Stock Code:**6223**

MPI Corporation

General Shareholders' Meeting 2015

Annual Report 2014

Published on June 5, 2015
Company Website:http://www.mpi.com.tw
Market Observation Post System Website:http://mops.twse.com.tw

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

Deputy Spokesperson’s Name: Hsieh, Wei-Yun
Job Title: Assistant Vice President 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. No:
Head Office: No. 151, No. 153 & No. 155, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
2nd Plant in Zhubei: No. 129, Zhonghe Street, Zhubei City, Hsinchu County
Tel. No.: 03-5551771
Xinpu Plant: No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County
Tel. No.: 03-5551771
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. 2014 operation in review

(I) Business Plan and Result

In FY2014, we had net sales amounting to NTD$4,156,132 thousand, which was an increase of 37% or NTD$3,035,778 thousand from the same period of 2013. Corporate earnings in FY2014 amounted to NTD$517,636 thousand or an increase of 91% of NTD$271,033 thousand from the same period of 2013 with earnings per share after tax at NTD$6.62.

Following the U.S.A., Japan and European countries have successively turned to execute a QE policy in 2014. Global funding was plentiful and the foreign exchange rate brought about positive effect to consumption. The growth rate of the semiconductor industry transcended the average value, given the increase in discretionary spending and consistently low interest rate. In particular, the growth rate of OEM production of wafer foundries amounted to 14%, which is still unlikely to become sluggish under the circumstance that capital expenditure of the OEM production of wafer foundries competes more and more intensively. Meanwhile, the purchase orders from Northeast Asia with Taiwan added to the momentum of further growth. As such, the growth in the demand for wafer prober cards could be anticipated. LED was the primary energy saving policy boosted by the countries in the world in 2014. Meanwhile, the declination of the entire bulb price by more than 40% resulted in the increase of penetration rate by 7% last year. It is expected that the penetration rate will be more than 60% in next five years. The Company will continue to invest R&D resources to keep innovating and maintaining the Company's competitiveness. For R&D of new technology, new products have successfully been extended to the fields of signal testing and temperature testing in 2014. We will also continue to develop different testing equipment and devices to deal with the needs of the customers and to enhance the function of product. 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.

(II) Revenue and profitability analysis

Currency unit: in NTD 1,000

Item		Year	2013	2014	Change (%)
Revenue	Net Sales		3,035,778	4,156,132	36.91%
	Gross profit		1,401,426	1,934,993	38.07%
	Post-tax income (loss)		271,033	517,636	90.99%
Profitability	ROA (%)		5.70	9.37	64.39%
	ROE (%)		8.96	15.19	69.53%
	Operating Income to paid-in capital ratio(%)		42.43	70.11	65.24%
	EBT to paid-in capital ratio (%)		41.56	75.36	81.33%
	Profit margin (%)		8.93	12.45	39.42%
	EPS (NTD$)	Before retroactive adjustment	3.52	6.62	88.07%
		After retroactive adjustment	3.52	6.62	88.07%

(III) Research and development

Research and development findings in 2014:

1. Precision automated equipment:
   A. Fully automatic LED Flip Chip Package testing and sorting equipment
   B. Invisible LED testing equipment
   C. Fully automated LED encapsulation package equipment series
2. Probe Card:
   A. Integrated probe card applicable to micro-distance high stress measurement
   B. Micro-distance vertical type probe card responding to light, slim and small-sized mobile communication devices
3. Establish temperature control technology applicable to semiconductor component temperature testing equipment
4. Tester for semiconductor engineering

II. Summary of 2015 Business Plan

(I) Business Policy

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

A. The increasing demand of portable smart devices and the wearable applications dictated the continuous development of wafer grade micro-distance testing technology for meeting the technological needs of the future.

B. Develop high-speed wafer probe cards to meet the technical requirement for rapid transmission.

C. Continue the development and optimization of high-performance automatic testing and inspection equipment to meet the testing needs of LED customers in the future, and continue to provide customers viable solutions.

D. Extension of core automatic technology to market:
Development of engineering use inspection and testing product series for the semiconductor industry with the core technology of automation on hand.

E. Develop the temperature control system for semiconductor component tester

(II) Vital production and sales policies

MPI Corporation will not only further develop its technology and upgrade investment in R&D but also 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, in hopes of providing customers with the optimal solutions.

III. The development strategy of the future

(I) In response to the gradual introduction of the 4”~8” 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 needs of customers for testing, sorting and packaging.

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

(III) In responding to the needs of the end consumers for slim, light, and small size and more rapid and power-saving products, MPI Corporation develops micro-distance probe cards and high-frequency probe cards 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, though influenced by the QE policy of the USA, Japan and EU markets, appears to be optimistic for the time being. For business development, considering that various governments in the world started to value the development of industries for energy saving, Internet of things and big data analysis, 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 seeks to withstand the competition in the external environment, and satisfy to needs of its customers and create value of long-term investment in favor of the shareholders.

Two. Introduction to the Company

I. Introduction to the Company

(I) Date of incorporation: July 25, 1995

(II) Company profile

July	1995	MPI Corporation was incorporated with the capital of NTD$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 NTD$55 million, the capital became NTD$60 million.
October	1998	MJC 8 DUT completed the technology transfer and official invested in MPI Corporation.
December	1998	Possessed the ability to maintain 32 DUT
March	1999	Possessed the ability to produce Fine pitch (50μm)
June	1999	Possessed the MJC 8 DUT New Design ability
April	2000	Bldg. A of 1st Plant in Zhubei completed and activated
July	2000	Southern Taiwan Office and Customers Service Center established
July	2000	Due to the capital increase in cash and upon recapitalization of earnings, totaling NTD$40 million, the capital became NTD$100 million.
December	2000	Possessed the MJC 16 DUT Production & New Design ability
December	2000	MPI TRADING CORP. incorporated with the registered capital USD$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 NTD$100 million, the capital became NTD$200 million.
July	2001	Proceeded with the public offering upon approval of the Securities and Futures Bureau, Ministry of Finance
August	2001	Incorporated MMI HOLDING CO., LTD. with registered capital of NTD$10 million.
September	2001	Passed ISO9001/2000 certification
December	2001	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from the Industrial Development Bureau, MOEA for the first time
June	2002	Due to succession to the shares of Chain-Logic International Corp. totaling NTD$50 million and capital increase by recapitalization of earnings and employee bonus, totaling NTD$50 million, making a total of NTD$100 million, the capital became NTD$300 million.
July	2002	Applied for registration of GTSM listed stock
July	2002	Ranked 8th place among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth Magazine
August	2002	Traded stock in GTSM, and applied for GTSM listed stock
October	2002	Applied for GTSM listed stock approved by Securities Listing Review Committee of GTSM
January	2003	MPI stock traded in GTSM as the general class stock as of January 6,

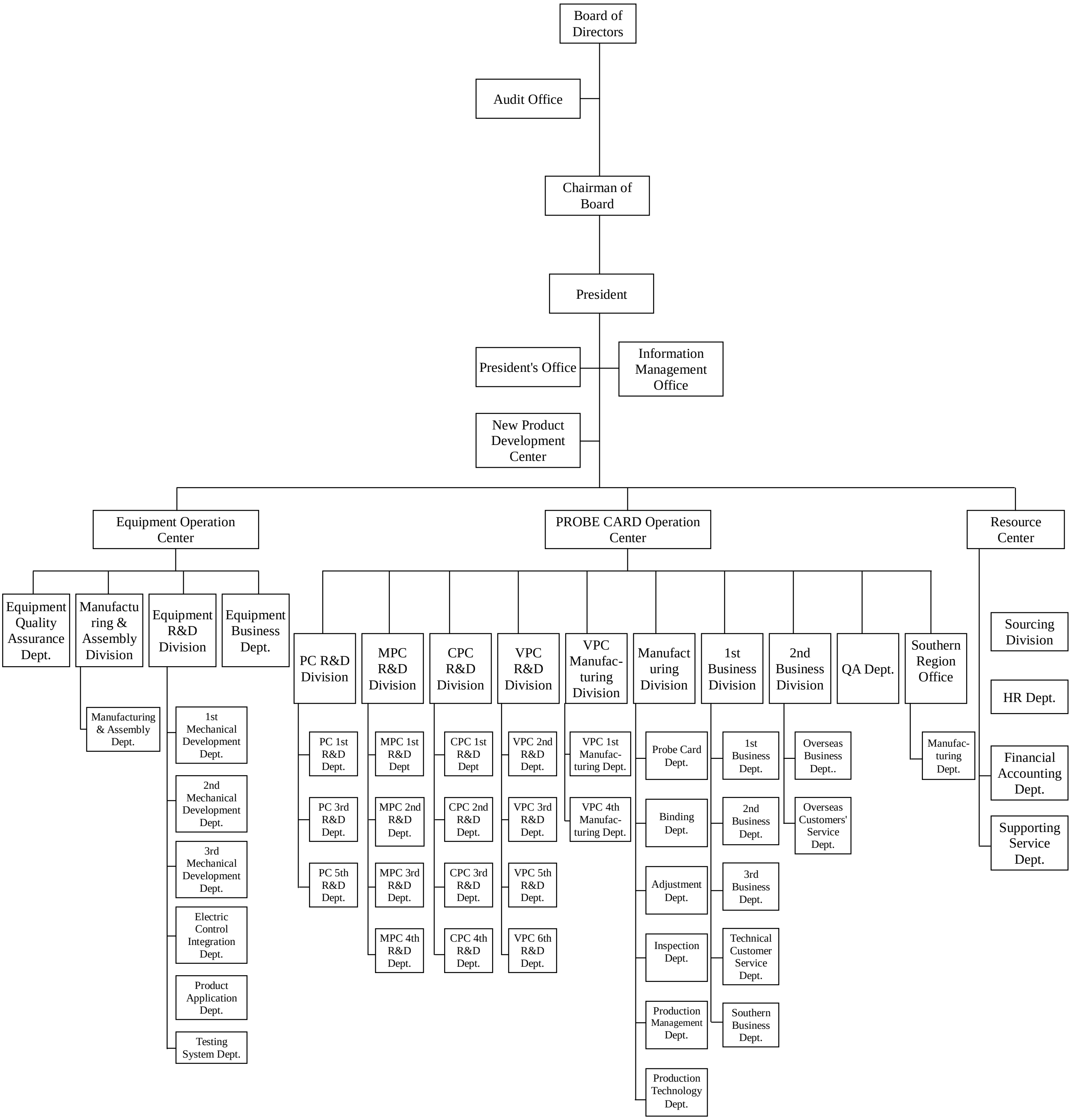
		2003.
January	2003	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from the Industrial Development Bureau, MOEA for the second time
July	2003	Ranked 8th place for EPS among the "Top 100 Small-Sized and Medium-Sized Enterprises with Potential" selected by CommonWealth Magazine
July	2003	Applied for approval of the plan on the development of new leading products "semi-conductor components analysis platform" with the 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	Offered the domestic 1st unsecured convertible corporate bonds totaling NTD$250 million
April	2004	Incorporated Chia Hsin Investment Co., Ltd. and Yi Hsin Investment Co., Ltd. with capital of NTD$29 million respectively, both owned by MPI wholly.
May	2004	The application for stationing in Luchu Science Park was passed by the Luchu Science Park Review Committee.
June	2004	Bldg. C of 1st Plant in Zhubei completed and activated
March	2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from the 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	Ranked 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 Magazine in 2004
September	2005	Conferred the Industrial & Technological Development - Excellent Enterprise Innovation Award of 13th Term by MOEA
November	2005	Employee dormitory completed and activated
December	2005	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from the Industrial Development Bureau, MOEA for the fourth time
May	2006	Received the approval letter for incorporation of Southern Taiwan Branch of MPI from MOEA
September	2006	Listed as one of the candidates under the "Leading New product Development Guidance Plan - Special Report for 12 Candidates"
September	2006	Re-invested the Taiwan subsidiary of MJC, Taiwan MJC Co., Ltd. NTD$50 million
November	2006	Applied for approval of the plan on the new leading products "RFID Automatic Flip Chip Bonder" with the Industrial Development Bureau
February	2007	Offered the domestic 2nd unsecured convertible corporate bond totaling NTD$400 million
March	2007	2nd Plant in Luchu, Kaohsiung completed and activated
March	2007	Trial mass production of solar chip dicing
June	2007	Applied for approval of the plan on the new leading products "Advanced Micro Electro Mechanical SoC Probe Card" with the Industrial Development Bureau

January	2008	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from the Industrial Development Bureau, MOEA for the fifth time
December	2008	Listed in the middle-sized enterprise rating among the "Top 73 Companies Which Make Most Money for Shareholders" selected by Global View Monthly
February	2009	Taiwan Intellectual Property Office announced MPI as "2008 top 100 local innovative companies".
March	2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from the Industrial Development Bureau, MOEA for the sixth time
June	2009	Applied for approval of the plan on the development of new leading products "semi-conductor high-frequency components probe card for testing" with the Industrial Development Bureau
December	2009	Received the approval letter for the "Newly Emerging, Important and Strategic Industries" from the Industrial Development Bureau, MOEA for the seventh time
May	2010	Transferred the equity of Taiwan MJC Co., Ltd.
May	2010	Re-invested USD$630 thousand in LEDA-ONE (Shenzhen) Co.
September	2010	Invested 900 million won in MEGTAS CO., LTD.
December	2010	Incorporated Won Tung Technology Co., Ltd. with capital of $500 thousand
March	2011	Capital increase of MEGTAS CO., LTD. by 300 million won
June	2011	TaisElec CO., LTD. made the investment by 750 million won
June	2011	Re-invested USD$1,400 thousand in MMK (Kunshan)
March	2012	Capital increase of MEGTAS CO., LTD. by 300 million won
May	2012	2nd Plant in Zhubei completed and activated
June	2012	Re-invested USD$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 ranked 88th among the "2012 top 100 local companies which applied for patents".
May	2013	Ranked 7th place in the "Global Probe Card Suppliers' Billboard Published by VLSI Research Inc. in 2012"
May	2013	Ranked 4th place in the best sub-system suppliers investigated by VLSI Research 2012
January	2014	Enrolled into the name list of 69 mittelstands of 2nd term selected by the Ministry of Economic Affairs
January	2014	Re-invest USD$4 million in Lumitek (Changchou) Co. Ltd.
February	2014	Taiwan Intellectual Property Office announced MPI ranked 67th place among the "2013 top 100 local companies which apply for patent".
March	2014	Re-invest NTD$50 million in Allstron Corporation
April	2014	Ranked 5th place in the global probe card suppliers' billboard in 2013 (by VSL Research)
September	2014	Purchased MPI Xinpu Plant
November	2014	United Family Day of 20th Anniversary
February	2015	Taiwan Intellectual Property Office announced MPI ranked 79th place among the "2014 top 100 local companies which apply for patent".
February	2015	Re-invest USD$7.5 million in Lumitek (Changchou) Co. Ltd.

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/MPC 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 facilities

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, 2015 Shares; %

Job title	Nationality or Place of Registration	Name	Election (Appointment) Date	Term of office	Inauguration Date	Shares held on inauguration date		Shares held currently		Current Shares Held by Spouse and Children of Minor Age		Shareholding Under the Name of A Third Party		Major (Academic Degree) Experience	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	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
Chairman of the Board	R.O.C.	Representative of MPI Investment Co., Ltd.--Steve Chen	June 15, 2012	3 years	August 1, 2012	8,386,626	10.67%	8,334,626	10.47%	0	0.00%	0	0.00%	Academic degree: National Taiwan University, Department of Mechanical Engineering, Master's 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
Director	R.O.C.	Representative of MPI Investment Co., Ltd.--Scott Kuo	June 15, 2012	3 years	November 26, 2012	8,386,626	10.67%	8,334,626	10.47%	0	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master's 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	Japan	Representative of MJC--Shinji Nomura	June 15, 2012	3 years	November 26, 2012	6,548,576	8.33%	6,548,576	8.23%	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	R.O.C.	Hsu, Mei-Fang	June 15, 2012	3 years	April 16, 2011	244,441	0.31%	244,441	0.31%	1,050	0.00%	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 CPAs AND COMPANY; supervisor of 104 Corporation	N/A	N/A	N/A
Independent director	R.O.C.	Kao, Chin-Cheng	June 15, 2012	3 years	April 16, 2011	232,414	0.30%	162,414	0.20%	17,944	0.02%	0	0.00%	Academic degree: Department of Law, National Chung Hsing University Major experience: Hui Lin Law Office	In the Company: N/A In other companies: Attorney-at-law of Lian Cheng Law Office	N/A	N/A	N/A
Supervisor	R.O.C.	Li, Tu-Cheng	June 15, 2012	3 years	April 16, 2011	649,349	0.83%	629,349	0.79%	914	0.00%	0	0.00%	Academic degree: Feng Chia University, Department of Business Administration Major experience: Chain-Logic International Corp.	In the Company: N/A In other companies: Chairman of the Board of Zen Voce; supervisor of Gordon Biersch Restaurant & Brewery	N/A	N/A	N/A
Supervisor	R.O.C.	Liu, Fang-Sheng	June 15, 2012	3 years	April 16, 2011	255,471	0.32%	255,471	0.32%	0	0.00%	0	0.00%	Academic degree: Kaohsiung Medical University, School of Dentistry Major experience: Taipei City Hospital, Renai Branch	In the Company: N/A In other companies: Physician of Cheng Tai Dental Clinic	N/A	N/A	N/A
Supervisor	R.O.C.	Tsai, Chang-Shou	June 15, 2012	3 years	June 20, 2013	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, 2015

Name of the corporate shareholder	Major shareholders of the corporate shareholder	Ratio of shareholding
MJC (Micronics Japan Co.,LTD)	Masayoshi Hasegawa	6.04%
	Nippon Life Insurance Company	4.21%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	3.33%
	Katsumi Hasegawa	2.96%
	Takehiro Hasegawa	2.95%
	MTK Asset Co., Ltd	2.79%
	Yoshiei Hasegawa	2.33%
	Sumitomo Mitsui Banking Corporation	1.85%
	MICRONICS JAPAN CO., LTD.	1.79%
	Matsui Securities Co., Ltd.	1.17%
MPI Investment Co., Ltd.	Ko, Chang-Lin	40.76%
	Li, Tu-Cheng	27.17%
	Teng, Su-Ching	6.34%
	Steve Chen	9.06%
	Yeh, Chi-Wen	4.07%
	Hsieh, Wei-Yun	3.60%
	Scott Kuo	2.68%

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 Matsui Securities Co., Ltd..

