act of Incorporation, the quantity of

stock dividend to be allocated shall be calculated based on the closing price on the day preceding to the day of resolution made by the shareholders' meeting 2014 and by taking the ex-dividend and ex-right effects into consideration. Notwithstanding, the difference in the actual allocation resolved by the shareholders' meeting and the amount estimated was stated as income in 2014.

(6) The Company's actual cash dividend to shareholders allocated from earnings 2012 was NT$191,526 thousand. The difference between the employee bonus, NT$27,039 thousand, and remuneration to directors/supervisors, NT$6,760 thousand, allocated from the earnings 2012 and the employee bonus, NT$29,055 thousand and remuneration to directors/supervisors, NT$7,264 thousand, recognized in the financial statement 2012 was NT$2,520 thousand, resulting from the amendment to the estimated employee bonus and remuneration to directors/supervisors after the Company took the shareholders' equity and employee benefits, and also the standards in the same trade and future operation into consideration. The difference was held as a change in the accounting estimation and adjusted as income 2013.

(7) The Company's actual cash dividend to shareholders allocated from earnings 2011 was NT$344,724 thousand. The difference between the employee bonus, NT$48,667 thousand, and remuneration to directors/supervisors, NT$12,167 thousand, allocated from the earnings 2011 and the employee bonus, NT$63,905 thousand and remuneration to directors/supervisors, NT$15,976 thousand, recognized in the financial statement 2011 was NT$19,047 thousand, resulting from the amendment to the estimated employee bonus and remuneration to directors/supervisors after the Company took the shareholders' equity and employee benefits, and also the standards in the same trade and future operation into consideration. The difference was held as a change in the accounting estimation and adjusted as income 2012.

(8) The motions approved by the Board of Directors and the allocation of employee bonus and remuneration to directors/supervisors resolved by the shareholders’ meetings may be viewed at the “MOPS” of TWSE.

4. Treasury stock

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

Unit: share

	2013			
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	2,000,000	—	—	2,000,000
Shareholders' waiver of equity	—	8	8	—
Total	2,000,000	8	8	2,000,000

Unit: share

2012				
Cause	**Quantity, beginning**	**Increase in current period**	**Decrease in current period**	**Quantity, ending**
For transfer of shares to employees	2,000,000	—	—	2,000,000

(2) According to the Securities and Exchange Act, the number of outstanding shares repurchased may not exceed ten percent of the Company's total number of issued shares. The total amount of the repurchased shares may not exceed the amount of retained earnings plus premium on capital stock and realized capital surplus. The Company repurchased the treasury stock totaling 2,000,000 shares, i.e. NT$152,606 thousand, from August to October 2011.

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

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

(5) The Company received the shareholders' waiver of equity and 8 shares were transferred to the Company in June 2013. According to laws, the equity acquired by the Company upon receipt of the shareholders' waiver of the same shall be held as treasury stock and stated at the fair value of the stock on the same day, credited into capital surplus-donation from shareholders, NT$1,000. Meanwhile, upon resolution of the board of directors on July 9, 2013, the Company carried out the cancellation and capital decrease by 8 shares. The record date of the capital decrease was set as July 10, 2013.

(XV) Share-based payment

The Group's share-based payment-employee bonus before December 31, 2007 (inclusive) is disclosed as follows:

1. Upon resolution of the board of directors on November 9, 2007, the Company established the regulations governing governing offering of employee stock warrants and subscription for stock in accordance with Paragraph 3 of Article 28 of the Securities and Exchange Act. The issued stock warrants totaled 5,000,000 units, and 1 common stock may be subscribed for per unit. The Company will deliver the same by offering of new shares. The subscription price should be the closing price for the Company's common stock on the date of offering of the employee stock warrants. The employee stock warrant shall be effective for 6 years, which shall not be transferred, pledged or given to others, or disposed of in any other manners when it is effective, unless it is transferred, pledged or given to a heir. The employee who is granted the employee stock warrant may exercise his/her subscription right according to the required schedule and proportion upon expiration of two years after being granted the warrant. If there is any change to the common stock of the Company (including

capital increase in cash, capital increase by profit, capital increase by capital reserve, company merger, stock split and issuance of foreign depository receipts and issuance of new shares due to acquisition of shares of another company pursuant to capital increase in cash by offering or private placement) after these stock warrants are issued, the share subscription price per unit shall be adjusted in accordance with the following formula (calculated to 0.1 NT Dollars, with the second digit after the decimal point rounded up if it is 5 or higher and rounded down if it is 4 or lower).

2. Details about said employee stock option plan:

	2013		2012	
(expressed in 1,000 units)	**Quantity of stock options**	**Weighted average strike price (NT$)**	**Quantity of stock options**	**Weighted average strike price (NT$)**
Outstanding stock options, beginning	1,811	$71.7 (Note 3)	2,002	$77.6 (Note 2)
Stock options granted in the current period	—		—	
Stock options exercised in the current period	(2)	$71.7 (Note 3)	(8)	$71.7~77.6 (Note 2)
Stock options waived in the current period (Note 1)	(41)		(183)	
Overdue and invalid quantity in the current period	(1,768)		—	
Outstanding stock options, ending	—	$68.7 (Note 4)	1,811	$71.7 (Note 2)
Stock options exercisable, ending	—		1,992	
Weighted average fair value of stock options granted in the current period (NT$)	$ 37.8616		$ 37.8616	

(Note 1) The stock option owners waived the stock options upon resignation.

(Note 2) The price was adjusted as NT$77.6 as of August 21, 2011, as a result of the Company's allocation of dividends from earnings.

(Note 3) The price was adjusted as NT$71.7 as of September 2, 2012, as a result of the Company's allocation of dividends from earnings.

(Note 4) The price was adjusted as NT$68.7 as of September 1, 2012, as a result of the Company's allocation of dividends from earnings.

3. Information about the outstanding employee stock options until December 31, 2013: N/A.

4. The Company calculated the stock warrants granted in 2007 based on the intrinsic method. It is not necessary to recognize the compensation cost. If said compensation cost is recognized based on fair value, the related methods, hypotheses and assumed net profit in the financial statement, as well as the information about EPS, are stated as following:

		Stock option plan 2007
Evaluation model	The Binomial options pricing Model	
Hypotheses	Interest rate without risk	2.59 %
	Duration of subscription	6 years

Projected price fluctuation ratio	41.12%
Projected stock dividend ratio	3.34%

		2013	2012
Consolidated net profit attributed to parent company	Net profit recognized in financial statement	$ 271,033	$ 261,931
	Assumed net profit	$ 271,033	$ 261,931
EPS	EPS (NT$) recognized in financial statement	$ 3.54	$ 3.42
	Assumed EPS (NT$)	$ 3.54	$ 3.42

(XVI) Non-operating revenue and expense

1. Other gains and losses, net

	2013	2012
Gain (loss) from disposition of property, plant and equipment	$ 144	$ –
Foreign currency exchange gain (loss), net	11,199	(12,295)
Others	(183)	(1,873)
Total	$ 11,160	$ (14,168)

2 .Financial cost

	2013	2012
Interest expenses	$ 1,472	$ 1,415
Less: capitalized interest	(722)	(975)
Total	$ 750	$ 440

(XVII) Income tax

1. The Group's income tax expenses (gains) are specified as follows:

	2013	2012
Income tax in the current period		
Generated in the current period	$ 46,846	$ 41,717
Overestimated (underestimated) income tax in previous year	3,167	10
Total income tax in the current period	50,013	41,727
Deferred income tax		
Occurrence and reversal of temporary difference	5,653	(5,858)
Effect of changes in tax rate	–	–
Total deferred income tax	5,653	(5,858)
Total	$ 55,666	$ 35,869

2. The income tax expenses recognized by the Group in the other comprehensive income statements 2013 and 2012 were both 0.