3. Information about directors & supervisors:

Information about directors & supervisors (2):

April 30, 2015

Name (Note 1) / Qualification		More than 5 years of experience and the following professional qualifications			Status of independence (Note 2)										Number of public companies where the person holds the title as independent director
		Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Passed the qualification examination with proper licensing by the national Government Apparatus as court judge, prosecutor, lawyers, certified public accountant or other professional designations required by the business of the Company	Required work experience in commerce, law, finance, accounting or others required by the Company	1	2	3	4	5	6	7	8	9	10	
Chairman of the Board	MPI Investment Co., Ltd. Representative--Steve Chen			✓				✓			✓	✓	✓		N/A
Director	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, 2015

Job title	Nationality	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 in the Company and in any Other Company	Managers Within the Second Degree of Kinship		
				Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding			Job title	Name	Relationship
Chairman of the Board	R.O.C.	Steve Chen	January 1, 2012	230,283	0.29%	0	0.00%	0	0.00%	Academic degree: National Taiwan University, Department of Mechanical Engineering, Master's Program Major experience: Material and Chemical Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. Director of MPI Investment Co., Ltd. Chairman of the Board of MPI TRADING CORP. CEO of Won Tung Technology Co., Ltd. Director of Allstron Corporation	N/A	N/A	N/A
President	R.O.C.	Scott Kuo	June 16, 2010	438,037	0.55%	179	0.00%	0	0.00%	Academic degree: University of South Florida, Department of Mechanical Engineering, Master's Program Major experience: Mechanical and Systems Research Laboratories, Industrial Technology Research Institute	Director of Chain-Logic International Corp. Supervisor of MPI Investment Co., Ltd. Chairman of the Board of Allstron Corporation Chairman of the Board of Lumitek (Changchou) Co. Ltd.	N/A	N/A	N/A
Equipment Operation Center Vice President	R.O.C.	Fan, Wei-Ju	July 1, 2008	70,034	0.09%	16,038	0.02%	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	Chairman of the Board and also President of LEDA-ONE (Shenzhen) Co.	N/A	N/A	N/A
Marketing Vice President	R.O.C.	Liu, Yung-Chin	June 20, 2011	15,211	0.02%	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
Assistant Manager of Resource Center	R.O.C.	Hsieh, Wei-Yun	April 17, 2001	223,920	0.28%	0	0.00%	0	0.00%	Academic degree: Feng Chia University, Department of Cooperative Economics Major experience: Chain-Logic International Corp.		N/A	N/A	N/A
Manager of Financial Accounting Dept.	R.O.C.	Rose Jao	March 9, 2007	68,251	0.09%	0	0.00%	0	0.00%	Academic degree: Minghsin University of Technology and Science, Department of Business Administration Major experience: Topco Quartz products Co., Ltd.	Supervisor of Chain-Logic International Corp. Supervisor of Won Tung Technology 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, 2014 Currency unit: in NTD 1,000

<table>
<tr><th rowspan="4">Job title</th><th rowspan="4">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, bonuses 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>Cash dividends</th><th>Stock dividends</th><th>Cash dividends</th><th>Stock dividends</th></tr>
<tr><td>Chairman of the Board</td><td>MPI Investment Co., Ltd. Representative: 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">7,025</td><td rowspan="5">7,025</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">1.36%</td><td rowspan="5">1.36%</td><td rowspan="5">15,804</td><td rowspan="5">15,804</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">232</td><td rowspan="5">0</td><td rowspan="5">232</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">0</td><td rowspan="5">4.46%</td><td rowspan="5">4.46%</td><td rowspan="5">N/A</td></tr>
<tr><td>Director</td><td>Representative of MPI Investment Co., Ltd.: Scott Kuo</td></tr>
<tr><td>Director</td><td>MJC Representative: 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 NTD$2,000,000	Representative of MPI Investment: Steve Chen Representative of MPI Investment: Scott Kuo Representative of MJC: Shinji Nomura Hsu, Mei-Fang Kao, Chin-Cheng	Representative of MPI Investment: Steve Chen Representative of MPI Investment: Scott Kuo Representative of MJC: Shinji Nomura Hsu, Mei-Fang Kao, Chin-Cheng	Representative of MJC: Shinji Nomura Hsu, Mei-Fang Kao, Chin-Cheng	Representative of MJC: Shinji Nomura Hsu, Mei-Fang Kao, Chin-Cheng
NTD$2,000,000 (inclusive) ~ NTD$5,000,000 (exclusive)				
NTD$5,000,000 (inclusive) ~ NTD$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
NTD$10,000,000 (inclusive) ~ NTD$15,000,000 (exclusive)				
NTD$15,000,000 (inclusive) ~ NTD$30,000,000 (exclusive)				
NTD$30,000,000 (inclusive) ~ NTD$50,000,000 (exclusive)				
NTD$50,000,000 (inclusive) ~ NTD$100,000,000 (exclusive)				
NTD$100,000,000 or more				
Total	5	5	5	5

(2) Remuneration to supervisors

December 31, 2014
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 (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	4,215	4,215	0	0	0.81%	0.81%	N/A
Supervisor	Liu, Fang-Sheng									
Supervisor	Tsai, Chang-Shou									

Breakdown of Remuneration

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

(3) Remuneration to presidents and vice presidents

December 31, 2014 Currency unit: in NTD 1,000

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance, et al. (C)		Employee bonus allocated from earnings (D)				The sum of A, B, C and D in proportion 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 statement		The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	The Company	All companies included into the financial statement	
								Cash dividends	Stock dividends	Cash dividends	Stock dividends							
President	Scott Kuo	7,110	7,110	322	322	7,274	7,274	234	0	234	0	2.89%	2.89%	0	0	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 NTD$2,000,000		
NTD$2,000,000 (inclusive) ~ NTD$5,000,000 (exclusive)	Scott Kuo, Fan, Wei-Ju, Liu, Yung-Chin	Scott Kuo, Fan, Wei-Ju, Liu, Yung-Chin
NTD$5,000,000 (inclusive) ~ NTD$10,000,000 (exclusive)		
NTD$10,000,000 (inclusive) ~ NTD$15,000,000 (exclusive)		
NTD$15,000,000 (inclusive) ~ NTD$30,000,000 (exclusive)		
NTD$30,000,000 (inclusive) ~ NTD$50,000,000 (exclusive)		
NTD$50,000,000 (inclusive) ~ NTD$10,000,000 (exclusive)		
NTD$100,000,000 or more		
Total	3	3

(4) Employee bonus amount paid to managerial officers:

December 31, 2014 Currency unit: in NTD 1,000

	Job title	Name	Stock dividends	Cash dividends	Total	Proportion to Earnings After Tax (%)
Manager	President	Scott Kuo	0	460	460	0.09%
	Vice President	Fan, Wei-Ju				
	Vice President	Liu, Yung-Chin				
	Assistant Manager	Hsieh, Wei-Yun				
	Manager	Rose Jao				

6. Specify and compare the remuneration to directors, supervisors, presidents and vice presidents of the Company in proportion to the earnings after tax from the Company and companies included in the consolidated financial statements in the most recent 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	2013				2014			
	Total remuneration (NTD$ thousand)		Proportion to Earnings After Tax (%)		Total remuneration (NTD$ 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	12,953	12,953	4.78%	4.78%	22,829	22,829	4.41%	4.41%
Supervisor	2,185	2,185	0.80%	0.81%	4,215	4,215	0.81%	0.81%
President Vice President	10,045	10,045	3.71%	3.71%	14,940	14,940	2.89%	2.89%
Total	25,183	25,183	9.29%	9.29%	41,984	41,984	8.11%	8.11%

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 is adjusted based on their business performance. The Company's polices of remuneration vary based on earnings and are unrelated to future risk:

III. Status of corporate governance

(I) Operations of the Board

The Board held 9 meetings in 2014. The attendance record of directors & supervisors is listed below:

Job title	Name	Actual attendance rate (%) (B/A)	Attendance by proxy Number	Actual attendance rate (%) (B/A)	Remarks
Chairman of the Board	Representative of MPI Investment Co., Ltd.: Steve Chen	9	0	100%	New Chairman of the Board as of August 1, 2012
Director	Representative of MPI Investment Co., Ltd.: Scott Kuo	9	0	100%	Representative re-appointed on November 27, 2012
Director	Representative of MJC: Shinji Nomura	9	0	100%	Representative re-appointed on November 27, 2012
Independent director	Kao, Chin-Cheng	9	0	100%	Re-elected on June 15, 2012
Independent director	Hsu, Mei-Fang	9	0	100%	Re-elected on June 15, 2012
Supervisor	Li, Tu-Cheng	6	0	75%	Re-elected on June 15, 2012
Supervisor	Liu, Fang-Sheng	9	0	100%	Re-elected on June 15, 2012
Supervisor	Tsai, Chang-Shou	9	0	100%	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: N/A.

II. Status of directors' recusal due to a conflict of interest: N/A.

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 9 meetings in 2014. The attendance record is specified as below:

Job title	Name	Actual attendance (B)	Actual attendance rate (%)	Remarks
Supervisor	Li, Tu-Cheng	6	75%	Re-elected on June 15, 2012
Supervisor	Liu, Fang-Sheng	9	100%	Re-elected on June 15, 2012
Supervisor	Tsai, Chang-Shou	9	100%	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 will 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: N/A

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

Scope of evaluation	Status			Any nonconformity to the Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Whether the Company has established and disclosed its corporate governance best-practice principles in accordance with the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies"?	√		The Company has established the related contents in accordance with the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and disclosed the same at the Company's website and MOPS.	No non-conformity
II. Equity structure and shareholders' equity				

(I)	Whether the Company has defined some internal operating procedure to deal with suggestions, questions, disputes and legal actions from shareholders, and implemented the procedure?	√		The Company has defined its parliamentary rules for shareholders' meeting, and also established the spokesperson and deputy spokesperson systems as required. The Company appointed dedicated personnel to deal with the investors relation and issues related to shareholders. The contact No. and email address may be viewed in the investor section on the Company's website.	No non-conformity
(II)	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)	Whether the Company has established or implemented some risk control and firewall mechanisms between the Company and its affiliates?	√		The Company has defined such control system as "Regulations Governing Supervision of Subsidiaries" and "Regulations Governing Transactions Between Specific Company Group and Related Party".	No non-conformity
(IV)	Whether the Company has established some internal regulations to prohibit insiders from applying information undisclosed to the market in securities trading?	√		The Company has established its "Regulations for Prevention of Insider Trading" to prohibit insiders from applying information undisclosed to the market in securities trading.	No non-conformity
III.	Organization of Board of Directors and its duties:				
(I)	Whether the board of directors has defined some diversified policies toward composition of the board members and implemented the policies?	√		The Company has appointed two independent directors, including a female director. Each of the Company's directors possesses professional background including law, accounting, industry, finance, marketing, R&D, business management, professional skills and work experience. The board members implemented the diversified policies.	No non-conformity
(II)	Whether the Company, in addition to establishing the remuneration committee and audit committee pursuant to laws, is willing to establish any other functional committees voluntarily?		√	The Company has established the remuneration committee pursuant to laws, while it has not yet established any other functional committees so far.	No non-conformity
(III)	Whether the Company has defined any regulations governing evaluation of performance of the board of directors and the approach to evaluate, and conducted performance evaluation each year?		√	The Company has not yet defined any regulations governing evaluation of performance of the board of directors and the approach to evaluate.	No non-conformity
(IV)	Regular review and assessment of the impartiality and independence of the external auditor	√		The Company's Board of Directors will assess the independence, competency and professionalism of the external auditor regularly in accordance with the relevant laws and regulations.	No non-conformity
IV.	Whether the Company has established communication channels with stakeholders and set up the stakeholder area on the Company’s website, and also respond to the important corporate social responsibility issue concerned by stakeholders in a timely manner?		√	The Company has established communication channels with stakeholders. Notwithstanding, the Company has not yet set up the stakeholder area on its website.	Under planning

V. Whether the Company has appointed a professional stock transfer agent to process the affairs related to shareholders' meetings?	√		The Company has appointed the Share Registration Agency Service Department, Hua Nan Securities as its professional stock transfer agent to process the affairs related to shareholders' meetings.	No non-conformity
VI. Disclosure				
(I) Whether the Company's website for the disclosure of its financial Status and status of corporate governance is established?	√		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 spokesperson system, and post the meetings minutes with institutional investors on the Company website).	√		The website established by the Company provides an English version. The Company has also delegated the spokesperson and deputy spokesperson to collect and disclose the Company's information, to fulfill the spokesperson system.	No non-conformity
VII. Whether there is any other important information facilitating understanding of the functioning of corporate governance (including but not limited to, the state of employees' rights and interests, concern for employees, investor relations, vendor relations, rights of interested parties, continuing education of directors and supervisors, implementation of risk management policy and risk assessment criteria, implementation of customer policy, and liability insurance purchased by the Company for directors and supervisors)?	√		Note 1	No non-conformity
VIII. Whether the Company has conducted a corporate governance self-assessment report or commissions a professional organization to compile a corporate governance assessment report? (Please specify the board of director's suggestions, the results of self-assessment or commissioned assessment, major deficiencies or suggestions, and improvements should be stated, if any.)		√	The Company does not have any corporate governance self-assessment report or commission any professional organization to compile a corporate governance assessment report for the time being.	Under planning

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

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

1. Information about remuneration committee members

ID	Qualification / Name	More than 5 years of experience and the following professional qualifications: Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the Company in public or private colleges or universities	Passed 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	Status of independence: 1	2	3	4	5	6	7	8	Number of public companies where the person holds the title as Remuneration Committee member	Remarks
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.

2. 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 2014, and the attendance of the Committee members is summarized as follows:

Job title	Name	Actual attendance	Attendance by proxy	Actual attendance rate (%)	Remarks
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): N/A
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: N/A.

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 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.

3. Other important information facilitating understanding of the functioning of corporate governance

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

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

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

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

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

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

Status of continuing education of directors & supervisors:

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"
Chairman of the Board	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	2014/08/13	Corporate Governance and Corporate Social Responsibility	3	Yes

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

(V) Implementation of Corporate Social Responsibility

Scope of evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Promote the implementation of corporate governance				
(I) Whether the Company has established any corporate social responsibility policy or system, and reviewed implementation effectiveness thereof?		√	The Company has not yet established any corporate social responsibility policy or system.	Under research
(II) Whether the Company has hold regular social responsibility educational and training activities?		√	The Company has not yet held any regular social responsibility educational and training activities.	Under research
(III) Whether the Company has established a dedicated unit (or a unit concurrently engaged in promoting) to promote corporate social responsibility under supervision by the high-rank management authorized by the board of directors who shall be responsible for reporting the status thereof to the board of directors?		√	The Company has not yet established any dedicated unit (concurrently engaged in) in charge of promotion of corporate social responsibility.	Under research
(IV) Whether the Company has defined some reasonable compensation policy, integrated corporate social responsibility with employees' performance evaluation, and established some clear and effective reward/disciplinary system?	√		The Company organizes the orientation training program periodically, including the enterprise culture, work rules, concept about quality control, and safety education and training, to help employees understand the Company's organization and management regulations and systems.	No non-conformity
II. Development of a sustainable environment				
(I) Whether the Company is striving to raise its resource usage effectiveness and use recyclable materials which render low environmental impact?	√		The Company recycles various materials and supplies and adopts low-contamination raw materials to reduce the impact to the environment.	No non-conformity
(II) Whether the Company establishes an environmental management system appropriate to the	√		The Company handles the environment management-related affairs pursuant to the environmental	No non-conformity

Scope of evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
characteristics of its industry?			protection and labor safety laws and regulations.	
(III) Whether the Company is mindful of the impact of climate change on its operations, executes greenhouse gas inspection, 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 has established the related management policies and procedures in accordance with the relevant laws and international human right conventions?	√		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 has established any employee complaining mechanism and channel, and taken care of the complaint adequately?	√		The Company provides diversified communication management measures to enhance the interaction with employees.	No non-conformity
(III) Whether the Company provides its employees with a safe and healthy work environment, and regularly implements employee safety and health education measures?	√		The Company organizes the operating environment test, employees' health examination, health symposiums, safety and sanitation education and training, and on-site health inquiry with physician, and also establishes a breastfeeding room, medical room, lounge for employees, and parking spaces exclusive for the mother-to-be, in order to provide a working environment where it is safe and comfortable and employees are pleased to work.	No non-conformity
(IV) Whether the Company has established 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

Scope of evaluation	Status			Any nonconformity to the Corporate Social Responsibility Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
(V) Whether the Company has established some effective career development training plan for employees?	√		The Company periodically organizes career development training programs for employees.	No non-conformity
(VI) Whether the Company has established the related consumer protection policies and complaining procedures toward the R&D, procurement, production, operation and service procedures?	√		The Company's Business Dept. and QA Dept. are responsible for dealing with any extraordinary circumstances about products for customers, and the Company also establishes the exclusive taskforce dedicated to providing related services.	No non-conformity
(VII) Whether the Company markets and labels products and services in accordance with the related laws and international practices?	√		The Company is used to marketing and labeling products and services in accordance with the related laws and international practices.	No non-conformity
(VIII) Whether the Company has assessed the supplier's record about environmental protection and society before trading with the supplier?		√	For the time being, the Company does not assess the supplier's record about environmental protection and society before trading with the supplier.	Under research
(IX) Whether the contract between the Company and its main supplier includes the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract at any time?		√	For the time being, the contract between the Company and its main supplier does not include the provision stating that where the supplier is suspected of violating its corporate social responsibility policies or renders remarkable effect to the environment and society adversely, the Company may terminate or rescind the contract at any time.	Under research
VI. Strengthening information disclosure				
(I) Whether the Company has disclosed relevant and reliable information relating to corporate social responsibility on its website or Market Observation Post System?		√	The Company has not yet disclosed relevant and reliable information relating to corporate social responsibility on its external website or Market Observation Post System.	Under research
V. 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.				
VI. Other important information facilitating understanding of the functioning of corporate governance: N/A				
VII. 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

Scope of evaluation	Status			Any nonconformity to the Ethical Business Best Practice Principles for TSEC/GTSM Listed Companies, and reasons thereof:
	Yes	No	Summary	
I. Establish ethical business policies and programs				
(I) Whether the Company has the ethical business policy and approach expressed explicitly in the Company's Articles of Incorporation and external documents, as well as the active implementation committed by the board of directors and management?	√		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 strive toward an ethical business.	No non-conformity
(II) Whether the Company has defined the policy against unethical conduct, and expressly stated the SOP, guidelines and reward and disciplinary & complaint systems for misconduct, and also implemented the policy precisely?	√		According to the Company's "Service Agreement", employees are required to maintain the highest ethical business conduct. The Agreement also expressly states the SOP and guidance for ethical behavior.	No non-conformity
(III) Whether the Company takes any prevention measures against the operating activities involving high unethical conduct under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Companies" or within other operating areas?	√		All of the Company's employees need to comply with the Company's "Service Agreement" and to prevent bribery and acceptance of bribery, and illegal political contribution.	No non-conformity
II. Implementation of ethical business practices				
(I) Whether the Company will evaluate the trading counterpart's ethical record and expressly state the code of conduct in the contract signed with the trading counterpart?	√		The "Non-Disclosure Agreement" signed between the Company and trading counterpart has expressly defines the clauses about ethical behavior and fulfilled the Company's ethical management policy.	No non-conformity
(II) Whether the Company has established a dedicated unit (or a unit concurrently engaged in promoting) to promote ethical corporate management under supervision by the board of directors who shall be		√	The Company has not yet established a dedicated unit to promote (or a unit concurrently engaged in promoting) ethical corporate management.	Under research

responsible for reporting the status thereof to the board of directors periodically?				
(III) Whether the Company has established a conflict of interest prevention policy, provided appropriate reporting channels and implemented the same?	√		The Company defines the conflict of interest policy to avoid any conflict with personal interest and the Company's interest.	No non-conformity
(IV) Whether the Company has implemented ethical corporate management by establishing effective accounting system or internal control system, and had internal auditors conduct audit thereon periodically, or commissioned an independent auditor to conduct the audit?	√		The Company established an effective accounting system and internal control system. Auditors also audit the compliance with the systems periodically.	No non-conformity
(V) Whether the Company has organized internal or external training programs for ethical corporate management periodically?		√	The Company has not yet organized any training programs related to ethical corporate management.	Under research
III. Status of the Company's complaint system				
(I) Whether the Company has defined a specific complaints and rewards system, and established some convenient complaint channel, and assigned competent dedicated personnel to deal with the situation?	√		The Company defines the "administrative disciplinary" measures. Any complaint may be filed via the email exclusive for employees' complaining.	No non-conformity
(II) Whether the Company has defined the standard operating procedure and non-disclosure mechanism toward the investigation on the complaints as accepted?	√		The Company has defined the standard operating procedure and non-disclosure mechanism toward the investigation on the complaints as accepted.	No non-conformity
(III) Whether the Company has adopted the measures for protecting complainants from inappropriate disciplinary actions due to their complaints?	√		The Company will keep confidential the complainant's personal information and take appropriate protection measures.	No non-conformity
VI. Strengthening information disclosure				
(I) Whether the Company has disclosed the content and the status of implementation of their ethical corporate management best practice principles on its websites and the MOPS?	No ethical corporate management best practice principles have been disclosed on the Company's website and MOPS so far.			Under research
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 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 24, 2015

The Company has inspected the 2014 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, 2014 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 24, 2015. The contents of the declaration have 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	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
		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.
		Discussion about the amendment to the "Articles of Incorporation" of MPI Corporation.	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.
		Declaration of International Control System 2013	Approved by the present directors unanimously
		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 submitted to the general shareholders' meeting for discussion
		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.
Board of Directors	June 17, 2014	Discussion about 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.
Board of Directors	August 12, 2014	Discussion about the motion for the Company's purchase of "liability insurance for directors/supervisors".	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	September 5, 2014	Discussion about the motion for the Company's purchase of factory premises from the stakeholder.	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	October 16, 2014	Discussion about the motion for offering of the domestic 3rd unsecured convertible corporate bond.	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	November 12, 2014	Discussion about the Company's internal audit plan 2015	Approved by the present directors unanimously
		Discussion about the motion for capital increase 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 13, 2015	The Company's business plan (financial budget) 2015	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 2014	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 2015	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		Discussion about the motion for the Company's application for conversion of 3rd unsecured domestic convertible corporate bonds into common shares in Q4 of 2014 and determination of the base date of offering of new shares.	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
Board of Directors	March 24, 2015	Discussion about the individual financial statement and business report 2014	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		Discussion about the consolidated financial statements 2014	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for ratification
		Discussion about the motion for allocation of earnings 2014	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 the motion for the amendment to the "Articles of Incorporation" of MPI Corporation.	Approved by the present directors unanimously, and submitted to the general shareholders' meeting for discussion
		Discussion about the motion for the amendment to the Parliamentary Procedure for General Meeting of Shareholders	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		Discussion about amendments to the Company's "internal control system"	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 2014	Approved by the present directors unanimously
		The motion for reelection of directors & supervisors	The term of office of the

			newly elected directors/supervisors of 7th term commences from June 12, 2015 until June 11, 2018, and the reelection was reported at the general shareholders' meeting.
		The motion for nomination and review of candidates for independent director	The two candidates for independent director nominated by the Board of Directors both met the required qualifications, who were approved by the whole directors unanimously upon inquiry by the chairperson.
		Discussion about date, location and agenda of the general shareholders' meeting 2015	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		Discussion about the motion for the Company's purchase of the first lot of land	Approved by the present directors unanimously, and the CEO was authorized to deal with the related matters with full power.
		Discussion about the motion for the Company's purchase of the second lot of land	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.
		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	April 15, 2015	Discussion about the motion for the Company's application for conversion of 3rd unsecured domestic convertible corporate bonds into common shares in Q1 of 2015 and determination of the base date of 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 change of the Company's independent auditors	Approved by the present directors unanimously
		The motion for nomination and review of candidates for independent directors	Upon approval of the whole present directors after the chairperson's inquiry, Hsu, Mei-Fang, CPA and Kao, Chin-Cheng, Attorney-at-Law were nominated as the candidates for independent directors at the general shareholders'

			meeting 2015, and the election was proposed to be held at the general shareholders' meeting.

Status of important resolution made by the general shareholders' meeting 2014:

Name of Meeting	Date of Meeting	Important resolution	Status
General shareholders' meeting	June 17, 2014	The motion for business report and financial statements 2013 was ratified.	Pass by the present shareholders unanimously
		The motion for allocation of earnings 2013 was ratified.	Pass by the present shareholders unanimously; cash dividends distributed at NTD$2.1 per share; ex-dividends record date: August 22, 2014; date of allocation of cash dividends: September 5, 2014
		The motion for the amendment to the "Articles of Incorporation" of MPI Corporation.	Pass by the present shareholders unanimously
		The motion for the amendment to the "Procedure for the Acquisitions and Dispositions of Assets" of MPI Corporation.	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 disclosures:

Status of the continuing education of the Company's accounting officer and audit officer in 2014:

Job title	Name	Institute	Date	Name of Course	Hours
Accounting officer	Rose Jao	Accounting Research and Development Foundation	November 25, 2014 ~ November 26, 2014	Continuing education program for accounting officer of issuer, securities firm and securities exchange	12
Audit officer	Chen, Yi-Chang	Securities and Futures Institute	August 21, 2014	Audit on IT Dept. and information system control	6
		Securities and Futures Institute	November 4, 2014	Interpretation of update in the "Regulations Governing the Establishment of Internal Control Systems by Public Companies"	6

IV. Information about CPA Professional Fee

(I) Breakdown of CPA Professional Fee

Change of external auditor in 2014: N/A

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

Currency unit: in NTD 1,000

Firm Name	CPA Name	Audit Fee	Non-Audit Fee					Duration of Audit	Remarks System Design
			System Design	Commercial and Industrial Registration	HR	Others	Subtotal		
Nexia Sun Rise CPAs & Co.	Chang, Yu-Ming Chen, Shih-Yuan	2,227	0	4	0	45	49	January 1, 2014 till December 31, 2014	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	2014		until April 30, 2015	
		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	0	0	0	0
Chairman, director and also major shareholder	MPI Investment Co., Ltd. Representative: Scott Kuo	0	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	(70,000)	0	0	0
Supervisor	Liu, Fang-Sheng	0	0	0	0
Supervisor	Li, Tu-Cheng	(20,000)	0	0	0
Supervisor	Tsai, Chang-Shou	0	0	0	0
President	Scott Kuo	(27,000)	0	0	0
Vice President	Fan, Wei-Ju	(33,000)	0	0	0
Vice President	Liu, Yung-Chin	(10,000)	0	0	0
Assistant Manager	Hsieh, Wei-Yun	0	0	0	0
Finance/Accounting Officer	Rose Jao	(24,534)	0	0	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, 2015

Name	Personal shareholding		Current Shares Held by Spouse and Children of Minor Age		Total shareholding Under the Name of A Third Party		Information on top 10 shareholders in proportion of shareholdings and are related to one another or kin at the second pillar under the Civil Code to one another, their names and relations		Remarks
	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Quantity	Ratio of shareholding	Name	Relationship	
MPI Investment Co., Ltd.	8,334,626	10.47%	0	0	0	0	MPI Investment Co., Ltd.	Director of the Company	
Representative: Ko, Chang-Lin	1,425,994	1.79%	0	0	0	0	N/A	No	
MJC	6,548,576	8.23%	0	0	0	0	MJC	Director of the Company	
Representative: Masayoshi Hasegawa	0	0	0	0	0	0	N/A	No	
Ashmore Emerging Market Global Small-Sized Business Stock managed by Bank of Taiwan	2,836,000	3.56%	0	0	0	0	N/A	No	
Labor pension under the new system	2,330,000	2.93%	0	0	0	0	N/A	No	
Ko, Chang-Lin	1,425,994	1.79%	0	0	0	0	N/A	No	
HSBCGIF Asian Small-Sized Business Stock managed by HSBC	1,397,000	1.75%	0	0	0	0	N/A	No	
GlobaLink Securities Investment in Emerging Market Account managed by HSBC	1,106,891	1.39%	0	0	0	0	N/A	No	
J. P. Morgan East Fund Investment Account managed by HSBC	979,000	1.23%	0	0	0	0	N/A	No	
Taiwan Select Fund of World Vision Investment Fund managed by Cathay Securities Investment Trust Co., Ltd.	948,000	1.19%	0	0	0	0	N/A	No	
Labor insurance fund	886,000	1.11%	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 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, 2014

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.	8,390,045	100 %	0	0	8,390,045	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 %
Lumitek (Changchou) Co. Ltd. (Note 9)	0	0	1,150,000 USD	Wholly owned by the subsidiary	1,150,000 USD	100%

Note 1: Long-term investment by the Company

Note 2: An investee of the Company's subsidiary, Chain-Logic International Corp.

Note 3: An investee of the Company's indirect subsidiary, Chain-Logic Trading Corp.

Note 4: An investee 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

Note 9: An investee by the Company's indirect subsidiary, Lumitek (Changchou) Co. Ltd.

Four. Status of Fund Raising

I. Capital Stock and Shares

(I) Source of Capital Stock

Unit: Thousand shares; NTD 1,000
April 30, 2015

Year/ Month	Issue price	Authorized capital stock		Paid-in capital		Remarks		
		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 NTD$55,000 thousand	N/A	
2000/7	15 10	22,500	225,000	10,000	100,000	Capital increase in cash by NTD$28,000 thousand Capital increase upon recapitalization of earnings by NTD$12,000 thousand	N/A	
2001/5	18 10 10	22,500	225,000	20,000	200,000	Capital increase in cash by NTD$50,700 thousand Capital increase upon recapitalization of earnings by NTD$42,000 thousand Capital increase upon recapitalization of employee bonuseses by NTD$7,300 thousand	N/A	
2002/6	10	50,000	500,000	30,000	300,000	Capital increase upon recapitalization of earnings by NTD$43,800 thousand Capital increase upon recapitalization of employee bonuses by NTD$6,200 thousand	Succeed to shares of Chain-Logic International Corp., NTD$50,000 thousand	Note 1
2003/9	10	50,000	500,000	33,434	334,340	Capital increase upon recapitalization of earnings by NTD$30,000 thousand Capital increase upon recapitalization of employee bonuseses by NTD$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 NTD$3,691 thousand	N/A	
2004/9	10	50,000	500,000	37,672	376,719	Capital increase upon recapitalization of earnings by NTD$33,434 thousand Capital increase upon recapitalization of employee bonuses by NTD$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 NTD$5,454 thousand	N/A	
2005/2	10	50,000	500,000	38,877	388,775	Conversion of convertible bonds to common stock NTD$6,601 thousand	N/A	
2005/5	10	50,000	500,000	39,556	395,556	Conversion of convertible bonds to common stock NTD$6,781 thousand	N/A	
2005/7	10	50,000	500,000	39,576	395,765	Conversion of convertible bonds to common stock NTD$208 thousand	N/A	
2005/9	10	51,300	513,000	48,957	489,568	Capital increase upon recapitalization of earnings by NTD$81,960 thousand Capital increase upon recapitalization of employee bonuses by NTD$11,814 thousand Conversion of convertible bonds to common stock NTD$30 thousand	N/A	Note 4
2005/10	10	51,300	513,000	49,253	492,533	Conversion of convertible bonds to common stock NTD$2,964 thousand	N/A	
2006/2	10	51,300	513,000	50,479	504,785	Conversion of convertible bonds to common stock NTD$12,253 thousand	N/A	
2006/5	10	51,300	513,000	50,724	507,236	Conversion of convertible bonds to common stock NTD$2,451 thousand	N/A	
2006/8	10	51,300	513,000	50,815	508,145	Conversion of convertible bonds to	N/A	

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

						common stock NTD$6,900 thousand		

Note 1: Approval letter by the Securities and Futures Commission, Ministry of Finance under (91) No. 09100127510 dated June 3, 2002.
Note 2: Approval letter by the Securities and Futures Commission, Ministry of Finance under Tai-Tsai-Zheng (I) No. 0920129426 dated July 2, 2003.
Note 3: Approval letter by the Securities and Futures Commission, Ministry of Finance under Tai-Tsai-Zheng (I) No. 0930126472 dated June 15, 2004.
Note 4: Approval letter by Securities and Futures Bureau, Financial Supervisory Commission of the 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 the 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 the 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 the 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 the Executive Yuan under Jin-Guan-Zheng (I) No. 0980034020 dated July 8, 2009.

Type of share	Authorized capital stock			Remark
	Outstanding shares	Unissued shares	Total	
Common stock	79,605,392	20,394,608	100,000,000	TWSE stock

(II) Composition of shareholders

April 30, 2015

Composition of shareholders / Quantity	Government Apparatus	Financial Organization	Other Juristic Persons	Individual	Foreign Institution or Foreigner	Total
Number of persons	3	17	42	9,863	60	9,985
Shares held	3,857,000	2,713,092	11,928,111	38,504,838	22,602,351	79,605,392
Ratio of shareholding	4.85%	3.41%	14.98%	48.37%	28.39%	100%

(III) Diversification of equity

April 30, 2015

Range of Shares	Number of Shareholders	Shares held	Ratio of shareholding (%)
1～999	3,083	230,350	0.29
1,000～5,000	5,628	11,088,845	13.93
5,001～10,000	634	5,023,338	6.31
10,001～15,000	189	2,441,374	3.07
15,001～20,000	120	2,228,718	2.80
20,001～30,000	112	2,849,586	3.58
30,001～40,000	46	1,661,416	2.09
40,001～50,000	32	1,485,834	1.87
50,001～100,000	59	4,226,928	5.31
100,001～200,000	29	4,339,779	5.45
200,001～400,000	22	5,491,970	6.90
400,001～600,000	14	6,719,818	8.44
600,001～800,000	6	4,204,349	5.28
800,001～1,000,000	4	3,634,000	4.56
1,000,001 and above	7	23,979,087	30.12
Total	9,985	79,605,392	100.00

Preferential shares: N/A

(IV) Roster of Major Shareholders

April 30, 2015

Name of Major Shareholder \ Shares	Shares held	Ratio of shareholding
MPI Investment Co., Ltd.	8,334,626	10.47%
MJC	6,548,576	8.23%
Ashmore Emerging Market Global Small-Sized Business Stock managed by Bank of Taiwan	2,836,000	3.56%
Labor pension under the new system	2,330,000	2.93%
Ko, Chang-Lin	1,425,994	1.79%
HSBCGIF Asian Small-Sized Business Stock managed by HSBC	1,397,000	1.75%
GlobaLink Securities Investment in Emerging Market Account managed by HSBC	1,106,891	1.39%
J. P. Morgan East Fund Investment Account managed by HSBC	979,000	1.23%
Taiwan Select Fund of World Vision Investment Fund managed by Cathay Securities Investment Trust Co., Ltd.	948,000	1.19%
Labor insurance fund	886,000	1.11%

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

Unit: NTD; share

Item \ Year			2013	2014	Ending March 31, 2015(Note 7)
Market value per share (Note 1)	The Highest		76.80	134	128
	The Lowest		46.50	60.10	88.20
	Average		63.28	97.37	106.43
Net value per share	Before distribution		38.87	46.84	47.74
	After distribution		36.77	46.84	47.74
EPS	Weighted average shares		78,612,392	79,536,392	79,605,392
	EPS (Note 3)	before retroactive adjustment	3.54	6.62	1.20
		after retroactive adjustment	3.54	0	0
Dividends per share	Cash dividends		2.1	2 (Note 2)	0
	Free-Gratis dividends	Retained shares distribution	0	0	0
		Capital surplus shares distribution	0	0	0
	Retained dividends		0	0	0
Return on investment analysis	Price-Earnings Ratio (Note 4)		17.98	14.71	0
	Dividend Yield (Note 5)		30.13	49.69	0
	Cash Dividends Yield (Note 6)		0.03	0.02	0

Note 1: The Company has been 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 so.

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 dividends policy defined by the Company in Articles of Incorporation:

   Article XX: Where the Company may have a surplus after the account settlement and such surplus must be distributed in the priority specified below:

   (I) Payment of tax;

   (II) Covering of previous 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 must be allocated in the following manners:

   1. Employee bonuses: 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 must include the employees of affiliated companies.

2. Allocation of dividends proposed in the current year

   The Company's motion for allocation of earnings 2014 has been resolved by the directors' meeting on March 24, 2015, and was implemented upon resolution of the general shareholders' meeting:

Allocation of Earnings 2014

Item	Amount	
	Subtotal	Total
		Unit: NTD
Unallocated earnings at the ending		$ 1,079,893,469
Less: Other comprehensive income (actuarial income (loss) under defined benefit plan 2014)		(3,915,560)
Add: Net profit after tax this year		517,635,706
Subtotal		1,593,613,615
Provision:		
Less: Provision of 10% legal reserve	(51,763,571)	
Add: Reversal (provision) of special reserve (Shareholders' equity less - Net loss not recognized as pension cost)	0	(51,763,571)
Subtotal of allocable earnings:		1,541,850,044
Item of distribution:		
Shareholder bonus - cash	(318,421,568)	
Shareholder bonus - stock	(0)	(318,421,568)
Unallocated earnings at the ending		$ 1,223,428,476
Notes:		
Distribution of remuneration to directors/supervisors	(11,240,000)	
Distribution of employee bonuses - cash	(49,168,000)	
Distribution of employee bonuses - stock	(0)	

(VII) The effect of Free-Gratis Dividends as proposed in this General Meeting on the operation performance and earnings per share of the company: N/A, as no Free-Gratis Dividends were proposed at this general shareholders' meeting.

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

1. Proportion or scope of employee bonuses and remuneration to directors/supervisors as stated in the Company Act of Incorporation:
   Article XX: Where the Company may have a surplus after the account settlement and such surplus must be distributed in the priority specified below:
   (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 must be allocated in the following manners:
      1. Employee bonuses: 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 must 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 earned a profit in 2014. Therefore, the employee bonuses was estimated as NTD$48,242,482 and the remuneration to directors/supervisors NTD$12,060,622. Said estimated values were approved by the directors' meeting on March 24, 2015.

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

   The Company's motion for allocation of earnings 2014 has been resolved by the directors' meeting on March 24, 2015. The allocation of earnings approved by the directors' meeting is stated as following:

   (1) The Company allocated the employee bonuses NTD$49,168,000, employee stock dividends NTD$0, and remuneration to directors/supervisors NTD$11,240,000.
   (2) The aforementioned amount planned for distribution and cash dividends to employees recognized as expenses totaled NTD$48,242,482 and remuneration to the Directors and the Supervisors amounted to NTD$12,060,622 with discrepancy of NTD$104,896.
   (3) Reason for the discrepancy: The Board of Directors has taken into consideration shareholders' equity and the welfare of the employees with reference to industry standard and operation in the future, and thereby desires to revise the amount of employee bonuses and remuneration to the Directors and the Supervisors.
   (4) Accounting of the amount difference: primarily the adjustment in the estimates in accounting. The amount difference will be recognized as the income (loss) in FY2015 after passing by the General Meeting for adjustment.

4. The actual allocation of employee bonuses 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 dividends allocated by the Company in 2013 was NTD$ 23,306,300, and the remuneration to directors/supervisors NTD$5,826,560. The amounts were approved by the directors' meeting on March 28, 2014 and resolved by the shareholders' meeting on June 17, 2014.