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

	2013	2012
Net profit (loss) before tax	$ 326,599	$ 290,257
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated (17%)	55,522	49,344

Tax rate difference effect in foreign jurisdiction	1,469	751
Income tax effect included into the items that shall not be recognized pursuant to tax laws	8,119	15,078
Income tax effect on deferred income tax assets/liabilities	5,653	(5,906)
Changes of foreign exchange rate of deferred income tax assets/liabilities	—	48
Unrecognized deferred income tax assets	14	2,018
Tax-free income	(18,680)	(22,231)
Income tax effect on investment credit	(47,830)	(67,491)
Imposition of 10% income tax on undistributed earnings	4,569	24,955
Income tax effect under minimum tax system	43,663	39,303
Overestimated (underestimated) income tax in previous year	3,167	—
Total	$ 55,666	$ 35,869

4. Deferred income tax assets and liabilities

(1) Recognized deferred income tax assets and liabilities

	2013				
	January 1	**Recognized in income statement**	**Recognized in other comprehensive income**	**Exchange difference**	**December 31**
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 18,022	$ 7,033			$ 25,055
Unrealized exchange loss	840	(615)			225
Unrealized warranty cost	2,954	(1,314)			1,640
Bad debt loss	3,570	1,116			4,686
Unrealized gain on inter-affiliate accounts	1,897	(497)			1,400
Tax difference on depreciation expenses	14				14
Recognition of pension expenses (excess)	249	(26)			223
Investment credit	8,985	(8,904)			81
Loss carryforwards	-	-			-
Total	$ 36,531	$ (3,207)			$ 33,324
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (200)	$ (214)			$ (414)
Unrealized net investment income (foreign)	(9,817)	(1,731)			(11,548)
Recognition of pension expenses (deficit)	(2,791)	(501)			(3,292)
Total	$ (12,808)	$ (2,446)			$(15,254)

2012

	January 1	Recognized in income statement	Recognized in other comprehensive income	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 12,089	$ 5,933			$ 18,022
Unrealized exchange loss	522	318			840
Unrealized warranty cost	2,293	661			2,954
Bad debt loss	7,217	(3,647)			3,570
Unrealized gain on inter-affiliate accounts	1,887	10			1,897
Tax difference on depreciation expenses	14	-			14
Recognition of pension expenses (excess)	332	(83)			249
Investment credit	6,980	2,005			8,985
Loss carryforwards	2,408	(2,408)			-
Total	$ 33,742	$ 2,789			$ 36,531
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange (gain)	$ (705)	$ 505			$ (200)
Unrealized net investment income (foreign)	(12,765)	2,948			(9,817)
Recognition of pension expenses (deficit)	(2,455)	(336)			(2,791)
Total	$ (15,925)	$ 3,117			$(12,808)

(2) Unrecognized deferred income tax assets

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards	$ 6,445	$ 4,703	$ 2,685
Investment credit	-	43,265	104,997
Amount of unrecognized deferred income tax assets	$ 6,445	$ 47,968	$ 107,682

According to the Income Tax Act, taxation may be made on its net income after deduction of losses incurred in the preceding ten years as verified and determined by the local collection authority-in-charge from the current income. Said items were not recognized as deferred income tax assets, because it is still uncertain whether said companies are not likely to have sufficient taxable income to cover the temporary difference.

The taxation loss which has not been recognized by the Group before December 31, 2013 shall be deducted by the following deadline:

Item	Balance to be credited	Last year of credit
Loss in 2005	$ 96	2015
Loss in 2006	139	2016

Loss in 2007	75	2017
Loss in 2008	71	2018
Loss in 2009	110	2019
Loss in 2010	151	2020
Loss in 2011	15,152	2021
Loss in 2012	11,872	2022
Loss in 2013	10,243	2023
Total	$ 37,909	

The investment credit tax on deferred income tax assets which has been recognized by the Group before December 31, 2013 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in current period	Balance to be credited	Last year of credit
R&D expenditure (authorized) in 2009	$ 51,918	$ —	$ 34,852	$ —	2013
HR training expenditure (authorized) in 2009	150	—	—	—	2013
Locally made equipment (authorized) in 2009	101	—	—	—	2013
Locally made equipment (declared) in 2010	81	—	—	81	2014
R&D expenditure (projected) in 2013	47,418	—	12,978	—(Note)	(non-deferred)
Total	$ 99,668	$ —	$ 47,830	$ 81	

(Note) According to the "Regulations Governing Investment Credit Applicable to a Company's R&D Expenditure" promulgated on November 8, 2010, the tax credit shall be no more than 30% of the income tax payable in the year and prohibited from being deferred until next year.

(3) Unrecognized deferred income tax liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Taxable temporary difference	$ -	$ -	$ -
Amount of unrecognized deferred income tax liabilities	$ -	$ -	$ -

5. Authorization of income tax

The status of authorization of the Group's tax return in the territories of Taiwan:

	The status of authorization of tax return
The Company	Authorized until 2011
Subsidiary - Chain-Logic International Corp.	Authorized until 2011
Subsidiary - Chia Ying Investment Co., Ltd.	Authorized until 2011
Subsidiary - Chia Hsin Investment Co., Ltd.	Authorized until 2011
Subsidiary - Yi Hsin Investment Co., Ltd.	Authorized until 2011
Subsidiary - Won Tung Technology Co., Ltd.	Authorized until 2011

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

	December 31, 2013	December 31, 2012
Deductible tax account-Balance	$ 124,282	$ 112,674

	2013 (Projected)	2012 (Actual)
Deductible rate of earnings allocation	13.37 %	12.63 %

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

7. Information about the Company's undistributed earnings

   Except the balance, NT$322 thousand, before 1997, the remainder of the Company's undistributed earnings refers to those after 1998.

(XVIII) EPS

1. Basic EPS

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

2. Diluted EPS

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

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

	2013			2012		
	Amount after tax	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**	**Amount after tax**	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NT$)**
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 271,033	76,612	$ 3.54	$261,931	76,610	$ 3.42
Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 271,033	76,612		$261,931	76,610	
Effect of all potential diluted common stocks						
Employee stock option exercise adjustment	–	–		–	–	
Employee stock bonus	–	468		–	536	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 271,033	77,080	$ 3.52	$261,931	77,146	$ 3.40

For the details about capital increase, please see Note 6(14).

(XIX) Employee benefits, depreciation, depletion and amortization expenses are summarized as following by function:

Nature \ By function	2013 Operating cost	2013 Operating expense	2013 Total	2012 Operating cost	2012 Operating expense	2012 Total
Employee benefit expense						
Salary expense (including employee bonus)	442,634	524,320	966,954	369,201	466,237	835,438
Labor/health insurance expenses	30,242	35,949	66,191	23,943	32,492	56,435
Pension expenses	15,982	21,304	37,286	13,568	19,889	33,457
Other employee benefit expenses (Note)	58,286	20,780	79,066	55,760	22,242	78,002
Depreciation expenses	49,249	63,233	112,482	32,403	56,300	88,703
Depletion expenses	—	—	—	—	—	—
Amortization expenses	8,189	23,654	31,843	4,287	26,835	31,122

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

VII. Transactions with related parties

(I) Parent company and ultimate controller

The Company is the ultimate controller of the Group.

(II) Important transactions with related parties

The balance and transaction between the Company and its subsidiaries have been derecognized from the consolidated financial statements and were not disclosed accordingly. The details about transactions between the Company and other related parties are disclosed as following:

1. Sale of products and labor services to related parties

The Group's sales value and unsettled balance to related parties are stated as follows:

	2013	2012
Sale of products:		
-Affiliates	$ 40,596	$ 51,564
-The Company's director	335,040	244,097
Sale of labor services:		
-Affiliates	-	—
-The Company's director	42,738	62,615
Total	$ 418,374	$ 358,276

	Receivable accounts-related parties		
	December 31, 2013	December 31, 2012	January 1, 2012
Affiliates	$ 11,440	$ 17,594	$ 11,412
The Company's director	29,873	59,351	40,165
Total	$ 41,313	$ 76,945	$ 51,577

The price of the Group's sale to related parties was not significantly different from the Company's general selling price.

2. Purchase of products from related parties

The Group's purchase value and unsettled balance to related parties are stated as follows:

	Purchase	
	2013	2012
Affiliates	$ 1,234	$ 52
The Company's director	12,091	20,132
Total	$ 13,325	$ 20,184

	Payable accounts-related parties		
	December 31, 2013	December 31, 2012	January 1, 2012
Affiliates	$ 10	$ 51	$ 26
The Company's director	2,097	1,666	873
Total	$ 2,107	$ 1,717	$ 899

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

3. Purchase of labor services from related parties

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

	Expenditure	
	2013	2012
Promotion-expenditure in commission:		
Affiliates	$ 1,210	$ 748
The Company's director	899	1,366
Promotion-expenditure in royalty:		
-The Company's director	39,228	35,855
Production-processing fee		
-Affiliates	104	1,595
Total	$ 41,441	$ 39,564

	Other payable accounts-related parties		
	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Affiliates	$ 54	$ 157	$ —
The Company's director	7,497	11,328	8,592
Total	$ 7,551	$ 11,485	$ 8,592

(1) For the calculation of the royalty to related parties, please see Note 9(2).

(2) The unsettled balance to the related parties shall be repaid in cash within 3 months after the reporting date. The payment of the general expenses was not significantly different. The trading price was not significantly different from the general trading price.

4. Purchase or sale of real property and other assets

(1) The real property and other assets purchased by the Group from related parties are stated as follows:

	Nature	**2013**	**2012**
The Company's director	Machine & equipment	$ 1,042	$ —

(2) The Group's sale of real property and other assets to related parties: N/A.

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

2013

	Maximum balance	Balance, ending	Interest rate %	Interest expenses
Investment in subsidiaries under equity method	$ 2,647	$ —	6.90%	$ 21

2012: N/A

6. Others

(1) Payment on behalf of others (stated as other current assets)

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
The Company's director	$ 462	$ —	$ 1,241
Total	$ 462	$ —	$ 1,241

Payment of goods on behalf of others for triangle trade

(2) Advance sale receipts

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
Affiliates	$ 3,684	$ 4,102	$ 455
The Company's director	5,000	74	74
Total	$ 8,684	$ 4,176	$ 529

(3) Receipt under custody (stated as other current liabilities)

	December 31, 2013	**December 31, 2012**	**January 1, 2012**
The Company's director	$ 3,343	$ 2,965	$ 1,360

Payment of goods and general receipt under custody for triangle trade

(4) Temporary receipts (stated as other current liabilities)

December 31, 2013	**December 31, 2012**	**January 1, 2012**

The Company's director	$ 97	$ -	$ -

(5) Manufacturing expenses (stated as operating cost)

	Nature	2013	2012
The Company's director	Repair and maintenance expense	$ -	$ 53
The Company's director	Other expenses	$ 50	$ 153

(6) Selling expenses

	Nature	2013	2012
The Company's director	Repair and maintenance expense	$ 140	$ -
The Company's director	Traveling expenses	$ -	$ 14
The Company's director	Other expenses	$ 700	$ 251
The Company's director	Miscellaneous purchases	$ 78	$ -

(7) Management expenses

	Nature	2013	2012
Affiliates	Other expenses	$ 51	$ -

(8) Research expense

	Nature	2013	2012
The Company's director	Other expenses	$ —	$ 4

(9) Other revenue

	2013	2012
The Company's director	$ 125	$ —
Affiliates	$ 1,561	$ 298

(III) Information about remuneration to the management

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

	2013	2012
Salary and other short-term employee benefits	$ 10,045	$ 15,972
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Share-based payment	—	—
Total	$ 10,045	$ 15,972

Said remuneration to the management is decided by the Remuneration Committee subject to personal performance and market trend. For the relevant information, please see the annual report of the general shareholders' meeting.

VIII. Pledged assets

The following assets have been provided to the Group as the collaterals for bank loans, import business tax and sale commitment. The book value thereof is stated as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Land	$ 227,250	$ 227,250	$ 227,250

Building	326,563	334,393	342,223
Pledged time deposit (stated as other current assets)	9,174	8,081	132,060
Bank reserve account (stated as other current assets)	–	–	2
Total	$ 562,987	$ 569,724	$ 701,535

IX. Significant contingent liability and unrecognized contractual commitment

(I) Contingency: N/A.

(II) Commitment:

1. In order to upgrade the product quality and local content rate, the Group entered into the cooperative contract with the following companies. The main contents of the contract are stated as follows:

Cooperative company	Payment method	Product by technical cooperation
the Company's director-MICRONICS JAPAN CO., LTD.	The technical remuneration equivalent to 3% of the total sales value of all probe cards manufactured and sold by the Company shall be payable once per quarter.	Provide the technology and intelligence for improvement on precision of the position of pins applied to IC wafer inspection.

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

3. The Group rented the land lots in Tainan Science Park from Southern Taiwan Science Park Administration for construction of Luchu 1st Plant and 2nd Plant. The lease commenced from February 15, 2005 and October 1, 2006 respectively. According to the lease contract, the lease of the land shall persist for no more than 20 years, and the lease shall expire on December 31, 2024. Upon expiration of the lease, both parties may enter into a new contract; otherwise, the contract shall terminate naturally and the Group is prohibited from claiming the continuance of lease or irregular lease with any excuse. In the case of land price re-set by the government pursuant to laws, the rent shall be adjusted and collected based on the re-set land price. Further, the Company rented the land at Taiho Section, Zhubei City, Hsinchu County from a non-related party for parking lots. The lease shall be effective from May 15, 2012 to May 14, 2017, for a total of 5 years. The Company shall surrender the land to the lessor upon expiration of termination of the lease contract.

   The income expenses for said two lots of long-term operating leased land were stated as NT$5,603 thousand and NT$4,615 thousand in 2013 and 2012.

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

	December 31, 2013
Less than one year	$ 5,603

one year to five years	19,690
More than five years	23,307
Total	$ 48,600

4. The outstanding amount under the purchase orders signed for purchase of equipment and construction in progress until December 31, 2013 was about NT$56,396 thousand.

X. Significant disaster loss: N/A.

XI. Significant subsequent events:

In order to meet the need for development of market and entire operation, the Group planned to invest Lumitek (Changchou) Co. Ltd. incorporated in Mainland China via its subsidiary, MMI HOLDING CO., upon resolution of the Company's Board of Directors on November 8, 2013. The investment amount was set as US$6 million preliminarily. The investment project was approved by Investment Commission, Ministry of Economic Affairs. The Company has remitted US$4 million (equivalent to NT$120,500 thousand) outward to execute the investment project in January 2013, and completed the registration and received the company license locally.

XII. Others

(I) Financial instruments

1. Information about fair value of financial instrument

	December 31, 2013		December 31, 2012		January 1, 2012	
	Book value	**Fair value**	**Book value**	**Fair value**	**Book value**	**Fair value**
Financial assets						
Cash and cash equivalent	$ 623,796	$ 623,796	$ 602,904	$ 602,904	$ 951,369	$ 951,369
Receivable notes and receivable accounts	569,199	569,199	718,934	718,934	606,230	606,230
Other receivable accounts	7,468	7,468	3,149	3,149	3,829	3,829
Other financial assets-current	12,615	12,615	18,331	18,331	151,179	151,179
Total	$1,213,078	$1,213,078	$ 1,343,318	$1,343,318	$ 1,712,607	$1,712,607
Financial liabilities						
Short-term loan	$ 4,265	$ 4,265	$ -	$ -	$ -	$ -
Payable notes and payable accounts	397,003	397,003	410,452	410,452	466,323	466,323
Other payable accounts	381,479	381,479	372,837	372,837	369,829	369,829
Long-term loan (including the current portion)	76,953	76,953	86,282	86,282	95,611	95,611
Total	$ 859,700	$ 859,700	$ 869,571	$ 869,571	$ 931,763	$ 931,763

2. Valuation technology and hypotheses applied by measurement at fair value:

   The fair value of financial assets and liabilities means the value of the spot trading of the instruments with buyers with willingness (not by force or liquidation). The Group adopts the following methods and hypotheses for valuation of fair value of financial assets and liabilities:

(1) The book value of cash and cash equivalent, receivable accounts, payable accounts, other current assets and other current liabilities shall be the fair value of the same. The reason is that the maturity date of said instruments is close.