(IX) Repurchase of the Company's shares: N/A

II. Issuance of Corporate Bonds (ECB):

(I) Status of Corporate Bonds

April 30, 2015

Type of corporate bonds (Note 2)	Domestic 3rd unsecured convertible corporate bonds
Issue (offering) date	November 8, 2014
Book value	NTD$100,000
Place of issue and trading (Note 3)	N/A
Issue price	NTD$100,000
Total	NTD$700,000,000
Interest rate	0%
Duration	3 years, expiry date: November 18, 2017
Guaranteed by	N/A
Trustee	Department Of Trusts , Land Bank of Taiwan
Underwritten by	KGI Securities
Certified by	Handsome Attorneys-at-Law Peng, Yi-Cheng, Attorney-at-Law
Name of CPA	Nexia Sun Rise CPAs & Co. Chang, Yu-Ming & Chen, Shih-Yuan, CPAs
Repayment terms	In the case of conversion into corporate common stock pursuant to the Regulations, exercise of put pursuant to the Regulations, or redemption by the Company pursuant to the Regulations, or repurchase by the Company for cancellation, the Company will make the repayment in cash in full at the par value of the bond upon expiry of the bond.
Outstanding principal	NTD$600,700,000
Redemption or early repayment provisions	(I) Where the closing price of the Company's common stock has been more than the conversion price of the bond prevailing then by 30% or more for consecutive 30 business days at the GreTai Securities Market within 40 days from the day following expiration of the issue for one month until expiration of the duration, the Company may send the bond holders a "Notice for Call of Bonds" which will expire after 30 days via registered mail (based on the roster of creditors prevailing within 5 business days prior to the date of mailing of the "Notice for Call of Bonds", the Notice must be served to the investors who acquire the bonds due to transaction or other causes thereafter by public notice) (said-noted 30 days must commence from the date of mailing by the Company and the record date for call of bonds must be the date when said-noted period expires; said-noted period must not be identified as the period for suspension of conversion of the convertible corporate bonds), and must ask the GTSM in writing to make public announcement and

<table>
<tr><td colspan="2"></td><td>recall the convertible corporate bonds held by the bond holders at the par value of the bonds within 5 business days after the record date for call of bonds.
(II) Where the balance of the Company's outstanding bonds has been more than the total price of the bonds issued originally by 10% within 40 days from the day following expiration of the issue for one month until expiration of the duration, the Company may send the bond holders a "Notice for Call of Bonds" which will expire after 30 days via registered mail (based on the roster of creditors prevailing within 5 business days prior to the date of mailing of the "Notice for Call of Bonds", the Notice must be served to the investors who acquire the bonds due to transaction or other causes thereafter by public notice) (said-noted 30 days must commence from the date of mailing by the Company and the record date for call of bonds must be the date when said-noted period expires; said-noted period must not be identified as the period for suspension of conversion of the convertible corporate bonds), and must ask the GTSM in writing to make public announcement and recall the convertible corporate bonds held by the bond holders at the par value of the bonds within 5 business days after the record date for call of bonds.</td></tr>
<tr><td colspan="2">Restrictive clause (Note 4)</td><td>N/A</td></tr>
<tr><td colspan="2">Name of credit rating organization, rating date, bond rating results</td><td>N/A</td></tr>
<tr><td rowspan="2">Other rights</td><td>Amount of converted (traded or subscribed) common stock, overseas depository receipts, or other negotiable securities up to the publication date of this annual report</td><td>The value of common stock converted was NTD$99,300,000.</td></tr>
<tr><td>Issuance and conversion (trading or subscription) regulations</td><td>From the day following expiration of one month after issuance of the convertible corporate bonds until the expiry date, excluding (1) the period of suspension of transfer of common stock pursuant to laws (2) the period from 15 business days prior to the date of suspension of transfer of Free-Gratis Dividends, date of suspension of transfer of cash dividends or the date of suspension of transfer of new shares issued for capital increase until the record date of distribution of rights, and (3) the period from the record date for capital decrease until the day preceding to the trading date of swap of stock for capital decrease, the bond holders may notify Taiwan Depository & Clearing Corp. ("TDCC") via securities firms at any time to ask the Company's share registration agent to convert the convertible corporate bonds held by them into the Company's common stock in whole pursuant to the regulations.</td></tr>
</table>

Possible dilution of equity and impact on equity of existing shareholders due to issuance and conversion/trading or subscription regulations, or issuance terms	The convertible corporate bonds did not bring about the effect of dilution of equity before the creditors asked to exercise the right to convert. The creditors could choose to convert the bonds at the timing more favorable to them during the convertible period and, therefore, the dilution of equity was deferred. For the impact on equity of existing shareholders, though the convertible corporate bonds would increase the Company's liabilities prior to conversion, the liabilities would be reduced and shareholders' equity increased upon conversion of the convertible corporate bonds to common stock and, therefore, the net worth per share may be raised. Under the circumstance, the shareholders' equity could be better protected permanently.
Name of commissioned custodial institution for objects exchanged	N/A

Note 1: The corporate bonds included those under public offering and private placement. The corporate bonds under public offering mean those coming into effect (approved) by the Board of Directors. The corporate bonds under private placement mean those approved upon resolution by the Board of Directors.
Note 2: The number of spaces must be adjusted subject to the frequency of the offering or placement.
Note 3: Required, in the case of overseas corporate bond
Note 4: e.g. restricted release of cash dividends, external investment or requirement about maintenance of specific asset ratio, et al.
Note 5: Those under private placement, if any, must be identified in a prominent manner.
Note 6: The information about convertible corporate bonds, exchangeable corporate bonds, shelf registration for corporate bond issues or corporate bonds with attached warrants, if any, must be disclosed in the tabulated form by nature.

(II) Information about convertible corporate bonds

Type of corporate bond (Note 1)		Domestic 3rd unsecured convertible corporate bonds		
Item / Year		2013	2014	Ending April 30, 2015 (Note 4)
Market value of convertible corporate bonds (Note 2)	The Highest		133.20	125.70
	The Lowest		100.00	110.15
	Average		114.70	114.15
Conversion price			100.00	100.00
Issuance date and conversion price at time of issuance			November 18, 2014 100.00	November 18, 2014 100.00
Method of fulfilling conversion duty (Note 3)			Offering of new shares	Offering of new shares

Note 1: The number of spaces must be adjusted subject to the frequency of the offering or placement.
Note 2: In the case of multiple places of exchange of overseas corporate bonds, please list the bonds by the places of exchange.
Note 3: Deliver issued shares or issue new shares.
Note 4: Please specify the information until the publication date of this annual report.

(III) Status of shelf registration for corporate bond issues

April 30, 2015

Expected total amount raised and issued	NTD$700,000,000
Raised total amount (including various Issuance dates and conversion prices at time of issuance)	Issue date: November 18, 2014 Issued amount: NTD$700,000,000
Balance of self registration for corporate bond issues	NTD$600,700,000
Expected issue period for uncompleted portion	N/A

III. Issuance of Preferred Shares: N/A

IV. Status of GDR/ADR: N/A

V. Status of employee stock options: N/A

VI. Restrictions 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

1-1. Contents of the Plan

1. Competent industrial authority approval letter date and No.: FSC's official letter under Chin-Kuan-Cheng-Fa-Tze No. 1030042656 dated November 4, 2014.
2. Total fund required by the Plan: NTD$731,680 thousand.
3. Source of fund:
   (1) 7,000 domestic 3rd unsecured convertible bonds were issued at the full face value and the par value of NTD$100,000 per bond with the duration of 3 years. The total face value thereof was NTD$700 million.
   (2) The balance, NTD$31,680 thousand, was paid by the own fund.
4. Project and scheduled progress

Currency unit: in NTD 1,000

Project	Scheduled time of completion	Required total fund	Scheduled progress of fund utilization				
			2014		2015		Total
			Q3	Q4	Q1	Q2	
Purchase of plant (Note)	Q1 of 2015	316,800	31,680	285,120	-	-	316,800
Purchase of machine & equipment	Q2 of 2015	164,880	-	13,792	90,497	60,591	164,880
Repayment of bank loan	Q4 of 2014	250,000	-	250,000	-	-	250,000
Total		731,680	31,680	548,912	90,497	60,591	731,680

Note: The Company purchased the land and building situated at Xinpu from the related party, Lumitek Co., LTD., September 5, 2014, and also signed the contract for purchase of the land and buildings at the total contract amount of NTD$316,800 thousand. The Company has paid the 1st installment and 2nd installment payments totaling NTD$31,680 thousand with its own fund in September 2014. The balance would be paid up at the end of October 2014 before the property settlement pursuant to the contract. Notwithstanding, as the fund has not yet been put in the right place timely, the balance would be paid by the bank loan, and the loan would be repaid after the fund has been put in the right place.

5. Projected benefits

(1) Purchase of plant

The plant purchased by the Company occupied an area of about 2,740 pings. Based on the rent expenditure of the office spaces leased by the Company, the rent would be NTD$796 per ping/month averagely. In other words, the Company may save the rent expenditure by NTD$2,181 thousand per month and by NTD$26,172 thousand per year. As a result, less the estimated depreciation, NTD$2,121 thousand, provided for purchase of the plant per year, the Company is expected to benefit from the saving of rent by NTD$24,051 thousand per year subsequently.

(2) Purchase of machine & equipment

Unit: PIN; NTD$ thousand

Year	Product line	Output	Sale volume	Operating revenue	Gross profit	Operating profit
2015	Probe card components	690,000	690,000	262,500	110,250	18,375
2016		960,000	960,000	288,000	129,600	34,560
2017		960,000	960,000	288,000	129,600	34,560
2018		960,000	960,000	310,200	139,590	37,224

(3) Repayment of bank loan

The capital increase, NTD$250,000 thousand, would be used to repay the bank loan. Based on the interest rate on the bank loan, 1.37%, the Company may reduce the interest expenditure, NTD$285 thousand, in 2014, and by NTD$3,425 thousand per year subsequently. Given this, the Company's financial burden may be mitigated in a timely manner and the Company's solvency may be enhanced.

1-2. Status

Currency unit: in NTD 1,000

Project	Status			Ahead of or behind the progress, cause and corrective action plan
Purchase of plant	Disbursed amount (NTD 1,000)	Scheduled	316,800	Executed wholly per the scheduled progress of fund utilization
		Actual	316,800	
	State (%)	Scheduled	100.00	
		Actual	100.00	

Purchase of machine & equipment	Disbursed amount (NTD 1000)	Scheduled	104,289	The difference in the amount was a result of the effect from adjustment on the payment schedule. The state was considered meeting the scheduled progress of fund utilization, and no changes of the plan were involved.
		Actual	82,252	
	State (%)	Scheduled	63.25	
		Actual	49.89	
Repayment of bank loan	Disbursed amount (NTD 1,000)	Scheduled	250,000	Executed wholly per the scheduled progress of fund utilization
		Actual	250,000	
	State (%)	Scheduled	100.00	
		Actual	100.00	
Total	Disbursed amount (NTD 1,000)	Scheduled	671,089	See the following
		Actual	649,052	
	State (%)	Scheduled	91.72	
		Actual	88.71	

Note: For the Company's purchase of plant and repayment of bank loan, the fund has been executed wholly per the scheduled progress of fund utilization. According to the fund-raising plan, the Company scheduled to purchase machine & equipment at the price of NTD$164,880 thousand. Until Q1 of 2015, the accumulated amount to be disbursed has been NTD$104,289 thousand, i.e., scheduled accumulated execution by 63.25%. The actual accumulated disbursement was NTD$82,252 thousand, and the actual accumulated execution 49.89%. The difference in amount was a result of the effect from adjustment on payment schedule. The state of disbursement was considered meeting the scheduled progress of fund utilization. The fund which has not yet been disbursed was NTD$82,638 thousand, which was deposited at banks or as short-term time deposit, rather than being provided as collateral. Therefore, the purpose of such fund was considered reasonable.

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 NTD$4,156,132 thousand in 2014, 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)	2014	
	Net sales	Weight of business %
Wafer probe card (including maintenance service)	2,585,829	62.22
Wafer tester (including maintenance service)	987,889	23.77
Others	582,414	14.01
Total	4,156,132	100.00

(3) Current products (services) of the Company

A. Wafer probe card

B. Wafer probe card maintenance service

C. Wafer testing and sorting equipment

D. 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 wafer probe card with narrow interval, massive number of pins, few 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. According to the industrial report issued by some research & investigation institution, benefited from the drastic declination of the average price of the LED bulbs which replaced 40W incandescent bulbs, the period of cost recovery was expected to be shortened until two years and the general family LED lighting penetration rate may be expected to be upgraded significantly. Given the tremendous market of lighting, the LED penetration rate was only 30% in 2014, but expected to attain 50% in 2017. Therefore, the LED lighting growth is expected to stay high in next three years. 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 is already ready for the various production equipments to be applied by LED lighting. The Company, as the provider of turnkey solution in the LED industry, will create the win-win situation for customers and MPI.

(II) Overview of industry

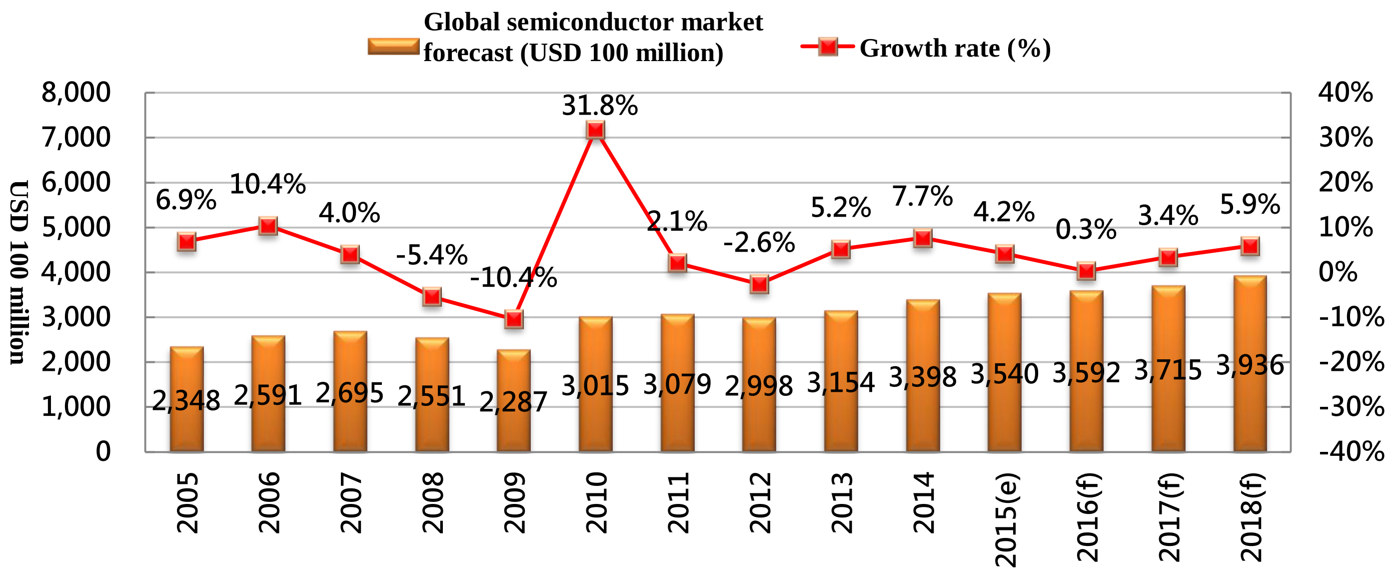
(1) Overview and development of industry

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.

It is applied prior to assembly of IC, and conducts functional test on bare chips with probe to screen defective goods and then to proceed with the assembly engineering. Wafer probe testing refers to semiconductor back-end process and generally is conducted before cutting of wafer. It utilizes the probe needles on the probe card to conduct the electrical measurement on bare chips 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.

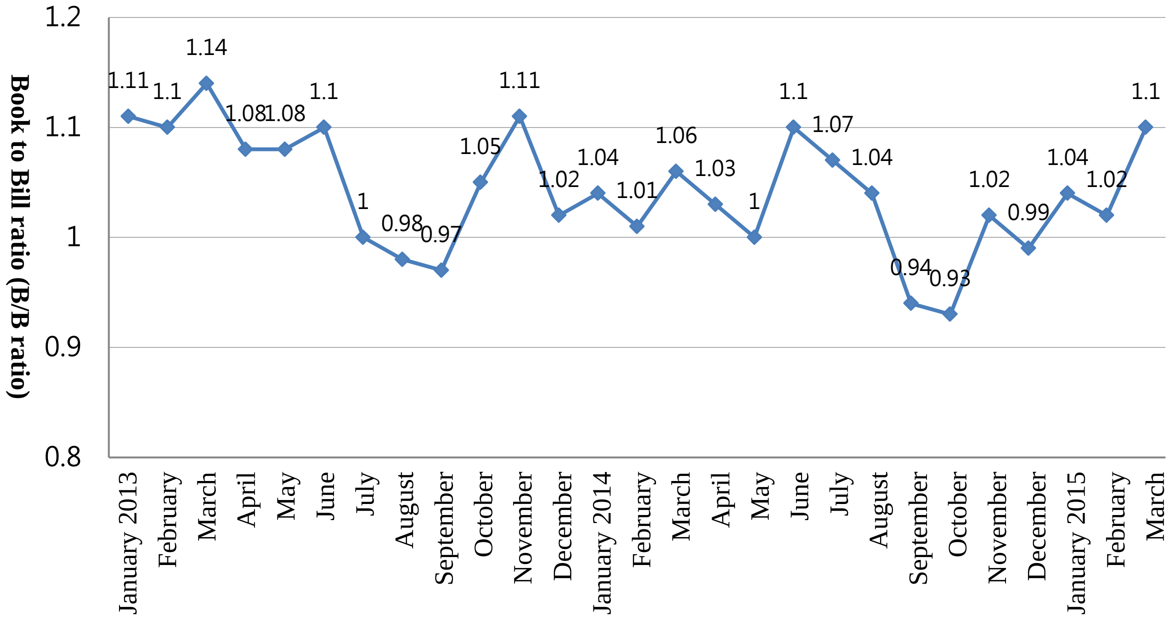


Global semiconductor market forecast

Source of data: Gartner (2015/04); ITRI IEK (2015/02); summarized by MPI (2015/04)

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 USD$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 USD$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.

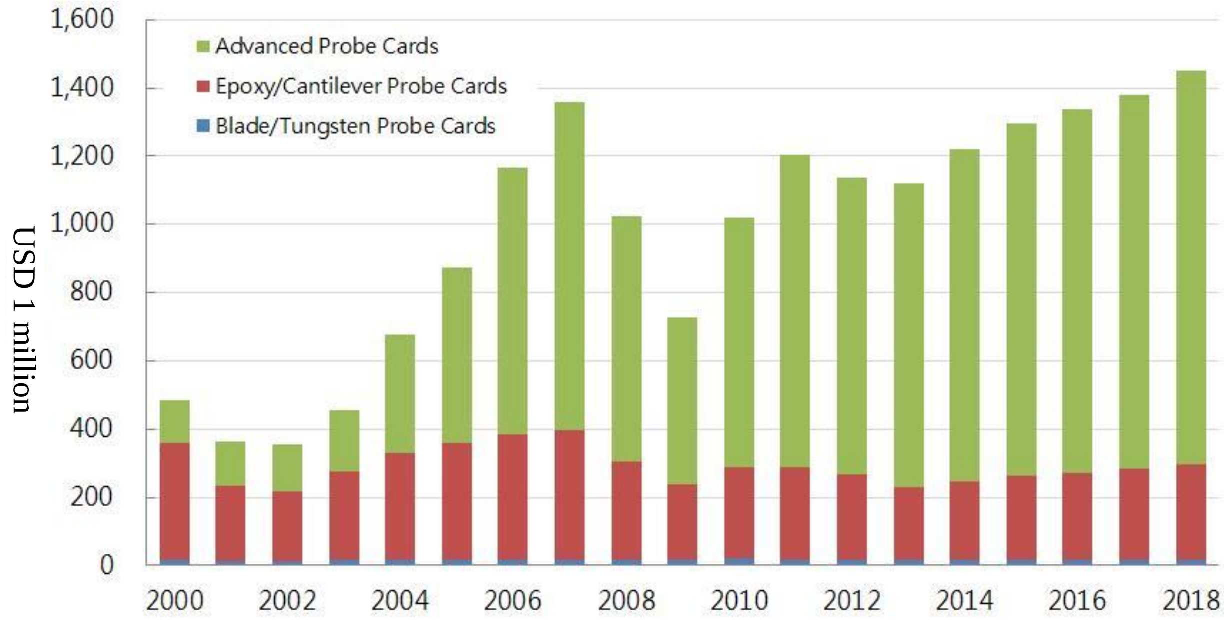
According to the global semiconductor market forecast data published by Gartner, under the stable global overall economic growth trend, the sales value of the global semiconductor market amounted to USD$339,800 million, i.e. yearly growth rate 7.7%, in 2014. Benefited from the stable global overall economic growth, the sales value of the global semiconductor market is expected to grow by 4.2% and amount to USD$354,000 million in 2015. Given the continuing global semiconductor market, the sales volume thereof is expected to attain USD$393,600 million in 2018, and before 2020, the global semiconductor market scale is expected to break NTD$400,000 million.



B/B ratio for semiconductor equipment in North America in the most recent year

Source of data: SEMI; summarized by MPI (2015/4)

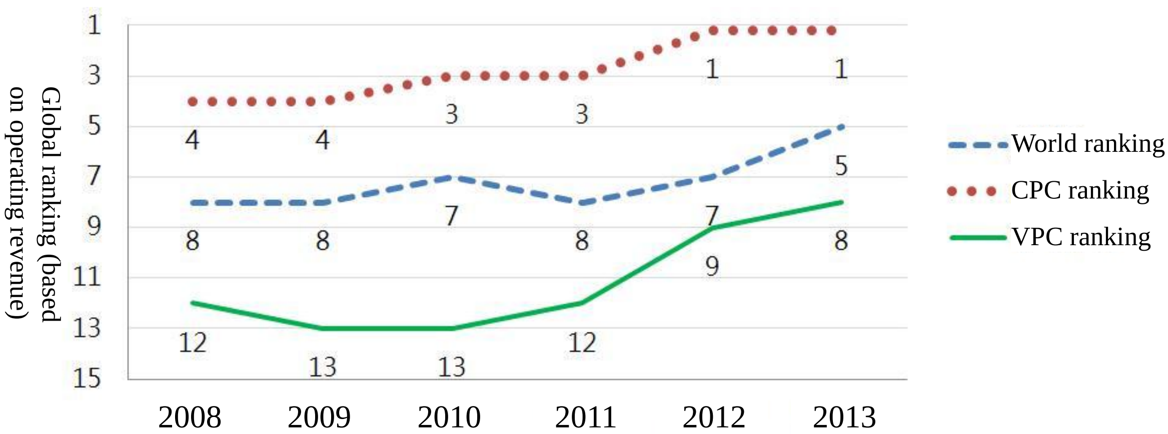
Meanwhile, according to the leading indicator representing the economy of semiconductor industry, Book-to-Bill Ratio (B/B) of semiconductor in North America, the B/B value in March 2015 announced by SEMI recently was 1.10. In other words, the B/B value has been more than one for consecutive 9 months since June 2014, and about 1 for consecutive 3 months. In Q1 of 2015, The B/B value of semiconductor in North America was superior to that in the same period of last year, reflecting that the growth would be driven at the very beginning of this year and suppliers are all optimistic toward the market this year. The B/B value is defined as the booking value divides by billing value to reflect the present state to help suppliers judge the prospective. B/B value more than 1 represents that the booking orders accepted by semiconductor suppliers are more than shipping order. Therefore, the economy of semiconductor industry will be expanding.