(2) The fair value of financial assets and liabilities with standard terms and conditions and traded in open market shall be decided subject to the market quotation (including TWSE/GTSM stock and bond, et al.).

(3) The fair value of derivative financial instruments shall be valued based on the open quotation. When the open quotation is unavailable, the fair value of derivative financial instruments other than options shall be subject to the cash flow discounting analysis, based on the yield rate curve applicable in the duration of such instruments.

3. Fair value recognized in the balance sheet:

The Group did not hold any financial assets (liabilities) at fair value through profit or loss and available-for-sale financial assets after the initial recognition on the dates of the financial statements, i.e. December 31, 2013, December 31, 2012 and January 1, 2012. Therefore, it is necessary for the Company to disclose the following analysis information by three levels:

1st level: Open quotation of the same assets or liabilities in an active market.

2nd level: Except the open quotation under 1st level, the import parameter of assets or liabilities may be observable directly (namely, the price) or indirectly (namely, presumed from the price).

3rd level: The import parameters of assets or liabilities are not based on observable market information (non-observable parameters).

4. Derivative financial instruments: N/A.

(II) Financial risk management

1. Purpose

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

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

2. Nature and degree of important financial risk

(1) Market risk

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

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

A. Foreign exchange risk

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

The Group's receivable accounts denominated in foreign currency are identical with payable accounts denominated in foreign currency in some currencies and, therefore, the equivalent positions would produce the hedging effect naturally. With respect to some fund in foreign currency, the Company used the forward exchange agreement to manage foreign exchange risk. Considering that said natural hedging and foreign exchange risk management by forward exchange agreement did not meet the hedging accounting policy, the Group did not adopt the hedging accounting policy. Further, the net investment in foreign operations was identified as strategic investment. Therefore, the Company did not adopt any hedging policy against it.

The sensitivity analysis on the Company's foreign exchange risk was primarily intended to be conducted against the titles in foreign currencies at the end of the financial reporting and the effect produced by the revaluation/devaluation of related foreign currencies on the Group's income and equity. The Group's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, Japanese Yen and Euro.

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

	December 31, 2013			
	Currency unit	**Amount in foreign currency (thousand dollars)**	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 6,475	29.871	$193,424
	NTD/JPY	$ 24,097	0.284	$ 6,839
	NTD/EUR	$ 130	40,974	$ 5,339
Financial liabilities	NTD/USD	$ 4,308	31.008	$133,574
	NTD/JPY	$ 50,061	0.291	$ 14,547
	NTD/EUR	$ 49	41.258	$ 2,041

	December 31, 2012			
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	$ 7,916	28.992	$229,504
	NTD/JPY	$ 3,049	0.335	$ 1,022
	NTD/EUR	$ 142	38.290	$ 5,456
Financial liabilities	NTD/USD	$ 2,635	29.086	$ 76,647
	NTD/JPY	$ 9,688	0.338	$ 3,278
	NTD/EUR	$ 5	38.684	$ 196

	January 1, 2012			
	Currency unit	Amount in foreign currency (thousand dollars)	Applicable foreign exchange rate, ending (Dollar)	Book value (NTD) (thousand dollars)
Financial assets	NTD/USD	$ 9,151	30.226	$276,600
	NTD/JPY	$32,772	0.389	$ 12,739
	NTD/EUR	$ 10	39.866	$ 415
Financial liabilities	NTD/USD	$ 5,416	30.274	$163,956
	NTD/JPY	$16,399	0.393	$ 6,437
	NTD/EUR	$ 2	39.379	$ 67

B. Interest rate risk

The interest rate risk arises when the fluctuation of market interest rate results in fluctuation in fair value of financial instruments or in future cash flow. The Group's interest rate risk arises primarily from the loan with floating interest rate.

The Group maintained adequate portfolio with fixed and floating interest rates to manage the interest rate risk.

C. Pricing risk

Due to the fact that in the investment held by the Group indicated in the individual balance sheet, the Group did not hold the financial assets including equity instruments. Therefore, the Group did not suffer significant pricing risk.

D. Other risks over market value

In addition to meeting expected consumption and sale needs, the Group did not sign any product contract, which did not apply net settlement.

E. Under the circumstance that all of the other factors remained unchanged, the sensitivity analysis on the changes in related risks before tax on December 31, 2013, December 31, 2012 and January 1, 2012 is stated as follows:

December 31, 2013		
Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/-1,675 thousand
Interest rate risk	Loan with floating interest	(192) thousand

rate +/- 0.25%

December 31, 2012			January 1, 2012		
Primary risk	**Range of change**	**Sensitivity of income**	**Primary risk**	**Range of change**	**Sensitivity of income**
Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/4,682 thousand	Foreign exchange risk risk	Fluctuation in foreign exchange rate+/- 3%	+/3,590 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(215) thousand	Interest rate risk	Loan with floating interest rate +/- 0.25%	(239) thousand

(2) Credit risk

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

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

C. In 2013 and 2012, no circumstances resulting in excess of the credit limit have taken place. Meanwhile, the management expects no material loss resulting from trading counterpart’s failure to perform contract.

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

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

G. Guarantee

According to the Group's policy, the Group may only make financial guarantee for the subsidiaries wholly owned by the Group. Before December 31, 2013, December 31, 2012 and January 1, 2012, the Group has never made any endorsements/guarantees.

(3) Liquidity risk

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

B. The Group's will call the management meeting periodically to assist Financial Accounting Dept. control the need for cash flow and the optimal investment return in cash. Generally, the Group will ensure that it has sufficient cash to meet the need for expected operating expenditure for 90 days, including performance of financial obligation, but excluding the potential effect, which it is impossible to expect reasonably under extreme circumstances, e.g. natural calamity. The unused limit of the Group's loan totaled NT$140,000 thousand on December 31, 2013.

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

	December 31, 2013			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ 4,265	$ -	$ -	$ 4,265
Payable accounts (including related party)	397,003	-	-	397,003
Other payable accounts (including related party)	381,479	-	-	381,479
Long-term loan (including the current portion)	9,329	9,329	58,295	76,953
Total	$ 792,076	$ 9,329	$ 58,295	$ 859,700

	December 31, 2012			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ -	$ -	$ -	$ -
Payable accounts (including related party)	410,452			410,452
Other payable accounts (including related party)	372,837			372,837
Long-term loan (including the current portion)	9,329	9,329	67,624	86,282
Total	$ 792,618	$ 9,329	$ 67,624	$ 869,571

January 1, 2012

Non-derivative financial liabilities	Within 1 year	1~2 years	More than 2 years	Total
Short-term loan	$ -	$ -	$ -	$ -
Payable accounts (including related party)	466,323			466,323
Other payable accounts (including related party)	369,829			369,829
Long-term loan (including the current portion)	9,329	9,329	76,953	95,611
Total	$ 845,481	$ 9,329	$ 76,953	$ 931,763

(III) Capital risk management

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

The Group controls its capital structure based on the debt/equity ratio. Said ratio is net liabilities dividing by the net worth. The Group maintained the same strategy as that 2012 in 2013, dedicated to maintaining the debt/equity ratio less than 100%. The Group's debt ratios on December 31, 2013, December 31, 2012 and January 1, 2012are stated as following:

	December 31, 2013	December 31, 2012	January 1, 2012
Total liabilities	$ 1,642,936	$ 1,836,824	$ 1,712,974
Total net worth	3,072,639	2,979,413	3,074,932
Debt/equity ratio	53%	62%	56%

XIII. Disclosures of Notes

(1) Information about important transactions

According to the Regulations Governing the Preparation of Financial Reports by Securities Issuers, the Group shall also disclose the information about important transactions:

No.	Contents	2013
1	Loans to others	Attached table 1
2	Endorsement/guarantees made for others	N/A
3	Marketable securities-ending	Attached table 2
4	Cumulative amount of the same marketable securities purchased or sold reaching 300 million NTD or more than 20% of the paid-in capital in the current period:	N/A
5	Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital:	N/A
6	Amount on disposal of real estate reaching 300 million NTD or more than 20% of the Paid-in capital:	N/A
7	Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital:	Attached table 3

8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital:	N/A
9	Transactions of derivative instruments	N/A
10	Business relationship and important transactions between parent company and subsidiaries:	Attached table 4

Attached table 1: Loans to others:

No. (Note 1)	Lender	Borrower	Account titles	Related party?	Maximum balance in current period	Balance, ending (Note 2)	Drawdown	Interest rate range	Nature of loan	Amount of Business transactions	Reasons necessary for offering short-term loans	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 3)	Limit of total loans (Note 3)
													Name	Value		
0	The Company	MEGTAS CO.,LTD.	Other receivable accounts-related party	Yes	$3,009	$3,009	$3,009	4.93%	Short-term loans	–	Working capital	–	–	–	$305,193	$1,220,772

Note 1: "0" for the Company, and each investee is numbered in sequential order starting from 1.

Note 2: The Company's board of directors resolved on July 9, 2013 to loan the fund to its subsidiary, MEGTAS CO., LTD., in the amount of NT$3,009 thousand.

Note 3: According to the Company's Operating Procedure for Loaning to Others, the limit of loan shall be set in the following manners:

(1) The limit of total loans shall be no more than 40% of the net worth in the Company's latest financial statement: 3,051,929 thousand (the Company's net worth on March 31, 2013) X 40% ＝ 1,220,772 thousand.

(2) The limit of loan to any single subsidiary shall be no more than 10% of the net worth in the Company's latest financial statement: 3,051,929 thousand (the Company's net worth on March 31, 2013) X 10% ＝ 305,193 thousand.

Attached table 2: Marketable securities-ending (excluding those held by invested subsidiaries, affiliates and joint ventures)

Holder of securities	Type and name of securities	Affiliation with issuer of securities	Account title	Ending				Remark
				Quantity	Book value	Ratio of shareholding	Fair value	
MPI Corporation	TAISelec Co., Ltd.	–	Financial assets measured at cost-noncurrent 150,000 shares	150,000 (shares)	$ 20,231	18.75 %	–	

Attached table 3: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the Paid-in capital:

Purchaser/ seller	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remark
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Duration of loan	Unit price	Duration of loan	Balance	Percentage in total accounts/notes receivable (payable)	
The Company	MJC Electronics Corporation	Subsidiary of the Company's director, MJC	Sale	$ 335,947	11 %	same as that applicable to the general customer	–	–	Receivable accounts $29,873	5 %	

Attached table 4. Business relationship and important transactions between parent company and subsidiaries:

1. 2013

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	
0	MPI Corporation	MPI TRADING CORP.	1	Advance sale receipts	$ 49,858	Note 4	1%
0	MPI Corporation	Chain-Logic International Corp.	1	Sale revenue Receivable notes Receivable accounts Other receivable accounts Advance sale receipts Rent revenue Administrative and general expenses − other expenses, less Other gains (losses)	$ 32,620 $ 5,365 $ 7,340 $ 934 $ 392 $ 4,276 $ 49 $ 22	Note 4 Note 6 Note 6 Note 8 Note 4 Note 7 Note 7 Note 4	1% — — — — — — —
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts	$ 24,114 $ 11,865	Note 4 Note 6	1% —
0	MPI Corporation	LEDA-ONE (Shenzhen) Co.	1	Sale revenue Receivable accounts	$ 6,837 $ 1,368 $ 7,217	Note 4 Note 6 Note 8	— — —
0	MPI Corporation	MEGTAS CO.,LTD.	2	Other receivable accounts Interest revenue	$ 3,074 $ 65	Note 9 Note 9	— —
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue Receivable accounts Other receivable accounts Revenue from commission Receivable commission Advance sale receipts Other gains (losses)	$ 5,584 $ 604 $ 101 $ 50,491 $ 14,811 $ 174 $ 1	Note 4 Note 6 Note 8 Note 5 Note 6 Note 4 Note 4	— — — 2% — — —
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts	$ 8,695 $ 3,762	Note 4 Note 6	— —
1	Chain-Logic International Corp.	LEDA-ONE (Shenzhen) Co.	3	Sale revenue	$ 180	Note 4	—
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	$ 680	Note 5	—
2	LEDA-ONE (Shenzhen) Co.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue	$ 153	Note 4	—

2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Revenue from commission Receivable accounts Other receivable accounts	$ 21,522 $ 13,642 $ 763	Note 5 Note 6 Note 6	1% — —
3	MEGTAS CO.,LTD.	MPI Corporation	2	Sale revenue	$ 15	Note 4	—
3	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue	$ 208	Note 4	—
3	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue Receivable accounts	$ 11,809 $ 2,381	Note 4 Note 6	— —

2. 2012

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	
0	MPI Corporation	Chain-Logic International Corp.	1	Sale revenue Receivable notes Receivable accounts Other receivable accounts Rent revenue Administrative and general expenses － other expenses, less Other gains (losses)	$ 3,490 $ 1,721 $ 1,649 $ 1,028 $ 3,670 $ 82 $ 204	Note 4 Note 6 Note 6 Note 8 Note 7 Note 7 Note 4	— — — — — — —
0	MPI Corporation	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts Other gains (losses)	$ 7,261 $ 3,571 $ 9	Note 4 Note 6 Note 4	— — —
0	MPI Corporation	LEDA-ONE (Shenzhen) Co.	1	Sale revenue Receivable accounts	$ 35,199 $ 166 $ 7,742	Note 4 Note 6 Note 8	1% — —
1	Chain-Logic International Corp.	MPI Corporation	2	Sale revenue Receivable accounts Other receivable accounts Revenue from commission Receivable commission Advance sale receipts	$ 3,498 $ 3,829 $ 30 $ 61,767 $ 21,213 $ 1,202	Note 4 Note 6 Note 8 Note 5 Note 6 Note 4	— — — 2% — —
1	Chain-Logic International Corp.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	1	Sale revenue Receivable accounts	$ 7,698 $ 2,849	Note 4 Note 6	— —
1	Chain-Logic International Corp.	LEDA-ONE (Shenzhen) Co.	3	Sale revenue Receivable accounts	$ 163 $ 33	Note 4 Note 6	— —
1	Chain-Logic International Corp.	MEGTAS CO.,LTD.	3	Revenue from commission	$ 240	Note 5	—
2	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	MPI Corporation	2	Revenue from commission Receivable accounts	$ 26,941 $ 5,046	Note 5 Note 6	1% —
3	MEGTAS CO.,LTD.	Chain-Logic International Corp.	3	Sale revenue	$ 100	Note 4	—

3	MEGTAS CO.,LTD.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	3	Sale revenue Receivable accounts	$ 5,562 $ 1,965	Note 4 Note 6	— —

Note 1:Transactions between parent company and its subsidiaries are numbered as follows:

(1) "0" for parent company;

(2) Each subsidiary is numbered in sequential order starting from 1.

Note 2:Related-party transactions are divided into the three categories as follows (If it refers to the same transaction between parent company and subsidiary or subsidiary and subsidiary, the transaction is not required to be disclosed repeatedly. For example, if the parent company has disclosed any transaction between it and its subsidiary, the subsidiary is not required to disclose the same transaction again. If either of the subsidiaries, which trade with each other, has disclosed the transaction, the other subsidiary is not required to disclose the same transaction again.)

(1) Parent company to subsidiary;

(2) Subsidiary to parent company;

(3) Subsidiary to subsidiary;

Note 3:For assets and liabilities, the proportion to the consolidated total income or total assets is shown as the Ratio of Shareholding to the consolidated total assets for the years ended on Dec. 31. For income, it shall be shown as a Ratio of Shareholding to the consolidated Total incomes for the years ended on June 30.

Note 4: Processed under the general trading conditions and price.

Note 5: Based on the price agreed by both parties.

Note 6: O/A 30~180 days, same as that applicable to the general customers or suppliers.

Note 7: Based on the rent agreed by both parties.