Market output value of the global probe cards

Source of data: VLSI Research Inc. (2014/4); summarized by MPI (2015/4)

According to the report made by VLSI Research Inc., an international professional market survey institution, the output value of the global semiconductor probe cards was about NTD$1,119 million in 2013. Given the expectable semiconductor market growth rate in next few years, plus the increasingly stable interest rate effect, the output value of the global semiconductor probe cards amounted to NTD$1,239 million, i.e., the growth rate of 6.8%, in 2014. Further, the output value also appears to grow continuously year by year and might amount to USD$1,531 million by 2018 based on the compound annual growth rate (CAGR) by 5.2%.



Ranking of MPI in the global probe cards market

Source of data: VLSI Research Inc. (2014/4); summarized by MPI (2015/4)

Further, according to the survey report by VLSI Research Inc., MPI ranked 5th place from 7th place in the global market of probe cards in 2013. Among the other things, it ranked 1st place in the market of Epoxy/Cantilever Probe Cards, and ranked 8th place in the market of Vertical Probe Cards.

MPI's output value and ranking of probe cards have been improving in the recent 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 create new technologies and maintain its growth and competitive strength.

(B). Wafer tester (LED industry)

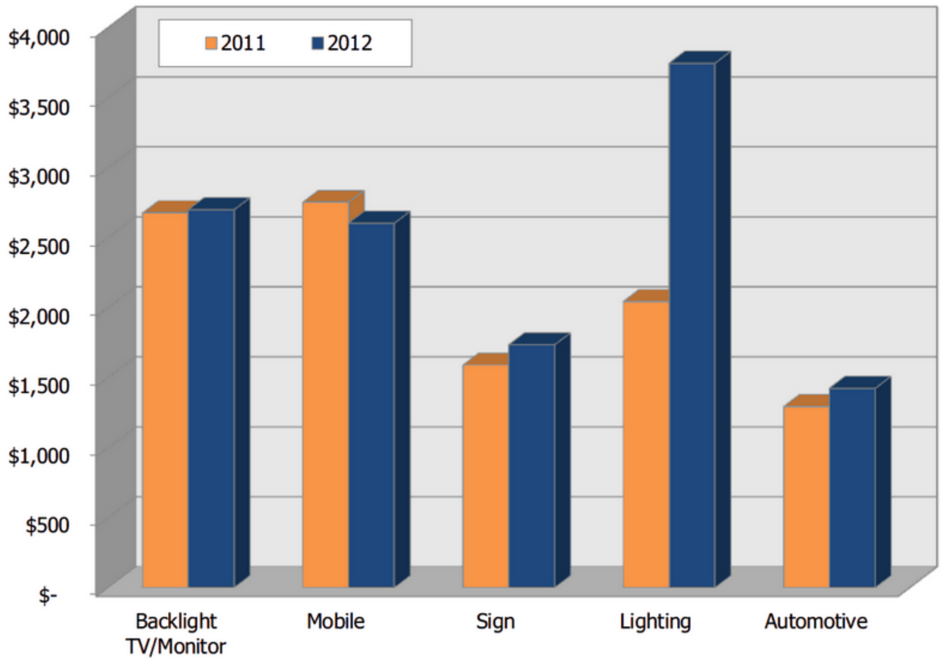
A light-emitting diode (LED) is a two-lead semiconductor light source which emits the light of specific wave length, with such advantages as power-saving, vibration-resistant and fast glittering, and is applied extensively. LED production process may be categorized into the up-stream, mid-stream and 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 the LED die, a 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). The LED is a product of civilization which will be applied by the modern people in daily life in the 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, gadgets, such as remote controls earlier. Recently, due to the high brightness, it was applied to car lights and outdoor LED display board 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, the 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)

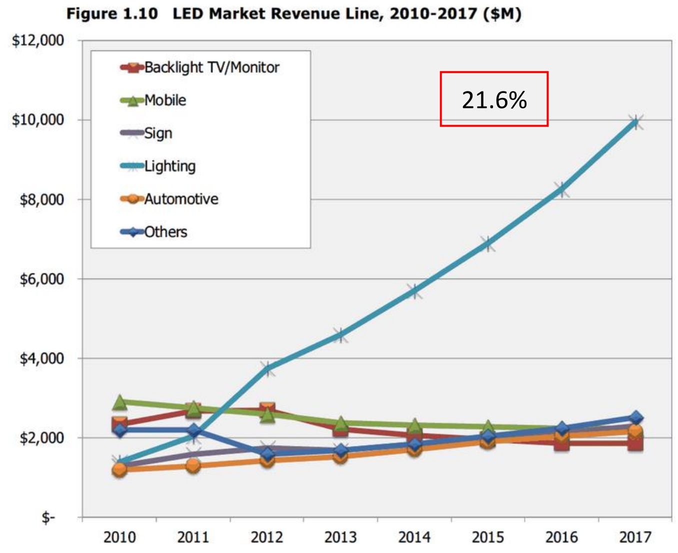


Source of data: Pennwell Report 2013

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



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 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)

With the active support by the Government, the output value of the semiconductor industry in Taiwan has exceeded NTD$2,200 billion in 2014, and is expected to attain NTD$2,400 billion in 2015. The semiconductor industry has been a very important industry in Taiwan so far. Its output value accounts for more than 14% of the GDP for the time being.

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.

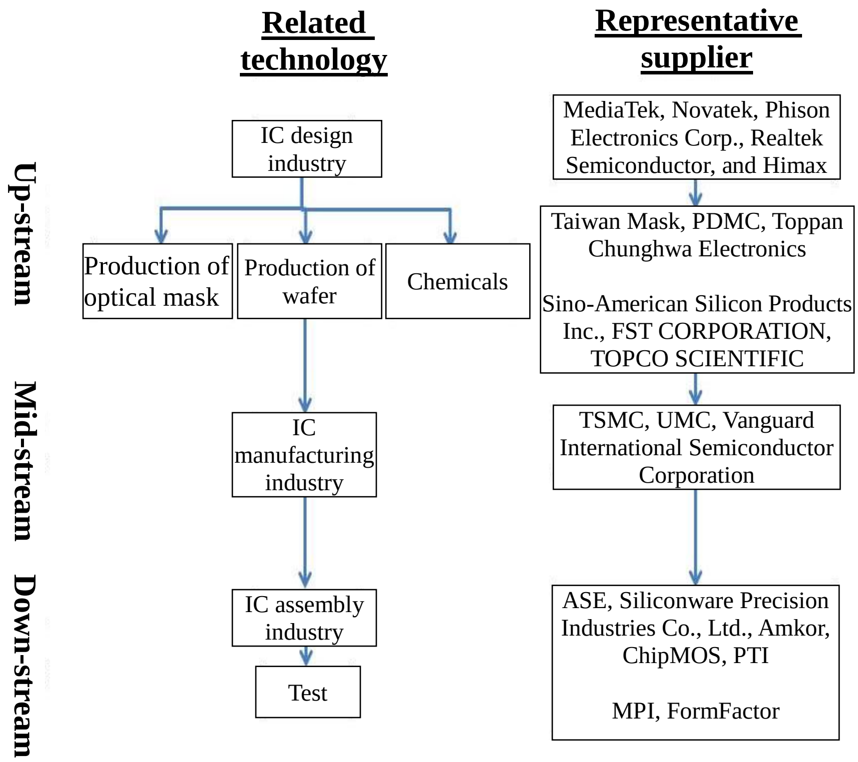


Chart of affiliation between up-stream, mid-stream and down-stream dealers in the semiconductor industry

Data of source: MPI (2015/4)

Given the investment reduction by the global Integrated Device Manufacturer (IDM), the new business model for outsourcing or vertical integration is increasingly applied in the semiconductor industry. Taiwan owns the most complete semiconductor industry cluster and professional breakdown industrial structure in the world. Benefited from the strong demand of mobile market, IoT, auto smart connection and context-aware application, the up-stream, mid-stream and down-stream dealers are able to create more market opportunities. Taiwan's manufacturers are expected to receive considerable OEM orders and benefit the up-stream, mid-stream and down-stream dealers in the industry.

The IC industry recovered in Taiwan in 2014, growing by 16.7% yearly and amounting to NTD$2,203,300 million. Above all, due to the advanced production technology and outbreak of the demand for mobile communication devices, the wafer OEM industry hit the record again, growing to NTD$914,000 million, i.e. yearly growth rate of 20.4%. The IC design industry grew by 19.8% and output value thereof attained NTD$576,300 million. The assembly industry grew by 11.1% yearly, and the IC test industry related to probe cards directly grew by 8.9% yearly accordingly.

Due to the higher base period, the yearly growth of the semiconductor industry in Taiwan will become sluggish and the growth rate thereof be 3.6%

in 2015. Notwithstanding, the entire output value thereof is expected to hit the record again, and attains NTD$2,407,700 million. The entire industry is expected to grow optimistically.

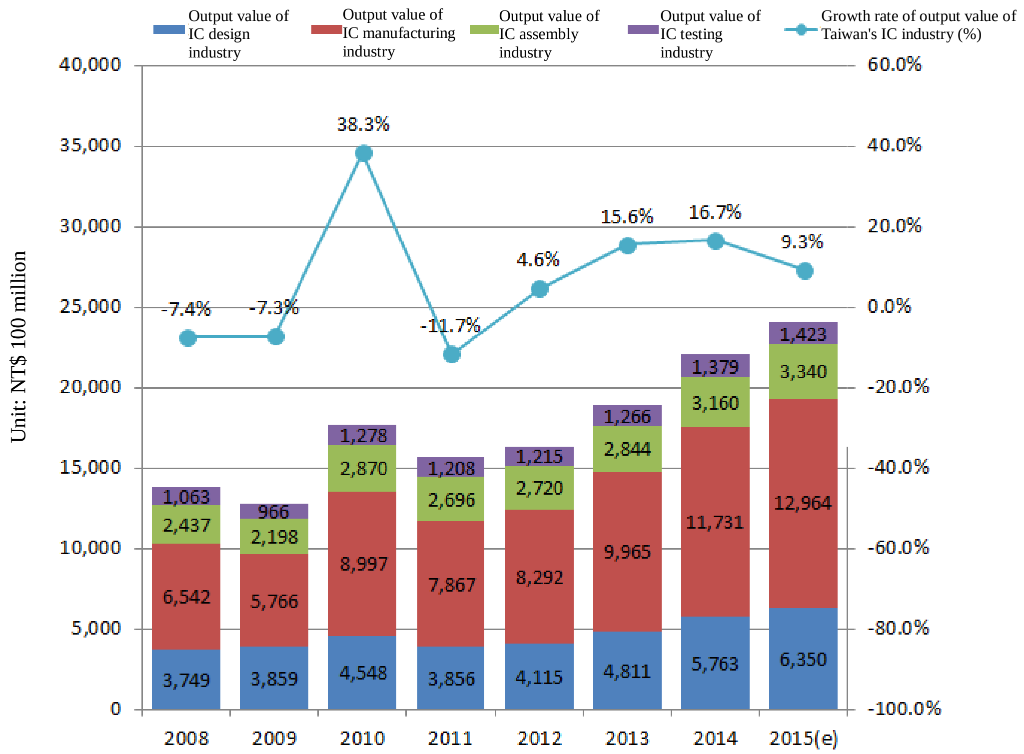
Output value of Taiwan's IC industry from 2010 to 2015

Year / Industry (NTD$ 100 million)	2010	2010 Growth rate	2011	2011 Growth rate	2012	2012 Growth rate	2013	2013 Growth rate	2014	2014 Growth rate	2015 (e)	2015 Growth rate
Output value of IC industry	17,693	38.3%	15,627	-11.7%	16,342	4.6%	18,886	15.6%	22,033	16.7%	24,077	9.3%
IC design industry	4,548	17.9%	3,856	-15.2%	4,115	6.7%	4,811	16.9%	5,763	19.8%	6350	10.2%
IC manufacturing industry	8,997	56.0%	7,867	-12.6%	8,292	5.4%	9,965	20.2%	11,731	17.7%	12964	10.5%
Wafer OEM	5,830	42.8%	5,729	-1.7%	6,483	13.2%	7,592	17.1%	9,140	20.4%	10364	13.4%
Memory manufacturing	3,167	88.1%	2,138	-32.5%	1,809	-15.4%	2,373	31.2%	2,591	9.2%	2600	0.3%
IC assembly industry	2,870	30.6%	2,696	-6.1%	2,720	0.9%	2,844	4.6%	3,160	11.1%	3340	5.7%
IC testing industry	1,278	32.3%	1,208	-5.5%	1,215	0.6%	1,266	4.2%	1,379	8.9%	1423	3.2%
Output value of IC products	7,715	39.2%	5,994	-22.3%	5,924	-1.2%	7,184	21.3%	8,354	16.3%	8950	7.1%
Growth rate of global semi-conductor	-	31.8%	-	0.4%	-	-2.7%	-	4.8%	-	3.6%	-	5.4%

Source of data: TSIA; Gartner; ITRI IEK (2015/2); summarized by MPI (2015/4)

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



Output value of 2008~2015 Taiwan IC secondary industry

Source of data: TSIA; ITRI IEK(2015/2)

Looking forward to the global semiconductor market in 2015, all of the semiconductor manufacturers in the world feel optimistic toward the future development of semiconductor industry and escalate their capital expenditure to increase advanced production equipments and expand productivity. For example, in 2015, Intel schedules to invest USD$8,700 million in its capital expenditure, and TSMC also schedules to invest USD$10.5 billion to USD$11 billion in its productivity and to upgrade its advanced production technology. Meanwhile, due to the continuing growth of demand for mobile device and cloud big data computing and saving, and emerging opportunities for IoT, various renowned market survey & research institutions, including Gartner, WSTS and IHS, have successively forecast that the yearly growth rate of the global semiconductor industry would be 4~5% in 2015.

As far as the IC assembly industry related to probe cards directly in the semiconductor industry is concerned, the demand for SiP assembly of such products as network products, smart phones chips, ARM processors, CMOS sensors, memories of wearable devices, and fingerprints of Apple products and any products other than Apple products will be increasing successively. The demand in the probe card market is expected to stay stable and increase on a quarterly basis.

(B). Wafer tester (LED industry)

The penetration rate of LED lighting market is expected to attain 60%~70% in 2017 earlier, instead of 2018~2019 originally forecast. Mainland China is the primary production base for LED lighting products. With the strength in cost and complete supply chain, the market of Mainland China is expected to transcend the market of Europe in the near future.

Meanwhile, the merger and windup of businesses will be still undergoing in the LED industry. Given the integration of leading manufacturers in Taiwan and Mainland China, international LED manufacturers also proceed with reorganization successively. In terms of the future industrial trend, there are plentiful opportunities and the competition would become more and more intensive. Therefore, only the manufacturers which make adjustment rapidly may survive to move forward toward the matured end lighting market.

Upon the Company's continuous investment in development and application of various equipment required by development of LED production process, the Company's testing and sorting process of LED Epitaxy already occupied high market shares. Meanwhile, the Company has also worked hard to develop the various equipments and applications in the LED assembly process. The Company believes that it 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 processing of spare parts in the process of production of said products is handled by the Company's vendors primarily. In terms of correlation of the up-stream and down-stream dealers in the industry, the Company is identified as a down-stream dealer engaged in R&D, design & assembly and distribution of various wafer probe cards and machines to semi-conductor and LED industries, while the suppliers of spare parts and raw materials are identified as the up-stream dealers, including suppliers of PCB, probe, 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 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	Split-type component industry
Measuring instrument industry		Communication industry
Computer device industry		
Optoelectronic components		
Electronic parts		

(3) Development trends of products

A. Wafer probe card (semi-conductor industry)

The development of probe cards synchronizes with the development of IC industry. For example, 3D IC, Chip Scale Package (CSP), Flip Chip Package, Multi

Chip Module (MCM), KGD (Known Good Die), Cooper Pillar Package, Drawing Chip and high-frequency testing demand are all dependent on various probe card testing technologies.

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

①Miniaturization of needle gage

ITRS (International Technology Roadmap for Semiconductors) disclosed that the entire semi-conductor technology would continue to evolve toward miniaturization of circuit interval in the Metrology Roadmap 2012 Update. In order to be in line with the miniaturization of IC process and continuing miniaturization of square measure of the chip, the development of wafer probe cards will be oriented toward further miniaturization of needle gages 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 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 critical to the 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 tests 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 must be applied in various environments, the wafer testing must 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 must 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 compounds 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. The "PoD" process emerging recently also results in reduction of assembly material cost drastically and, therefore, is becoming well received in the market gradually.

(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	2014	March 31, 2015
R&D expenses	728,996	179,546

(2) Technology or product developed successfully for the most recent five years

Year	Name of technology or product
2014	Wide I/O interface testing technology Development technology of MEMS Probe Cards for co-design of chips Development technology of vertical probe card large-area needles Heating and testing technology of high-speed full automatic white light component LED Die Prober Rapid thermal resistance measurement technology LED optical measurement technology Full automatic 8-inch wafer prober P9002F
2013	CMOS image sensor high frequency and multi-chip parallel testing technology Vertical probe card low resistance variance technology Self-Lubricity low need pressure micro electro mechanical probe card technology White light component LED Tester T100 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

(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 resources 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 one of the few companies 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 wafer prober survey report 2013 published by VLSI Research Inc., a global professional market survey institution, in April 2014, MPI ranked 5th place from 7th place in the global market of probe cards, which was the only one Taiwanese business among the top 10 probe card suppliers in the world. Further, MPI also defeated JEM in the market of Epoxy/Cantilever Probe Cards and became the top 1 probe card supplier in the world. Further, MPI ranked 8th place in the global market of vertical probe cards.

Domestically, MPI is the leading supplier in the market of probe cards, whose product lines cover the entire probe cards, Epoxy/Cantilever Probe Cards, vertical probe cards, LCD driven IC and high-frequency probe cards with the quality or sales volume served to be the indicator by the others in the same trade domestically.

(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 LCD monitor, smart phone, network product chip, PC, electronic appliances for car or household, and even wearable devices and IoT expected optimistically in the future, are everywhere in the modern life, and the quantity of IC is also increasing constantly.

In order to increase the market share, domestic/foreign leading semiconductor manufacturers keep increasing their capital expenditure and expanding their productivity. The number of chips output after upgrading of productivity and, therefore, the demand for probe cards is upgraded relatively.

Taiwan owns the complete supply chain in the semiconductor industry, and is expected to benefit from the outsourcing model applied by the international IDMs which have been transformed to Fab-lite or Fabless successively and, therefore, become the winner in the outsourcing trend. Meanwhile, the expansion of semiconductor market in Taiwan will also result in the growth of testing market and increase in the probers directly.

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 9% to 20% 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. Provide outstanding and stable technology and products, and also train stable cooperative relations with customers in the past years.

B. Provide the total solution, together with real-time customer service and know-how applicable in the related fields.

C. Continuous innovation: In the changeable IT technology, in order to meet the requirement for new technology in the industry, the Company invested 18% of the annual operating revenue as R&D expenditure as of 2014 in order to research, develop and innovate advanced technology and to build new technologies. 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 340 letters of patent were granted to the Company. The Company owns a total of 294 effective patents now (until December 31, 2014).