Note 8: Out-of-pocket expenses of the general expenditure

Note 9: Financing

(2) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income and investment income recognized in the current period of the investees in which the Group may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) is stated as following:

Investor	Investee	Territory	Business lines	Original investment amount		Held at ending			Investee Income in the current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remark
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI TRADING CORP.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 38,541	$ 2,964	$ 2,964	Subsidiary of MPI Corporation
MPI Corporation	MMI HOLDING CO., LTD.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 133,374	$ 120,407	4,390,045	100%	$ 143,291	$ (3,317)	$ (3,317)	Subsidiary of MPI Corporation (Note 5)

MPI Corporation	MEGTAS CO.,LTD.	134Gunseo-ri,Jikson-eub,Seobuk-gu,Cheonan,Chungnam,331-811, Korea	Seller engaged in manufacturing and processing of semi-conductor and industrial machines and spare parts, and manufacturer and seller of earthware and electronic spare parts	$ 39,906	$ 39,906	300,000	60%	$ 25,188	$ (251)	$ (504)	Subsidiary of MPI Corporation (Note 4)
MPI Corporation	Chain-Logic International Corp.	3F, No. 153, Zhonghe Street, Zhubei City, Hsinchu County	Agent of professional semi-conductor	$ 50,000	$ 50,000	5,000,000	100%	$ 216,447	$ 6,679	$ 6,679	Subsidiary of MPI Corporation
MPI Corporation	Chia Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	$ 33,500	$ 33,500	3,350,000	100%	$ 15,147	$ (7,773)	$ (7,773)	Subsidiary of MPI Corporation
MPI Corporation	Yi Hsin Investment Co., Ltd.	3F, No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	$ 33,500	$ 33,500	3,350,000	100%	$ 15,148	$ (7,773)	$ (7,773)	Subsidiary of MPI Corporation
MPI Corporation	Won Tung Technology Co., Ltd.	1F, No. 100, Jiaren Street, Zhubei City, Hsinchu County	Wholesale and retailing of telecommunication facilities and electronic materials, and manufacturing of electronic parts	$ 500	$ 500	50,000	100%	$ 352	$ (24)	$ (24)	Subsidiary of MPI Corporation
MPI Corporation	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic elements and parts	$ 1,976	—	843,968	2.28%	$ (4,977)	$ (120,041)	$(1,976)	MPI adopted the evaluation under equity method.
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	International trading	$ 46,921	$ 46,921	1,400,100	100%	$ 103,890	$ 11,041	—	Subsidiary of Chain-Logic International Corp.
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	3F, No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	General investment	$ 33,300	$ 33,300	3,330,000	100%	$ 11,419	$ (5,966)	—	Subsidiary of Chain-Logic International Corp.
Chia Ying Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 18,000	$ 18,000	1,836,000	4.95%	$ 11,058	$ (120,041)	—	Chia Ying Investment Co., Ltd. adopted the evaluation under equity method.

Chia Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 33,000	$ 33,000	2,397,000	6.46%	$ 14,431	$ (120,041)	－	Chia Hsin Investment Co., Ltd. adopted the evaluation under equity method.
Yi Hsin Investment Co., Ltd.	Lumitek Co.,LTD	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 33,000	$ 33,000	2,397,000	6.46%	$ 14,431	$ (120,041)	－	Yi Hsin Investment Co., Ltd. adopted the evaluation under equity method.

Note 1: Except MEGTAS CO., LTD., which recognized the investment income based on the financial statements audited and certified by other external auditors, the investment income of the others were recognized based on the financial statements audited by the parent company's external auditors.

Note 2: The investment income recognized in the current period includes the investment income recognized under equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income recognized in the current period includes the investment income to be recognized for their re-investment pursuant to the requirements.

Note 4: In order to meet the need for business expansion, the subsidiary, MEGTAS CO., LTD., increased capital by 500 million won on March 9, 2012, including the capital invested by the Group, 300 million won (equivalent to NT$7,945 thousand). Until December 31, 2013, the Group has held 300,000 shares, i.e. shareholding of 60%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

Note 5: In order to meet the need for business expansion, the Group's subsidiary, MMI HOLDING CO., LTD., increased capital by US$1,170,000 thousand (equivalent to NT$34,813 thousand) in June 2012, and by US$120,000 (equivalent to NT$3,593 thousand) in July 2012, by US$1,000,000 (equivalent to NT$29,300 thousand) in November 2012, by US$120,000 (equivalent to NT$3,496 thousand) in December 2012, and by US$440,000 (equivalent to NT$12,967 thousand) in October 2013. So far, the Group has invested a total of US$4,390,045 in the subsidiary, MMI HOLDING CO., LTD., totaling 4,390,045 shares, at the par value of US$1 per share. The Company's shareholding was 100%.

In order to develop the market in Mainland China, the Group's subsidiary, LEDA-ONE (Shenzhen) Co., increased capital by US$1,170,000 via the subsidiary, MMI HOLDING CO., LTD., in June 2012. So far, the Group has invested a total of US$1,800,000 in the subsidiary, LEDA-ONE (Shenzhen) Co.. The shareholding of the subsidiary, MMI HOLDING CO., LTD., was 100%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

In order to develop the market in Mainland China, the Group's affiliate, MMK (Kunshan), increased capital by US$120,000 via the subsidiary, MMI HOLDING CO., in July 2012, and by US$1,000,000 in November 2012, by US$120,000 in December 2012, and by US$440,000 in October 2013. So far, the Group has invested a total of US$1,960,000 in the affiliate, MMK (Kunshan). The shareholding of the subsidiary, MMI HOLDING CO., LTD., was 40%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

(III) Information related to investments in China:

1. Information related to investments in the territories of Mainland China

Name of Chinese investee	Business lines Item	Paid-in Capital	Investment Mode	Accumulated investment balance, beginning	Amount remitted or recovered in the current period		Accumulated investment balance, ending	Investee Income	Direct and indirect shareholding of the Company	Recognized in the current period Investment income recognized in the current period (Note 4)	Book value, ending Book value	Accumulated investment income received until the end of period
CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.	Primarily engaged in international trading	USD 1,400,000 ($46,917)	(Note 1)	USD 1,400,000 ($ 46,917)	—	—	USD 1,400,000 ($ 46,917)	$ 8,296	100 %	$ 8,296	$ 99,297	—
Mjc Microelectronics (Shanghai) Co., Ltd.	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	—	—	USD 600,000 ($ 20,813)	$ 6,093	40 %	$ 2,437	$ 42,365	$32,573
MET	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	—	—	—	—	$ 3,027	40 %	$ 1,211	$ 2,664	—
LEDA-ONE (Shenzhen) Co.	Production of new electronic components, LED prober, LED sorting machine, and LED spectrometer, and development of new electronic components	USD 1,800,000 ($54,111)	(Note 2)	USD 1,800,000 ($ 54,111)	—	—	USD 1,800,000 ($ 54,111)	$ 848	100 %	$ 848	$ 43,381	—
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,520,000 ($ 44,456)	USD 440,000 ($12,967)	—	USD 1,960,000 ($ 57,423)	$ (15,273)	40 %	$(6,109)	$ 49,064	—

Note 1: Reinvest the company in Mainland China via the offshore subsidiary, CHAIN-LOGIC TRADING CORP..

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI HOLDING CO., LTD..

Note 3: Reinvest the company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd..

Note 4: The investment income was recognized based on the financial statements audited by the parent company's external auditors.

2. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Investment amount approved by the Investment Commission of the Ministry of Economic Affairs Original investment amount	Ceiling on investment in Mainland China imposed by the Investment Commission of the Ministry of Economic Affairs (Note)
USD 5,760,000 (NTD 179,264)	USD 5,760,000 (NTD 179,264)	NTD 1,833,367

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

3. Important transactions:

For the important transactions of the Group with the investees in Mainland China, direct or indirect, in 2013 (which have been eliminated when preparing the consolidated financial statements), please see the “Information related to the investees” and “Major business dealings and transactions between the parent company and its subsidiaries” referred to in Note 13 to the consolidated financial statements.

XIV. Information by department

(I) General information

The Group primarily engages in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipments.