(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 since 2001. 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 wars to survive in the industry. Therefore, the risk in fluctuation of market value is increasing.

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

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

C. Response to such factors

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

(B) Invest resources in 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 Final 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 dice tester

To test the optical characteristics of dice and proceed with Bin upon completion of LED wafer.

E. LED testing sorting equipment

To sort LED dice per the optical characteristics thereof upon completion of LED dice test.

F. LED packaging & testing equipment

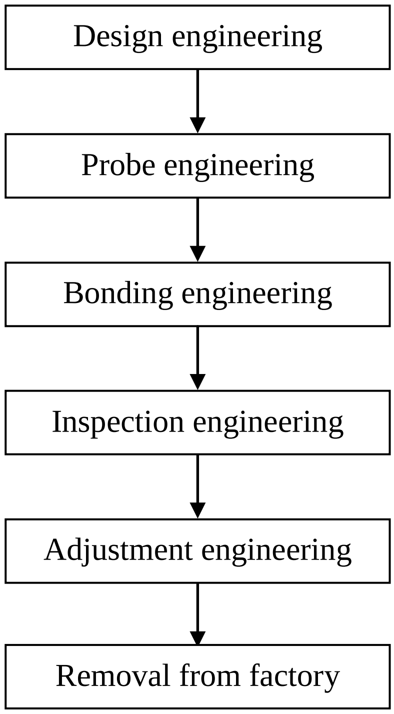
Prober and sorting equipment after LED packaged into COB cell.

G. Full automatic LED AOI testing device

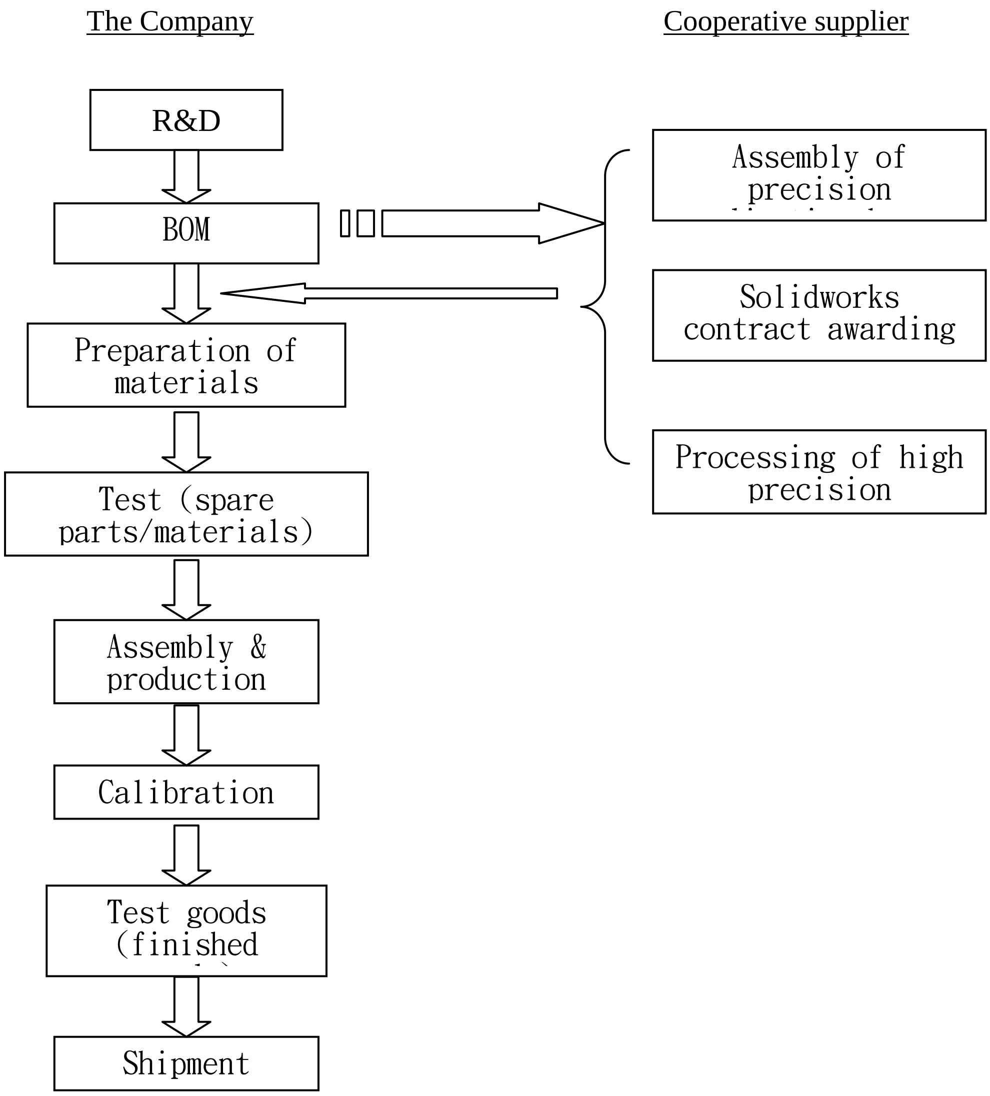
The device that tests AOI by automatic optoelectronic testing after LED testing and sorting, to identify and sort the dices with defective appearance.

(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

2013				2014			
Name	Amount	Percentage of total net procurement (%)	Affiliation with issuer	Name	Amount	Percentage of total net procurement (%)	Affiliation with issuer
Supplier K	96,916	12.11%	N/A	Others	1,561,011	100.00%	Not applied
Others	703,500	87.89%	Not applied				
Net procurement	800,416	100.00%		Net procurement	1,561,011	100.00%	

Remark about increase/decrease: Supplier K was the only one that has supplied 10% percent or more of the Company procurement in 2013. The Company had no suppliers that have supplied 10 percent or more of the Company's procurements in 2014.

(5) 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

2013				2014			
Name	Amount	Percentage of total net sales (%)	Relationship with the issuer	Name	Amount	Percentage of total net sales (%)	Relationship with the issuer
Customer A	315,134	10.38%	N/A	Customer M	471,969	11.36%	N/A
Customer M	335,947	11.07%	N/A	Others	3,684,163	88.64%	Not applied
Others	2,384,697	78.55%	Not applied				
Net sales	3,035,778	100.00%		Net sales	4,156,132	100.00%	

Remark about increase/decrease: Customer A and Customer M were the customers to whom the Company sold 10% or more of the Company's sales in 2013. Customer M was the customer to whom the Company sold 10% or more of the Company's sales in 2014.

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

Quantity: probe card: PIN
Unit Quantity: Prober: set
Value: NTD 1,000

Year / Output and sales volume / Main products (or by department)	2013			2014		
	Productivity	Output	Output value	Productivity	Output	Output value
Wafer probe card (including maintenance)	7,000,000	6,587,689	957,619	9,500,000	8,041,043	1,182,600
Wafer prober (including maintenance)	890	531	483,245	1,353	1,416	823,959
Others	0	0	0	0	0	0
Total	7,000,890	6,588,220	1,440,864	9,501,353	8,042,459	2,006,559

(6) Sale volume for the most recent two year

Quantity: probe card: PIN
Unit Quantity: Prober: set
Value: NTD 1,000

Main products (or by department) \ Sale volume \ Year	2013				2014			
	Domestic market		Export		Domestic market		Export	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer probe card (including maintenance)	4,075,614	1,310,168	1,632,546	649,687	5,648,942	1,482,911	3,114,367	1,102,918
Wafer tester (including maintenance)	103	176,420	431	550,512	176	191,006	886	796,883
Others	0	108,784	0	240,207	0	208,459	0	373,955
Total	4,075,517	1,595,372	1,632,977	1,440,406	5,649,118	1,882,376	3,115,253	2,273,756

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		2013	2014	Ending April 30, 2015
Number of employees	Indirect employees	608	711	748
	Direct employees	389	488	517
	Total	997	1199	1265
Average age		33.98	33.52	33.7
Average service seniority		6.48	5.29	5.93
Education level (%)	PhD	0.40	0.33	0.32
	Master	17.45	16.52	16.04
	College	66.81	67.89	68.14
	Senior High School	14.91	14.93	15.18
	Below Senior High School	0.40	0.33	0.32

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 in the LED industry. The production process renders minor environmental pollution. Notwithstanding, the Company values various pollution prevention works and is still dedicated to investing fund to establish pollution prevention facilities, in hopes of achieving the environmental protection objective for sanitary production by decreasing effect of pollution under effective management. Meanwhile, the Company is also dedicated to 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: the 5S movements, greening and landscaping of the factory premises, and response 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 must 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 prevention 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 must 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 must 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 must 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 stock options to participate in the Company's management, in hopes of further gathering employees' loyalty;
(3) Offer labor insurance and health insurance to assuage employees' tension 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 understand their work and exert their strength as early as possible;
(7) Monetary gifts 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	5	251	2,636	0
2. Professional competency training	184	411	5,066	1,775,619
3. Supervisor's competency training	35	88	902	404,360
4. General education training	28	636	1781	440,866
5. Self-inspiration training	16	35	617	202,274
Total	268	1,421	11,002	2,823,119

3. Retirement system and the status of its implementation:

   The Company contributes pension funds to the exclusive account according to the Labor Standard Act 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 Act. The Company operates in accordance with Labor Standard Act. 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 bonuses 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 rewards 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 the entrance of the Company 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, contractors' safety and health and Labor Safety & Health Work Rules. 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 must 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	Micronics Japan Co., Ltd (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 royalties	N/A
Lease contract	Chain-Logic International Corp.	2007/2/01~2008/01/31 Renewed automatically upon expiration	Lease of buildings at the factory premises	N/A

Lease contract	Lumitek Co.,LTD	2014/11/01~2017/10/31	Sublease of the facility building at Wenshan Road, Xinpu Township, Hsinchu County	N/A
Agency contract	MJC Microelectronics (Shanghai) Co., Ltd.	2004/01/01~undefined The contract must be renewed automatically, unless otherwise agreed by both parties in writing.	Trading and payment of commission of wafer probe cards	N/A
Agency contract	Chain Logic (Shanghai) International Corp. (Note 3)	2005/01/01~undefined The contract must 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 - Tunghsinchu Branch	2009/03/02~2022/03/02	Loan secured by land and building	
Agency contract	Micronics Japan Co., Ltd (MJC)	2007/01/01~undefined The contract must 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 must 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	MMS Electronics Tech. Co., Ltd. (MET)	2010/01/01~undefined The contract must 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)					Financial information ending March 31, 2015 (Note 3)
		2010	2011	2012	2013	2014	
Current assets		Not applied		2,952,944	2,809,211	3,598,049	3,411,619
Property, plant and equipment				1,531,677	1,590,963	2,167,777	2,309,042
Intangible assets				20,620	17,977	69,274	66,940
Other non-current assets				310,996	297,424	551,709	515,894
Total assets				4,816,237	4,715,575	6,387,417	6,303,495
Current liabilities	Before distribution			1,724,014	1,539,879	1,973,673	1,821,123
	After distribution			1,724,014	1,539,879	1,973,673	(Note 3)
Non-current liabilities				112,810	103,057	670,881	665,214
Total liabilities	Before distribution			1,836,824	1,642,936	2,644,554	2,486,337
	After distribution			1,836,824	1,642,936	2,644,554	(Note 3)
Equity attributable to the parent company				2,962,948	3,055,611	3,725,704	3,800,421
Capital stock				786,104	786,124	795,364	796,054
Capital surplus				740,657	740,781	885,012	871,572
Retained earnings	Before distribution			1,577,086	1,655,921	2,004,556	2,100,102
	After distribution			1,577,086	1,655,921	2,004,556	(Note 3)
Other equities				11,707	25,391	40,772	32,693
Treasury stock				(152,606)	(152,606)	0	0
Non-controlling equity				16,465	17,028	17,159	16,737
Total equities	Before distribution			2,979,413	3,072,639	3,742,863	3,817,158
	After distribution			2,979,413	3,072,639	3,742,863	(Note 3)

Note 1: Said information was 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 2014 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)					Financial information ending March 31, 2015 (Note 3)
	2010	2011	2012	2013	2014	
Operating revenue	Not applied		2,865,212	3,035,778	4,156,132	931,288
Gross profit			1,313,125	1,401,426	1,934,993	431,812
Operating profit or loss			293,799	333,548	557,667	97,031
Non-operating revenue and expense			(3,542)	(6,949)	41,716	17,117
Net profit (loss) before tax			290,257	326,599	599,383	114,148
Net profit of continuing department			254,388	270,933	517,298	95,597
Loss of discontinued department			0	0	0	0
Net profit (loss)			254,388	270,933	517,298	95,597
Other comprehensive income (loss) (after tax)			(11,101)	13,675	11,935	(8,552)
Total comprehensive income (loss)			243,287	284,608	529,233	87,045
Net profit attributable to the parent company			261,931	271,033	517,636	95,546
Net profit attributable to the non-controlling equity			(7,543)	(100)	(338)	51
Total comprehensive income (loss) attributable to the parent company			250,101	284,045	529,102	87,467
Total comprehensive income (loss) attributable to the non-controlling equity			(6,814)	563	131	-422
EPS			3.42	3.54	6.62	1.20

Note 1: Said information was 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)				
		2010	2011	2012	2013	2014
Current assets		Not applied		2,642,173	2,433,597	3,291,927
Property, plant and equipment				1,481,668	1,545,879	1,930,339
Intangible assets				20,609	17,971	23,490
Other non-current assets				590,429	608,241	991,179
Total assets				4,734,879	4,605,688	6,237,543
Current liabilities	Before distribution			1,667,265	1,456,813	1,847,374
	After distribution			1,667,265	1,456,813	(Note 3)
Non-current liabilities				104,666	93,264	664,465
Total liabilities	Before distribution			1,771,931	1,550,077	2,511,839
	After distribution			1,771,931	1,550,077	(Note 3)
Equity attributable to the parent company				2,962,948	3,055,611	3,725,704
Capital stock				786,104	786,124	795,364
Capital surplus				740,657	740,781	885,012
Retained earnings	Before distribution			1,577,086	1,655,921	2,004,556
	After distribution			1,577,086	1,655,921	(Note 3)
Other equities				11,707	25,391	40,772
Treasury stock				(152,606)	(152,606)	0
Non-controlling equity				0	0	0
Total equities	Before distribution			2,962,948	3,055,611	3,725,704
	After distribution			2,962,948	3,055,611	(Note 3)

Note 1: Said information was 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 2014 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)				
	2010	2011	2012	2013	2014
Operating revenue	Not applied		2,678,483	2,787,127	3,968,652
Gross profit			1,238,240	1,294,741	1,776,591
Operating profit or loss			309,124	313,733	515,834
Non-operating revenue and expense			(17,472)	7,513	76,126
Net profit before tax			291,652	321,246	591,960
Net profit of continuing department			261,931	271,033	517,636
Loss of discontinued department			0	0	0
Net profit (loss)			261,931	271,033	517,636
Other comprehensive income (loss) (after tax)			(11,830)	13,012	11,466
Total comprehensive income (loss)			250,101	284,045	529,102
Net profit attributable to the parent company			261,931	271,033	517,636
Net profit attributable to the non-controlling equity			0	0	0
Total comprehensive income (loss) attributable to the parent company			250,101	284,045	529,102
Total comprehensive income (loss) attributable to the non-controlling equity			0	0	0
EPS			3.42	3.54	6.62

Note 1: Said information was 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)				
		2010	2011	2012	2013	2014
Current assets		4,901,585	3,335,990	2,988,111	Not applied	
Fund and investment		156,968	160,628	166,213		
Fixed assets(Note 2)		1,050,284	1,210,837	1,551,111		
Intangible assets		0	0	0		
Other assets		91,096	99,138	117,353		
Total assets		6,199,933	4,806,593	4,822,788		
Current liabilities	Before distribution	3,062,220	1,586,221	1,698,615		
	After distribution	3,062,220	1,586,221	1,698,615		
Long-term liabilities		95,611	86,282	76,953		
Other liabilities		26,094	24,328	22,659		
Total liabilities	Before distribution	3,183,925	1,696,831	1,798,227		
	After distribution	3,183,925	1,696,831	1,798,227		
Capital stock		779,854	786,024	786,104		
Capital surplus		696,105	740,116	740,657		
Retained earnings	Before distribution	1,522,659	1,701,436	1,639,806		
	After distribution	1,522,659	1,701,436	1,639,806		
Unrealized profit or loss from financial instruments		0	0	0		
Accumulated translation adjustment		1,819	16,810	11,707		
Net loss not recognized as pension cost		0	0	17,571		
Total shareholders' equities	Before distribution	3,016,008	3,109,762	3,024,561		
	After distribution	3,016,008	3,109,762	3,024,561		

Note 1: Said information was 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)				
	2010	2011	2012	2013	2014
Operating revenue	3,934,820	4,082,587	2,865,212	Not applied	
Gross profit	1,656,260	1,722,944	1,328,992		
Operating profit or loss	807,029	718,682	314,962		
Non-operating revenue and gain	40,758	37,908	35,004		
Non-operating expense and loss	(23,912)	(38,524)	(38,546)		
Income (loss) before tax of continued departments	823,875	718,066	311,420		
Income (loss) of continued departments	747,457	630,852	275,551		
Income (loss) of discontinued departments	0	0	0		
Extraordinary income (loss)	0	0	0		
Cumulative effects of changes in accounting principles	0	0	0		
Net Income (loss)	747,457	630,852	275,551		
EPS (NT$) (Note 2)	9.66	8.13	3.70		

Note 1: Said information was 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)				
		2010	2011	2012	2013	2014
Current assets		4,657,516	3,083,294	2,676,664	Not applied	
Fund and investment		435,676	515,596	461,143		
Fixed assets(Note 2)		983,801	1,135,657	1,476,877		
Intangible assets		0	0	0		
Other assets		95,218	106,746	129,601		
Total assets		6,172,211	4,841,293	4,744,285		
Current liabilities	Before distribution	3,055,108	1,643,110	1,641,890		
	After distribution	3,055,108	1,643,110	1,641,890		
Long-term liabilities		95,611	86,282	76,953		
Other liabilities		21,055	20,121	17,345		
Total liabilities	Before distribution	3,171,774	1,749,513	1,736,188		
	After distribution	3,171,774	1,749,513	1,736,188		
Capital stock		779,854	786,024	786,104		
Capital surplus		696,105	740,116	740,657		
Retained earnings	Before distribution	1,522,659	1,701,436	1,639,806		
	After distribution	1,522,659	1,701,436	1,639,806		
Unrealized profit or loss from financial instruments		0	0	0		
Accumulated translation adjustment		1,819	16,810	11,707		
Net loss not recognized as pension cost		0	0	-17,571		
Total shareholders' equities	Before distribution	3,000,437	3,091,780	3,008,097		
	After distribution	3,000,437	3,091,780	3,008,097		

Note 1: Said information was 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)				
	2010	2011	2012	2013	2014
Operating revenue	3,579,717	3,826,166	2,678,483	Not applied	
Gross profit	1,492,561	1,605,584	1,250,920		
Operating profit or loss	688,186	587,982	330,308		
Non-operating revenue and gain	137,590	141,869	36,009		
Non-operating expense and loss	(26,064)	(32,360)	(53,502)		
Income (loss) before tax of continued departments	799,712	697,491	312,815		
Income (loss) of continued departments	747,958	633,761	283,094		
Income (loss) of discontinued departments	0	0	0		
Extraordinary income (loss)	0	0	0		
Cumulative effects of changes in accounting principles	0	0	0		
Net Income (loss)	747,958	633,761	283,094		
EPS (NTD$) (Note 2)	9.66	8.13	3.70		

Note 1: Said information was 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
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

2014	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) 2010	2011	2012	2013	2014
		Financial information in the most recent five years				
Financial structure	Liabilities to total assets(%)	Not applied		38.14	34.84	41.40
	Long-term fund to property, plant and equipment (%)			199.54	197.38	203.61
Solvency	Current ratio (%)			171.28	182.43	182.30
	Quick ratio (%)			76.86	77.96	88.49
	Multiple of interest protection			660.62	436.66	186.11
Utility	Receivables turnover (time)			4.32	4.71	6.37
	Average number of days receivables outstanding			84.49	77.49	57.30
	Inventory turnover (time)			1.02	1.08	1.38
	Payables turnover (time)			3.54	4.05	4.89
	Average number of days of sales			357.84	337.96	264.49
	Property, plant and equipment turnover (time)			2.1	1.94	2.21
	Total asset turnover (time)			0.6	0.64	0.75
Profitability	ROA (%)			5.31	5.70	9.37
	ROE (%)			8.40	8.95	15.19
	Income before tax to paid-in capital (%)			36.92	41.55	75.36
	Profit margin (%)			8.88	8.92	12.45
	EPS (NTD$) (Note 2)			3.42	3.54	6.62
Cash flow	Cash flow ratio (%)			1.53	16.62	21.58
	Cash flow adequacy ratio (%)			60.77	53.20	49.49
	Cash flow reinvestment ratio (%)			0.73	6.93	5.17
Leverage	Operating leverage			3.47	3.19	2.81
	Financial leverage			1	1	1.01

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 57% was a result of the increase in interest expenses.
2. The increase in accounts receivable turnover by 35% and the decrease in average number of days receivable outstanding by 26% were a result of the increase in the current operating revenue and decrease in accounts receivable.
3. The increase in inventory turnover by 28% and the increase in accounts payable turnover by 21% were a result of the increase in sale cost and increase in accounts payable.
4. The decrease in average number of days of sales by 22% was a result of the increase in inventory turnover. The increase in profitability was a result of the increase in the current net profit.
5. The increase in cash flow ratio by 30% and the decrease in cash flow reinvestment ratio by 25% were a result of the increase in the net cash inflow from operating activities in the current period and the increase in the total property, plant and equipment.

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

Item (Note 3)	Year (Note 1)	Financial information in the most recent five years				
		2010	2011	2012	2013	2014
Financial structure	Liabilities to total assets(%)	Not applied		37.42	33.66	40.27
	Long-term fund to property, plant and equipment (%)			205.17	202.04	227.43
Solvency	Current ratio (%)			158.47	167.05	178.19
	Quick ratio (%)			65.85	63.72	86.51
	Multiple of interest protection			663.79	588.86	197.86
Utility	Receivables turnover (time)			4.37	4.79	5.9
	Average number of days receivables outstanding			83.52	76.2	61.86
	Inventory turnover (time)			0.98	1.04	1.42
	Payables turnover (time)			3.51	3.94	5.16
	Average number of days of sales			372.45	350.96	257.04
	Property, plant and equipment turnover (time)			2.04	1.84	2.28
	Total asset turnover (time)			0.56	0.6	0.73
Profitability	ROA (%)			5.49	5.81	9.59
	ROE (%)			8.70	9.01	15.27
	Income before tax to paid-in capital (%)			37.10	40.86	74.43
	Profit margin (%)			9.78	9.72	13.04
	EPS (NTD$) (Note 2)			3.42	3.54	6.62
Cash flow	Cash flow ratio (%)			4.39	15.89	13.09
	Cash flow adequacy ratio (%)			60.49	50.41	46.05
	Cash flow reinvestment ratio (%)			2.07	6.37	1.54
Leverage	Operating leverage			3.14	3.21	2.88
	Financial leverage			1	1	1.01

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 quick ratio by 36% was a result of the increase in current assets.
2. The decrease in multiple of interest protection by 66% was a result of the increase in interest expenses.
3. The increase in accounts receivable turnover by 23% was a result of the increase in the current operating revenue.
4. The increase in inventory turnover by 37% and the decrease in average number of days of sales by 27% were a result of the increase in sale cost and increase in inventory turnover.
5. The increase in property, plant and equipment turnover by 24% and the increase in total assets turnover by 22% were a result of the increase in property, plant and equipment in the current period.
6. The increase in profitability was a result of the increase in the current net profit.
7. The decrease in cash flow reinvestment ratio by 76% was a result of the increase in the total property, plant and equipment.

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 = sale cost / 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 (loss) after income tax+interest expense*(1-tax rate)]/average total assets.
   (2) ROE = income (loss) after income tax/average total equity
   (3) Profit margin = income (loss) after income tax/net sales
   (4) Earnings Per Share = (income (loss) attributable to the parent company – dividends from preferred shares)/weighed average quantity of outstanding shares
5. Cash flow
   (1) Cash flow ratio = net cash flow from operating activities/current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operating activities in the most recent five years/ (capital spending + increase in inventory + cash dividends) in the most recent five years
   (3) Cash reinvestment ratio = (net cash flow from operating activities-cash dividends)(gross of property, plant and equipment+long-term investment+other non-current assets+working capital)

6. Leverage:
   (1) Operating leverage = (net operating revenue-changed operating costs and expenses)/operating income
   (2) Financial leverage = operating income/(operating income-interest expenses)

Note 4: The following shall be considered in assessing the equation Earnings Per Share as aforementioned:
1. Weighted average quantity of shares is on the basis of common stock, not the outstanding shares as of the end of the year.
2. The quantity of new shares for raising new capital or treasury stock trade shall be included in the weighted average quantity of shares during their effective term.
3. Where the shares may be issued through the capitalization of retained earnings or capital surplus, make adjustment in proportion to the quantity of shares issued in calculating the semi-annual or annual Earnings Per Share of the year. The period for the release of such new shares may be omitted.
4. 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 NTD$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

<table>
<tr><th colspan="3" rowspan="2">Year (Note 1)
Item (Note 2)</th><th colspan="5">Financial information in the most recent five years (Note 2)</th></tr>
<tr><th>2010</th><th>2011</th><th>2012</th><th>2013</th><th>2014</th></tr>
<tr><td rowspan="2">Financial structure</td><td colspan="2">Liabilities to total assets(%)</td><td>51.35</td><td>35.30</td><td>37.29</td><td colspan="2" rowspan="24">Not applied</td></tr>
<tr><td colspan="2">Long-term fund to fixed assets (%)</td><td>296.26</td><td>263.95</td><td>199.95</td></tr>
<tr><td rowspan="3">Solvency</td><td colspan="2">Current ratio (%)</td><td>160.07</td><td>210.31</td><td>175.91</td></tr>
<tr><td colspan="2">Quick ratio (%)</td><td>81.84</td><td>98.20</td><td>77.82</td></tr>
<tr><td colspan="2">Multiple of interest protection</td><td>199.89</td><td>2769.35</td><td>708.72</td></tr>
<tr><td rowspan="7">Utility</td><td colspan="2">Receivables turnover (time)</td><td>6.06</td><td>5.56</td><td>4.32</td></tr>
<tr><td colspan="2">Average number of days receivables outstanding</td><td>60.23</td><td>65.65</td><td>84.49</td></tr>
<tr><td colspan="2">Inventory turnover (time)</td><td>1.74</td><td>1.38</td><td>1.01</td></tr>
<tr><td colspan="2">Payables turnover (time)</td><td>2.87</td><td>3.05</td><td>3.51</td></tr>
<tr><td colspan="2">Average number of days of sales</td><td>209.77</td><td>264.49</td><td>361.39</td></tr>
<tr><td colspan="2">Fixed asset turnover (time)</td><td>3.45</td><td>3.61</td><td>2.07</td></tr>
<tr><td colspan="2">Total asset turnover (time)</td><td>0.81</td><td>0.74</td><td>0.6</td></tr>
<tr><td rowspan="7">Profitability</td><td colspan="2">ROA (%)</td><td>15.54</td><td>11.47</td><td>5.73</td></tr>
<tr><td colspan="2">ROE (%)</td><td>29.91</td><td>20.60</td><td>8.98</td></tr>
<tr><td rowspan="2">To paid-in capital(%)</td><td>Operating income</td><td>103.48</td><td>91.43</td><td>40.07</td></tr>
<tr><td>Income before tax</td><td>105.64</td><td>91.35</td><td>39.62</td></tr>
<tr><td colspan="2">Profit margin (%)</td><td>19.00</td><td>15.45</td><td>9.62</td></tr>
<tr><td rowspan="2">EPS (NTD$)</td><td>before retroactive adjustment</td><td>9.66</td><td>8.13</td><td>3.70</td></tr>
<tr><td>after retroactive adjustment</td><td>9.66</td><td>8.13</td><td>3.70</td></tr>
<tr><td rowspan="3">Cash flow</td><td colspan="2">Cash flow ratio (%)</td><td>36.14</td><td>10.02</td><td>21.75</td></tr>
<tr><td colspan="2">Cash flow adequacy ratio (%)</td><td>74.23</td><td>62.41</td><td>65.26</td></tr>
<tr><td colspan="2">Cash flow reinvestment ratio (%)</td><td>31.52</td><td>(8.09)</td><td>0.68</td></tr>
<tr><td rowspan="2">Leverage</td><td colspan="2">Operating leverage</td><td>1.78</td><td>1.97</td><td>3.28</td></tr>
<tr><td colspan="2">Financial leverage</td><td>1.01</td><td>1</td><td>1</td></tr>
<tr><td colspan="8">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%)
Not applied</td></tr>
</table>

(IV) 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)				
			2010	2011	2012	2013	2014
Financial structure	Liabilities to total assets(%)		51.39	36.14	36.60	Not applied	
	Long-term fund to fixed assets (%)		314.70	279.84	208.89		
Solvency	Current ratio (%)		152.45	187.65	163.02		
	Quick ratio (%)		73.62	81.45	66.83		
	Multiple of interest protection		194.05	2690.03	711.89		
Utility	Receivables turnover (time)		5.99	5.65	4.37		
	Average number of days receivables outstanding		60.93	64.60	83.52		
	Inventory turnover (time)		1.60	1.31	0.97		
	Payables turnover (time)		2.76	3.02	3.48		
	Average number of days of sales		228.12	278.63	376.28		
	Fixed asset turnover (time)		3.31	3.61	2.05		
	Total asset turnover (time)		0.75	0.69	0.56		
Profitability	ROA (%)		15.66	11.51	5.91		
	ROE (%)		30.03	20.81	9.28		
	To paid-in capital(%)	Operating income	88.25	74.80	42.02		
		Income before tax	102.55	88.74	39.79		
	Profit margin (%)		20.89	16.56	10.57		
	EPS (NTD$)	before retroactive adjustment	9.66	8.13	3.67		
		after retroactive adjustment	9.66	8.13	3.67		
Cash flow	Cash flow ratio (%)		34.44	11.91	25.21		
	Cash flow adequacy ratio (%)		77.01	64.3	71.16		
	Cash flow reinvestment ratio (%)		30.28	0	1.94		
Leverage	Operating leverage		1.74	1.98	2.98		
	Financial leverage		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%)
Not applied

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 = sale cost / 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 (loss) after income tax+interest expense×(1-tax rate)]/average total assets.
   (2) ROE = income (loss) after income tax/average total shareholders' equity.
   (3) Profit margin = income (loss) after income tax/net sales.
   (4) Earnings Per Share = (income attributable to the 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. 118 of the annual report.

IV. Financial Statement for the Most Recent Year: Please refer to Page Nos. 202~289 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. 119~201 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	2014	2013	Variance	
			Amount	%
Current assets	3,598,049	2,809,211	788,838	28.08
Property, plant and equipment	2,167,777	1,590,963	576,814	36.26
Intangible assets	69,274	17,977	51,297	285.35
Other non-current assets	551,709	297,424	254,285	168.51
Total assets	6,387,417	4,715,575	1,671,842	35.45
Current liabilities	1,973,673	1,539,879	433,794	28.17
Non-current liabilities	670,881	103,057	567,824	550.98
Total liabilities	2,644,554	1,642,936	1,001,618	60.97
Capital stock	795,364	786,124	9,240	1.18
Capital surplus	885,012	740,781	144,231	19.47
Retained earnings	2,004,556	1,655,921	348,635	21.05
Other equities	40,772	25,391	15,381	60.58
Total equities	3,742,863	3,072,639	670,224	21.81

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

1. Increase in current assets: a result of the increase in cash and cash equivalents and inventory, net this year.
2. Increase in property, plant and equipment: a result of the increase in purchase of land and plant as factory premises.
3. Increase in intangible assets: a result of the acquisition of goodwill generated by the subsidiary, ALLSTRON, this period.
4. Increase in other noncurrent assets: a result of the increase in prepayment for equipment at the end of the period.
5. Increase in total assets:a result of the increase in current assets, property, plant and equipment and intangible assets.
6. Increase in current liabilities: a result of the increase in accounts payable.
   Increase in noncurrent liabilities: a result of the purchase of property, plant and equipment and repayment of the bank loan for offering of corporate bonds payable.
   Increase in total liabilities: a result of the increase in current liabilities and noncurrent liabilities.
7. Increase in retained earnings: a result of the increase in capital surplus and undistributed earnings.
8. Increase in other equities and total equities: A result of the increase in exchange difference arising from translation of the financial statement of foreign operations and the increase in undistributed earnings.

(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

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

Currency unit: in NTD 1,000

Year / Item	2014	2013	Increase (decrease)	Rate of change (%)
Operating revenue	4,156,132	3,035,778	1,120,354	36.91
Operating cost	2,221,139	1,634,352	586,787	35.90
Gross profit	1,934,993	1,401,426	533,567	38.07
Operating expenses	1,378,852	1,070,773	308,079	28.77
Operating net profit	557,667	333,548	224,119	67.19
Non-operating revenue and expense	41,716	(6,949)	48,665	(700.32)
Net profit (loss) before tax	599,383	326,599	272,784	83.52
Income tax expenses	82,085	55,666	26,419	47.46
Net profit	517,298	270,933	246,365	90.93
Other comprehensive income (loss) in current period	11,935	13,675	(1,740)	(12.72)
Total comprehensive income (loss) in current period	529,233	284,608	244,625	85.95

1. Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more)
   (1) Increase in operating revenue, operating cost, gross profit, operating expense and net profit: a result of the continuous business growth and increase in operating revenue resulting in increase in cost and expense relatively.
   (2) Decrease in non-operating revenue and expense:a result of the fluctuation in foreign exchange rate resulting in the increase in exchange gain.
   (3) Increase in net profit before tax, net profit, and total comprehensive income (loss) in current period: a result of the increase in net profit this year.
   (4) Increase in income expense: a result of the decrease in the five-year income tax credit.
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	347,979	-191,600	96,199	-51,312	494,693
Wafer prober	172,524	-154,761	123,332	-157,015	360,968
Subtotal	520,503	-346,361	219,531	-208,327	855,661

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 supply 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 decrease in average gross profit and favorable difference of quantity, unfavorable difference of sale portfolio is expected to be derived accordingly. Given the growing sales of wafer probers and the sales volume more than the expectation, favorable difference of quantity was derived accordingly. Additionally, due to the decrease in purchase cost of the machine, average cost decreased and production/selling price was cut accordingly, and thereby derived favorable difference of cost and unfavorable difference of price. Further, because the average gross profit was less 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	2014	2013	Amount of variance	Increase (decrease) (%)
Operating activity	425,851	248,921	176,930	71.08
Investing activity	(951,448)	(230,930)	(720,518)	312.01
Financing activity	839,281	(4,187)	843,468	(20,144.92)
Total	313,684	13,804	299,880	(2,172.41)
Notes to increase/decrease: (analysis in the case of the increase/decrease by 20% or more) The increase in operating activities was a result of the increase in net profit before tax, remuneration cost paid from share-based payment, increase in inventory, increase in other accounts payable. Increase in investing activities: a result of the increase in property, plant and equipment and other non-current assets as acquired. Decrease in financing activities: a result of the increase in issued corporate bonds and increase in treasury stockpurchased by employees.				

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

Year / Item	2014	2013	Increase (decrease) (%)
Cash flow ratio	21.58	16.62	29.84
Cash flow adequacy ratio	49.49	53.20	(6.97)
Cash flow reinvestment ratio	5.17	6.93	(25.40)
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
975,612	4,420,134	4,398,229	997,517	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	2014 (NTD$ thousand)	To net operating revenue %	To income (loss) after tax %
Interest expenses	3,238	0.08%	0.63 %
Net exchange loss	31,323	0.75%	6.06 %

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

The Company's interest expenses were NTD$3,238 thousand in 2014, i.e. 0.08% of the net operating revenue and 0.63% of the income (loss) 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 NTD$31,323 thousand in 2014, i.e. 0.75% of the net operating revenue and 6.06% of the income (loss) 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 NTD$400~NTD$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
Micro-distance vertical type probe card	Electricity and structural design ability	Design under validation	NTD$150 million	2016
High-speed Epoxy/Cantilever Probe Cards	Electricity and structural design ability	Design under validation	NTD$100 million	2016
High-speed AOI optical inspection equipment	Accumulation of customer experience High-speed image processing and operating technology	Prototype under development	50 million	2016
HIgh-speed LED die pick-and-place equipment	Matured LED die pick-and-place technology LED optoelectronic measuring technology Heating testing technology	Under validation at customer end	30 million	2015
Laser wafer prober	Experience in development of automated equipment Optoelectronic measuring technology	Prototype under development	NTD$100 million	2016

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 watches 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: Not applied.

8. Expected benefits and possible risks of facilities expansion, and countermeasures: Not applied.

9. Risk from centralized purchasing or selling, and countermeasures: Not applied.

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	2013	2014

Epoxy/Cantilever Probe Cards	70%	57%
Advanced Probe Cards	30%	43%

VII. Other important notes:

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

Item No.	Balance sheet evaluation titles	Basis of evaluation	Grounds for evaluation					
1	Allowance for inventory obsolescence losses	Analysis of account age for inventory obsolescence	Item		Percentage of provision for 1-2 years	Percentage of provision for 2-3 years	Percentage of provision for 3-4 years	Percentage of provision for more than 4 years
			Wafer probe card	Raw material-PCB	10%	40%	80%	100%
				Raw material-needle	20%	40%	100%	100%
				Raw material-others	20%	40%	100%	100%
				Supplies	10%	30%	60%	100%
				Semi-finished goods	10%	30%	60%	100%
				Work in process-semi-finished goods	10%	30%	60%	100%
				Work in process-finished goods	0%	0%	100%	100%
				Finished goods	0%	0%	100%	100%
			Wafer prober	Raw material	20%	50%	100%	100%
				Supplies	20%	50%	100%	100%
				Semi-finished goods	10%	30%	60%	100%
				Work in process-semi-finished goods	10%	30%	60%	100%
				Work in process-finished goods	0%	30%	100%	100%
				Finished goods	0%	30%	100%	100%
2	Allowance for bad debt	Analysis of the accounts age	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.					
			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.					
			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.					
			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.					
			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.					

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 111~117 of the annual report.

(II) Consolidated financial statements of affiliated enterprises: Please see Page 201 of the annual report.

(III) Affiliation report: Not applied.

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.