(2) To report the information about department income, assets and liabilities, and basis of measurement and reconciliation

The department income, department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(3) By product and labor service:

The Group engages in a single industry. Its revenue from customers is primarily generated from the sale of semi-conductor production process and testing equipment.

(4) By territory

The Group's information by territory is stated as following. The revenue is classified based on the customers' geographical locations, while the non-current assets are classified based on the geographical locations of the assets.

	2013		2012	
By territory	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Taiwan	$ 1,595,370	$ 1,678,221	$ 1,471,923	$ 1,616,549
China	703,983	27,494	816,013	28,335
Korea	57,607	20,762	41,287	23,580
U.S.A.	420,447	—	318,688	—
Other countries	258,371	—	217,301	—
Total	$ 3,035,778	$ 1,726,477	$ 2,865,212	$ 1,668,464

(Note) The non-current assets include property, plant and equipment, investment property, intangible assets and other assets, exclusive of financial instruments, deferred income tax assets, assets of retirement/termination benefits and non-current assets generated from insurance contract.

(5) Information about major customers

Information about the Group's revenue from the transaction with single customer accounting for 10% of the operating revenue, net:

Customer	**2013**	**2012**
Customer A	$ 315,134	$ 318,666
Customer M	$ 335,947	—

XV. First adoption of the IFRSs

The Group's consolidated financial statements ended December 31, 2013 were prepared in accordance with the ROC GAPP. As stated in Note 4(1), the present consolidated financial statements are the first annual consolidated financial statements prepared in accordance with the Regulations and the IFRSs recognized by FSC, and also apply the IFRS No. 1 "First-time Adoption of International Financial Reporting Standards" recognized by FSC.

The accounting policy referred to in Note 4 has been applied to the comparative individual financial statement 2012, individual balance sheet on December 31, 2012, and the individual balance sheet upon the first-time application of IFRSs on January 1, 2012 (the Company’s date of conversion).

When preparing the relevant reports 2012, the Group made the adjustment based on the amounts reported in the financial statements prepared in accordance with the generally accepted accounting principles initially as the starting point, and enumerates the effect and note to the Group’s financial position, financial performance and cash flow in various periods in the following table and notes thereto upon conversion of the generally accepted accounting principles to the IFRSs approved by FSC.

(I) According to IFRS No. 1 "First-time Adoption of International Financial Reporting Standards", when a company adopts the IFRSs at the first time, it shall prepare its financial statements according to all of the accounting principles effective then and adjust the relevant figures retroactively, unless it may apply optional exemptions and mandatory exceptions.

1. The Group's application of optional exemptions is summarized as follows:

(1) Recognition cost

The Group's property, plant and equipment is valued at cost according to the ROC GAAP for the time being, and depreciated reasonably and systematically over their useful years. Therefore, for the time being, the book value of the Group's property, plant and equipment meets the requirements about the model of cost referred to in IAS 16 "Property, Plant and Equipment". Considering that the model of cost matches the operating model of the Group's property, plant and equipment better. The Company does not intend to identify the fair value as the recognition cost on the date of conversion to IFRSs and, therefore, waives the optional exemptions.

(2) Employee benefits

The Group chose to state all of the accumulated actuated income related to the employee benefit plan into the retained earnings in whole on the date of conversion to the IFRSs.

Meanwhile, the Group also chose to apply the exemptions from disclosure under IFRS No. 1 to defer the decided amounts in each accounting period as of the date of conversion, and disclose the present value of defined benefit obligations, fair value of planned assets and earnings/loss of the plan, and information about experience adjustments. Therefore, the Group plans to adopt such exemptions and state all of the accumulated actuated income in whole, and adjusts the retained earnings accordingly.

(3) Share-based payment

The Group's share-based payment transactions primarily include employees' stock dividends and options. According to the ROC GAAP applicable then, the Company stated them into allocation of earnings and inclusive value before 2008. Notwithstanding, after 2008, the Group stated them according to the accounting treatment required under the Statement of Financial Accounting Standards No. 39 "Accounting Principles for Share-based Payment", in line with IFRS No. 2. If the share-based payment transactions before 2008 apply IFRS No. 2 retroactively, some adverse effect might be produced on shareholders' equity. Therefore, the Company does not plan to apply the same retroactively.

The Group waived to apply the IFRS No. 2 "Share-based Payment" retroactively to the transactions of the share-based payment given and vested before the date of conversion to IFRSs.

2. The Group's application of mandatory exceptions is summarized as following:

The accounting estimates made based on IFRSs on January 1, 2012 are identical with those made based on the ROC GAPP on the same date.

(II) The adjustment upon conversion from the ROC GAPP to IFRSs

1. Adjustment of equity:

	December 31, 2012			January 1, 2012			
	Effect of conversion from GAPP	**into IFRSs Effect**	**IFRSs**	**Effect of conversion from GAPP**	**into IFRSs Effect**	**IFRSs**	**Note**
Assets							
Current assets							
Cash and cash equivalent	$ 602,904		$ 602,904	$ 951,369		$ 951,369	
Receivable notes and receivable accounts	718,934		718,934	606,230		606,230	
Other receivable accounts	3,149		3,149	3,829		3,829	
Income tax assets in the current period	-	24	24	-	77	77	(8)
Inventory	1,538,839		1,538,839	1,513,360		1,513,360	
Prepayment	70,719	44	70,763	81,084	(12,465)	68,619	(8)
Other current assets	53,566	(35,235)	18,331	180,118	(28,939)	151,179	(1)(6)(8)
Total current assets	2,988,111	(35,167)	2,952,944	3,335,990	(41,327)	3,294,663	

	December 31, 2012			January 1, 2012			
	Effect of conversion from GAPP	into IFRSs Effect	IFRSs	Effect of conversion from GAPP	into IFRSs Effect	IFRSs	Note
Non-current assets							
Financial assets measured at cost - noncurrent	20,231		20,231	20,231		20,231	
Investment under equity method	145,982	(7,915)	138,067	140,397	(11,102)	129,295	
Property, plant and equipment	1,551,111	(19,434)	1,531,677	1,210,837	(19,017)	1,191,820	(2)(3)
Intangible assets	-	20,620	20,620	-	13,186	13,186	(8)
Deferred income tax assets	-	36,531	36,531	-	33,742	33,742	(1)
Other non-current assets	117,353	(1,186)	116,167	99,138	5,831	104,969	(2)(3)(8)
Total non-current assets	1,834,677	28,616	1,863,293	1,470,603	22,640	1,493,243	
Total assets	$4,822,788	(6,551)	$ 4,816,237	$4,806,593	(18,687)	$4,787,906	
Liabilities							
Current liabilities							
Payable notes and payable accounts	$ 410,452		$ 410,452	$ 466,323		$ 466,323	
Other payable accounts	37,932	296,992	334,924	85,470	270,850	356,320	(4)(5)(8)
Income tax liabilities in the current period	40,774	24	40,798	70,018	77	70,095	(8)
Liability reserve-current	17,379		17,379	13,491		13,491	
Other current liabilities	1,192,077	(271,616)	920,461	950,919	(267,548)	683,371	(1)(4)(8)
Total current liabilities	1,698,614	25,400	1,724,014	1,586,221	3,379	1,589,600	
Non-current liabilities							
Long-term loan	76,953		76,953	86,282		86,282	
Liability reserve-noncurrent	-		-	-		-	
Deferred income tax liabilities	11,469	1,339	12,808	11,122	4,803	15,925	(1)
Accrued pension liabilities	3,125	19,774	22,899	-	19,063	19,063	(6)
Other non-current liabilities	8,065	(7,915)	150	13,206	(11,102)	2,104	
Total non-current liabilities	99,612	13,198	112,810	110,610	12,764	123,374	
Total liabilities	1,798,226	38,598	1,836,824	1,696,831	16,143	1,712,974	
Capital stock	786,104		786,104	786,024		786,024	
Capital surplus	740,657		740,657	740,116		740,116	
Retained earnings	1,639,806	(62,720)	1,577,086	1,701,436	(34,830)	1,666,606	(5)(6)
Other equities	(5,864)	17,571	11,707	16,810		16,810	(6)(7)
Treasury stock	(152,606)		(152,606)	(152,606)		(152,606)	
Total equity attributable to the parent company	3,008,097	(45,149)	2,962,948	3,091,780	(34,830)	3,056,950	
Non-controlling equity	16,465		16,465	17,982		17,982	(7)
Total equities	3,024,562	(45,149)	2,979,413	3,109,762	(34,830)	3,074,932	
Total liabilities and equities	$ 4,822,788	(6,551)	$ 4,816,237	$4,806,593	(18,687)	$4,787,906	

2. Adjustment of comprehensive income

	2012			
	Effect of conversion from GAPP	into IFRSs	IFRSs	Note
Operating revenue	$ 2,865,212		$ 2,865,212	
Operating cost	(1,536,221)	(12,679)	(1,548,900)	(5)
Gross profit	1,328,991	(12,679)	1,316,312	

Selling expenses	(291,263)	(1,555)	(292,818)	
Management expenses	(185,565)	(124)	(185,689)	(5)(6)
R&D expenses	(537,201)	(6,805)	(544,006)	
Total operating expense	(1,014,029)	(8,484)	(1,022,513)	
Operating income	314,962	(21,163)	293,799	
Non-operating revenue and expense				
Interest revenue	4,599		4,599	
Financial cost	(440)		(440)	
Other revenue	29,984		29,984	
Other gains and losses, net	(14,168)		(14,168)	
Share of income of affiliates and joint ventures under equity method	(23,517)		(23,517)	
Net profit (loss) before tax	311,420	(21,163)	290,257	
Income tax expenses	(35,869)		(35,689)	
Net profit	275,551	(21,163)	254,388	
Other comprehensive income:				
Exchange difference arising from translation of the financial statement of foreign operations	-	(4,266)	(4,266)	(7)
Actuarial loss on defined benefit plan	-	(6,727)	(6,727)	(6)
Share of other comprehensive income of affiliates and joint ventures under equity method	-	(108)	(108)	
Other comprehensive income in the current period (net after tax)	-	(11,101)	(11,101)	
Total comprehensive income	$ 275,551	(32,264)	$ 243,287	

3. Major adjustment on statement of cash flow:

   The consolidated statements of cash flow on December 31, 2012 and January 1, 2012 prepared by the Group in accordance with the IFRSs approved by FSC has no material deviation from those prepared in accordance with the generally accepted accounting principles previously.

4. Details about adjustment:

   (1) Classification of deferred income tax and allowance valuation titles

   According to the ROC GAPP, the Group classified deferred income tax assets or liabilities into the category of current or noncurrent items in accordance with the nature of the liabilities and assets. Irrelevant assets or liabilities were classified into the category of current or noncurrent items in accordance with the expected turnover period. Upon conversion into the IFRSs, the deferred income tax assets or liabilities are all classified into the category of noncurrent items.

   Further, according to the ROC GAPP, allowance valuation amount is recognized upon evaluation of the realizability of deferred income tax assets. Upon conversion into the IFRSs, income tax gain may be stated as deferred income tax asset only when it is "very likely" to be realized, and no allowance valuation titles are applied.

According to the IFRSs, the Group's other current assets-deferred income tax assets reclassified into the deferred income tax assets under non-current assets were NT$35,581 thousand and NT$30,377 thousand, and other current liabilities-deferred income tax liabilities reclassified into the deferred income tax liabilities under non-current liabilities were NT$1,091 thousand and NT$1,955 thousand.

(2) Classification of assets leased to others

Before conversion into the IFRSs, assets leased to others were stated as other assets. After conversion into the IFRSs, the assets leased to others initially stated as other assets were classified into property, plant and equipment subject to their nature. The assets leased to others were primarily leased as dormitory occupied by employees and some factory premises occupied by suppliers. The former was stated as the property occupied by employees, categorized as non-investment property according to the relevant standards, while the latter was also categorized as non-investment property because it occupied a small area but could not be sold independently.

According to IFRSs, the Group's assets leased to others reclassified into property, plant and equipment were NT$46,592 thousand and NT$47,135 thousand on December 31 and January 1, 2012.

(3) Expression of prepayment for equipment

The prepayment made by the Group for purchase of fixed assets was stated into the "fixed assets" in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers. Notwithstanding, according to IFRSs, they should be stated into "other non-current assets" subject to their nature.

According to IFRSs, the Group's property, plant and equipment reclassified into other non-current assets were NT$41,801 thousand and NT$41,537 thousand on December 31 and January 1, 2012.

(4) Expression of payable expenses

According to the FSC's "Regulations Governing the Preparation of Financial Reports by Securities Issuers", payable expenses shall be stated as other payable accounts subject to their nature. Therefore, the Group's other non-current liabilities-payable expenses reclassified into other payable accounts were NT$281,126 thousand and NT$384,180 thousand on December 31 and January 1, 2012.

(5) Employee benefits

Taiwan's current accounting standards do not expressly provide any requirements about recognition of vacation pay and other short-term benefits. The Group recognized the relevant expenses when they are paid actually. Nevertheless, according to IAS 19 "Employee Benefits", accumulated vacation pay expenses and other short-term benefits shall be estimated on the date of balance sheet.

Therefore, the Group adjusted other payable accounts on December 31 and January 1, 2012as NT$25,375 thousand and NT$3,302 thousand, and increased operating costs by NT$12,679 thousand and operating expenses by NT$9,394 thousand in 2012, and decreased retained earnings by NT$3,302 thousand on January 1, 2012.

(6) Pension

A. The discount rate applied in the actuarial valuation of pension fund was set in consideration of the factors required to be considered in accordance with the R.O.C. Statement of Financial Accounting Standards (SFAS) No. 18. However, in accordance with IAS No. 19 “Employee Benefits”, the discount rate shall be decided based on the currency at the closing date of the reporting period and the market yield rate of the high-quality corporate bond consistent with the pension plan during the period. In the countries where there is no deep market in corporate bonds, the market yield rate of the government bonds (at the closing date of the reporting period) shall apply.

B. According to the ROC GAAP, if the accumulated benefit obligation exceeds the fair value of pension fund assets on the date of balance sheet, the excess shall be recognized as minimum pension liabilities. However, IAS 19 "Employee Benefits" does not provide any requirements about such minimum pension liabilities.

C. The Group's actuated pension income was stated as the net pension cost in the current period based on the corridor approach in accordance with the ROC GAPP. However, according to the IAS 19 "Employee Benefits", it shall be stated into other comprehensive net profit. That stated into other comprehensive income shall be stated into retained earnings immediately, and be prohibited from being reclassified into income in the subsequent periods.

D. According to the Group’s accounting policy, the unrecognized transitional benefit obligation-net is amortized using the straight-line method over the average years of service remaining of the employees expected to deserve the pension. However, in consideration of the Group’s first-time adoption of the IFRSs, the transitional requirement provided in IAS No. 19“Employee Benefits” cannot apply to the Company. Therefore, the Group did not state the transitional liabilities.

In conclusion, the Group decreased other current assets by NT$12,465 thousand and increased accrued pension liabilities by NT$19,063 thousand on the date of conversion, January 1, 2012, resulting in the decrease in retained earnings by NT$31,528 thousand.

Until December 31, 2012, the Group has increased accrued pension liabilities by NT$19,774 thousand and decreased retained earnings by NT$31,528 thousand, resulting in decrease in the operating expenses by NT$910 thousand and other equities by NT$10,844 thousand in 2012, and also expressed the actuated loss on other comprehensive income-defined benefit plan as NT$6,727 thousand and decrease in retained earnings by NT$6,727 thousand.

(7) Accumulated translation adjustment

According to IFRSs, the Group stated the decrease/increase in exchange difference of accumulated translation adjustment and non-controlling equity directly stated into shareholders' equity according to the ROC GAPP, NT$4,374 thousand, into the other comprehensive income in the individual comprehensive income statement preliminarily in 2012.

(8) Others

To help comparison of financial statements, some titles in the balance sheet dated January 1, 2012 and financial statement 2012 prepared in accordance with the ROC GAPP were re-classified.

MPI Corporation

CEO: Steve Chen (affixation of seal)