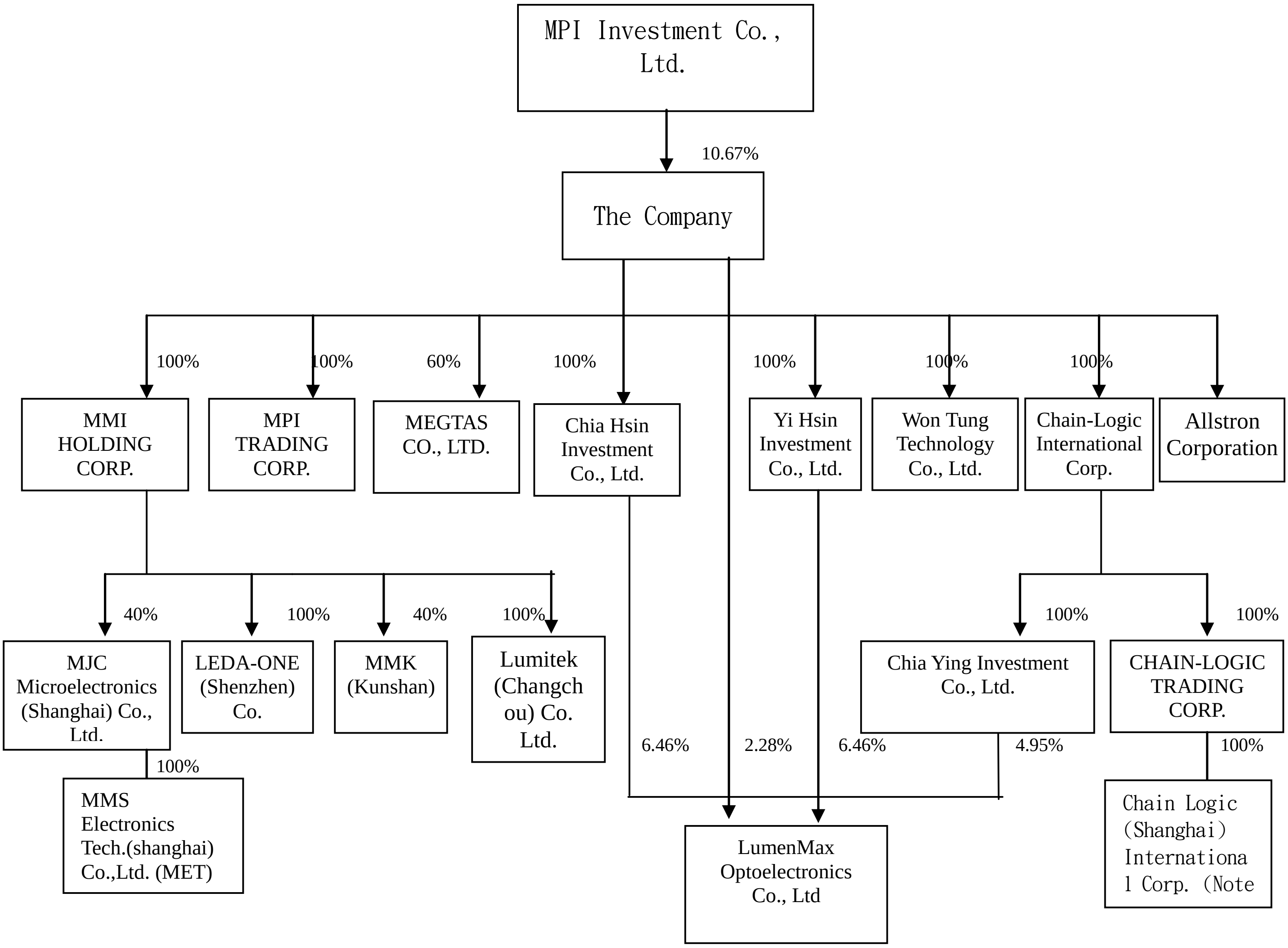
V. Any significant events materially affecting shareholders' equity or the price of securities as defined in Paragraph 2(2) of Article 36 of the Securities and Exchange Act in the most recent year and up to the publication date of the annual report: N/A.

One. Overview of affiliates

I. Overview of affiliates' organization

(I) Affiliates' organizational chart

December 31, 2014



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

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

II. Basic information of affiliate

December 31, 2014; 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	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	50,000	Semi-conductor equipment agent
MPI Trading Corp.	December 22, 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	8,390,045 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 KRW	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.	April 29, 2004	No. 10, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	33,500	General investment
Yi Hsin Investment Co., Ltd.	April 29, 2004	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	3F, No. 8, Lane 98, Jiaren Street, Shixing Vil., Zhubei City, Hsinchu County	500	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components
Allstron Corporation	March 31, 2006	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	15,500	Wholesale of information software and wholesale and retail of electronic materials, telecommunication devices and precision instruments
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 spectrometer, and development of new electronic components
Lumitek (Changchou) Co. Ltd.	January 10, 2014	No. 377, Wu Yi South Road, Wujin Hi-Tech Industrial Zone	4,000,000 USD	R&D and production of semi-conductor chips, calculator parts, LED production equipment, and new electronic components; domestic

				purchase, wholesale, agency and import/export of electronic materials, electronic components, electronic products, LED production equipment, machinery & equipment and spare parts
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.	April 29, 2004	No. 8, Lane 98, Jiaren Street, Neighborhood 36, Shixing Vil., Zhubei City, Hsinchu County	33,300	General investment
Chain Logic (Shanghai) International Corp.	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), MET 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, 2014

Name of enterprise	Job title (Note 1)	Name or representative	Shares held (Note 2) (Note 3)	
			Quantity (Capital contribution)	Ratio of shareholding (Ratio of capital contribution)
MPI Investment Co., Ltd.	Chairman of the Board Director Supervisor	Ko, Chang-Lin Steve Chen Scott Kuo	45,133 10,029 2,966	40.76 % 9.06 % 2.68 %

Chain-Logic International Corp.	Name of investor Chairman of the Board Director Director Supervisor President	MPI Corporation Representative: Ko, Chang-Lin Steve Chen Scott Kuo Rose Jao Chan, Chao-Nan	5,000,000	100.00 %
MPI Trading Corp.	Name of investor Responsible person	MPI Corporation Steve Chen	1,000	100.00%
MMI Holding Co., Ltd.	Name of investor Responsible person	MPI Corporation Steve Chen	8,390,045	100.00%
MEGTAS Co.,Ltd.	Name of investor Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation LUCID DISPLAY TECHNOLOGY CO.,LTD Representative: 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 of the Board Director Director Supervisor	MPI Corporation Representative: Chen, Sheng-Yi Ko, Chang-Lin Chang, Chun-Ching Tseng, Hui-Chu	3,350,000	100.00%
Yi Hsin Investment Co., Ltd.	Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation Representative: Chen, Sheng-Yi Ko, Chang-Lin Chang, Chun-Ching Tseng, Hui-Chu	3,350,000	100.00%
Won Tung Technology Co., Ltd.	Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation Representative: Steve Chen Sun, Hung-Chuan Ko, Wei-Cheng Rose Jao	50,000	100.00%
Allstron Corporation	Name of investor Chairman of the Board Director Director Supervisor	MPI Corporation Representative: Scott Kuo Steve Chen Liu, Yung-Chin Rose Jao	15,500	100.00%
Leda-One (Shenzhen) Co.	Name of investor Responsible person	MMI Holding Co., Ltd. Fan, Wei-Ju	USD$1,800,000	100.00%
Lumitek (Changchou) Co. Ltd.	Name of investor Responsible person	MMI Holding Co., Ltd. Scott Kuo	USD$4,000,000	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 of the Board Director Director	Chain-Logic International Corp. Representative: Chen, Sheng-Yi Ko, Chang-Lin Chang, Chun-Ching Tseng, Hui-Chu	3,330,000	100.00%

	Supervisor			
Chain Logic (Shanghai) International Corp.	Name of investor Responsible person	Chain-Logic Trading Corp. Ko, Chang-Lin	USD$1,400,000	100.00%

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

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

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

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

Two. Overview of operation of affiliates

Financial position and operating result of affiliates:

December 31, 2014; Currency unit: in NTD 1,000

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Income (loss) (after tax)	EPS (Dollar) (after tax)
Chain-Logic International Corp.	50,000	361,394	118,203	243,191	325,639	49,102	35,948	7.19
MPI Trading Corp.	32	50,874	4,116	46,758	64,788	5,881	5,649	5,649
MMI Holding Co., Ltd.	253,874	283,473	—	283,473	7,547	7,427	8,056	0.98
MEGTAS Co., Ltd.	66,509	55,916	13,019	42,897	62,918	(933)	(844)	(1.69)
Chia Hsin Investment Co., Ltd.	33,500	8,738	25	8,713	6	(6,434)	(6,434)	(1.92)
Yi Hsin Investment Co., Ltd.	33,500	8,738	25	8,713	6	(6,434)	(6,434)	(1.92)
Won Tung Tech. Co., Ltd.	500	353	25	328	—	(25)	(24)	(0.49)
Allstron Corporation	15,500	2,932	25	2,907	3,423	(1,132)	(1,560)	(1.01)
Leda-One (Shenzhen) Co.	54,111	55,322	15,114	40,208	22,049	(3,588)	(4,623)	—
Lumitek (Changchou) Co. Ltd.	120,500	375,819	249,764	126,055	58,911	1,020	1,749	—
Chain-Logic Trading Corp.	46,921	85,666	—	85,666	2,555	500	(5,801)	(3.99)
Chia Ying Investment Co., Ltd.	33,300	6,503	25	6,478	1	(4,940)	(4,940)	(1.48)
Chain Logic (Shanghai) International Corp.	46,917	175,218	94,947	80,271	149,019	(5,540)	(4,641)	—

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. Exchange rate on the reporting date:

RMB:USD = 1:6.21642; weighted average exchange rate: 1:6.14659
RMB:NTD = 1:5.08975; weighted average exchange rate: 1:4.996875
NTD:USD = 1:31.64; weighted average exchange rate: 1:30.71375
NTD:Won = 1:0.029225; weighted average exchange rate: 1:0.02883

MPI Corporation
Supervisors' Audit Report

The Company's individual financial statement and consolidated financial statements 2014 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 2015 of MPI Corporation

MPI Corporation

Supervisor: Li, Tu-Cheng

Liu, Fang-Sheng

Tsai, Chang-Shou

March 24, 2015

Auditors' Report

To MPI Corporation:

We have audited the individual balance sheets of **MPI Corporation** as of December 31, 2014 and 2013, 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 6(6) to the financial statements, the information about the shoulde be **MPI Corporation** investment under the equity method 2014 and 2013, 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 the equity method recognized based on the financial reports audited by other external auditors from January 1 to December 31, 2014 and 2013 were NTD$506 thousand and NTD$150 thousand. Until December 31, 2014 and 2013, the balances of investment under the equity method were NTD$25,463 thousand, NTD$25,188 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, 2014 and 2013, and the individual financial performance and cash flows from January 1 to December 31, 2014 and 2013 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 24, 2015

MPI Corporation

Individual Balance Sheet (assets)

December 31 2014 and 2013

Currency unit: in NTD 1,000

Code	Assets	Note	December 31, 2014 Amount	%	December 31, 2013 Amount	%
	Current assets					
1100	Cash and cash equivalent	VI (I)	$ 719,334	12	$ 417,949	9
1150	Receivable notes, net	VI (II)	9,930	-	4,432	-
1160	Note receivables-related parties-net	VI (III) and VII	5,299	-	5,365	-
1170	Receivable accounts, net	VI(III)	459,377	7	429,643	9
1180	Account receivables-related parties-net	VI (III) and VII	370,671	6	61,278	1
1200	Other receivable accounts		20,440	-	5,570	-
1210	Other receivable accounts-related party	VII	4,008	-	4,007	-
130X	Inventory, net	VI (IV)	1,633,217	26	1,424,116	31
1410	Prepayment		60,623	1	63,648	1
1470	Other current assets	VIII	9,028	1	17,589	1
11XX	Total current assets		3,291,927	53	2,433,597	52
	Non-current assets					
1510	Financial assets at fair value through profit or loss-noncurrent	VI(XI)	608	-		
1543	Financial assets measured at cost-noncurrent	VI (V)	20,231	-	20,231	1
1550	Investment under the equity method	VI(VI)	624,026	10	449,137	10
1600	Property, plant and equipment	V(VII), VII and VIII	1,930,339	31	1,545,879	34
1780	Intangible assets	VI(VIII)	23,490	-	17,971	-
1840	Deferred income tax assets		40,715	1	32,707	1
1900	Other non-current assets		306,207	5	106,166	2
15XX	Total non-current assets		2,945,616	47	2,172,091	48
1XXX	Total assets		$ 6,237,543	100	$ 4,605,688	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

Individual balance sheet(liabilities and equities)

December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Liabilities and Shareholders' Equity	Note	December 31, 2014 Amount	%	December 31, 2013 Amount	%
	Current liabilities					
2170	Account payables		$ 456,934	7	$ 371,888	8
2180	Account payables-related parties	VII	7,805	-	2,648	-
2213	Payables for equipment		134,676	2	16,983	1
2219	Other payable accounts	VI (IX)	516,524	9	345,844	9
2220	Other payables-related parties	VII	40,536	1	36,963	1
2230	Income tax liabilities in the current period		56,524	1	43,588	1
2250	Provision for liabilities-current	VI (X)	4,856	-	9,645	-
2310	Cash on receipt	VII	608,144	10	606,969	13
2320	Current portion of long-term debts	VI (XII)	9,329	-	9,329	-
2399	Other current liabilities		12,046	-	12,956	-
21XX	Total current liabilities		1,847,374	30	1,456,813	33
	Non-current liabilities					
2530	Corporate bonds payable	VI (XI)	574,962	9		
2540	Long-term loan	VI (XII)	58,295	1	67,624	1
2570	Deferred income tax liabilities		11,607	-	7,513	-
2640	Accrued pension liabilities	VI (XIII)	18,344	-	18,029	-
2670	Other non-current assets- others		1,257	-	98	-
25XX	Total non-current liabilities		664,465	10	93,264	1
2XXX	Total liabilities		2,511,839	40	1,550,077	34
	Equity	VI (XIV)				
31XX	Equity attributable to the parent company					
3110	Common shares		795,364	13	786,124	17
3200	Capital surplus		885,012	14	740,781	16
	Retained earnings					
3310	Legal Reserve		410,942	6	383,839	8
3320	Special Reserve		-	-	17,571	-
3350	Undistributed Earnings		1,593,614	26	1,254,511	27
3300	Total retained earnings		2,004,556	32	1,655,921	35
	Other equities					
3410	Exchange difference arising from translation of the financial statement of foreign operations		40,772	1	25,391	1
3400	Total other equities		40,772	1	25,391	1
3500	Treasury stock		-	-	(152,606)	(3)
31XX	Total equity attributable to the parent company		3,725,704	60	3,055,611	66
3XXX	Total equities		3,725,704	60	3,055,611	66
1XXX	Total liabilities and equities		$ 6,237,543	100	$ 4,605,688	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

Individual balance sheet(liabilities and equities)

December 31, 2014, and 2013

Currency unit: in NTD 1,000

Code	Liabilities and Shareholders' Equity	Note	December 31, 2014 Amount	%	December 31, 2013 Amount	%
	Current liabilities					
2170	Account payables		$ 456,934	7	$ 371,888	8
2180	Account payables-related parties	VII	7,805	-	2,648	-
2213	Payables for equipment		134,676	2	16,983	1
2219	Other payable accounts	VI (IX)	516,524	9	345,844	9
2220	Other payables –related parties	VII	40,536	1	36,963	1
2230	Income tax liabilities in the current period		56,524	1	43,588	1
2250	Provision for liabilities –current	VI (X)	4,856	-	9,645	-
2310	Cash on receipt	VII	608,144	10	606,969	13
2320	Current portion of long-term debts	VI (XII)	9,329	-	9,329	-
2399	Other current liabilities		12,046	-	12,956	-
21XX	Total current liabilities		1,847,374	30	1,456,813	33
	Non-current liabilities					
2530	Corporate bonds payable	VI (XI)	574,962	9		
2540	Long-term loan	VI (XII)	58,295	1	67,624	1
2570	Deferred income tax liabilities		11,607	-	7,513	-
2640	Accrued pension liabilities	VI (XIII)	18,344	-	18,029	-
2670	Other non-current assets- others		1,257	-	98	-
25XX	Total non-current liabilities		664,465	10	93,264	1
2XXX	Total liabilities		2,511,839	40	1,550,077	34
	Equity	VI (XIV)				
31XX	Total equity attributable to the parent company					
3110	Common shares		795,364	13	786,124	17
3200	Capital surplus		885,012	14	740,781	16
	Retained earnings					
3310	Legal Reserve		410,942	6	383,839	8
3320	Special Reserve		-	-	17,571	-
3350	Undistributed Earnings		1,593,614	26	1,254,511	27
3300	Total retained earnings		2,004,556	32	1,655,921	35
	Other equities					
3410	Exchange difference arising from translation of the financial statement of foreign operations		40,772	1	25,391	1
3400	Total other equities		40,772	1	25,391	1
3500	Treasury stock		-	-	(152,606)	(3)
31XX	Total equity attributable to the parent company		3,725,704	60	3,055,611	66
3XXX	Total equities		3,725,704	60	3,055,611	66
1XXX	Total liabilities and equities		$ 6,237,543	100	$ 4,605,688	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

Individual Consolidated Income Statement

January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Item	Note	2014 Amount	2014 %	2013 Amount	2013 %
	Net Sales	VII				
4110	Sale revenue		$ 3,949,133	100	$ 2,751,416	99
4170	Less: sales return		(15,858)	(1)	(480)	-
4190	Less: sales discount		(3,891)	-	(579)	-
4614	Revenue from commission		39,268	1	36,770	1
4000	Subtotal of net sales		3,968,652	100	2,787,127	100
5000	Operating cost	VI(IV) and VII	(2,167,101)	(55)	(1,494,459)	(54)
5900	Gross profit		1,801,551	45	1,292,668	46
5910	Unrealized income(loss) from sales		(29,076)	-	(864)	-
5920	Realized income (loss) from sales		4,116	-	2,937	-
5950	Net gross profit		1,776,591	45	1,294,741	46
	Operating expense	VII				
6100	Selling expenses		(317,698)	(9)	(286,963)	(10)
6200	Management expenses		(213,817)	(5)	(143,594)	(5)
6300	R&D expenses	VI (VIII)	(729,242)	(18)	(550,451)	(20)
6000	Subtotal operating expenses		(1,260,757)	(32)	(981,008)	(35)
6900	Operating profit		515,834	13	313,733	11
	Non-operating revenue and expense					
7020	Other gains and losses, net	VI(XVI)	29,255	1	8,445	1
7050	Financial cost	VI(XVI)	(3,007)	-	(546)	-
7070	Net portions of incomes/loss of subsidiaries, affiliated and joint ventures accounted for under the equity method	VI (VI)	26,738	1	(11,723)	-
7100	Interest revenue	VII	1,027	-	912	-
7110	Rent revenue	VII	13,160	-	7,568	-
7190	Other revenue-others	VII	8,953	-	2,857	-
7000	Subtotal non-operating income and expenses		76,126	2	7,513	1
7900	Net profit (loss) before tax		591,960	15	321,246	12
7950	Income tax expenses	VI(XVII)	(74,324)	(2)	(50,213)	(2)
8200	Net profit in current period		517,636	13	271,033	10
	Other consolidated income/loss					
8310	Exchange difference arising from translation of the financial statement of foreign operations		3,270	-	1,925	-
8360	Actuarial gain/loss on defined benefits		(3,915)	-	(672)	-
8371	Share of other comprehensive income of affiliates and joint ventures under the equity method		12,111	-	11,759	-
8300	Other net consolidated incomes		11,466	-	13,012	-
8500	Comprehensive income in current period (total)		$ 529,102	13	$ 284,045	10
	Earnings per common share: (Unit: NTD)	VI(XVIII)	After taxation		After taxation	
9750	Basic EPS		$ 6.62		$ 3.54	
9850	Diluted EPS		$ 6.11		$ 3.52	

(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

Individual Statement of Changes in Shareholders' Equity

January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

Item	Code	Capital stock: Common shares	Capital surplus	Retained earnings: Legal Reserve	Retained earnings: Special Reserve	Retained earnings: Undistributed Earnings	Other Equities: Exchange difference arising from translation of the financial statement of foreign operations	Treasury stock	Total equities
		3110	3,200	3310	3320	3350	3420	3500	31xx
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 comprehensive income	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
Balance on January 1, 2014	A1	$ 786,124	$ 740,781	$ 383,839	$ 17,571	$ 1,254,511	$ 25,391	$ (152,606)	$ 3,055,611
Allocation and distribution of earnings:									
Legal reserve	B1			27,103		(27,103)			-
Cash dividend for common shares	B5					(165,086)			(165,086)
Reversal of special reserve	B17				(17,571)	17,571			-
Changes in other capital surplus:									
Generated from recognition of convertible corporate bonds (preferred stock)	C5		28,585						28,585
Net profit in Jan 1-Dec 31, 2014	D1					517,636			517,636
Other comprehensive incomes from Jan 1-Dec 31, 2014	D3					(3,915)	15,381		11,466
Total comprehensive income	D5	-	-	-	-	513,721	15,381	-	529,102
Share-based payment	N1		33,296					152,606	185,902
Convertible corporate bond conversion	I1	9,240	82,350						91,590
Balance on December 31, 2014	Z1	$ 795,364	$ 885,012	$ 410,942	$ -	$ 1,593,614	$ 40,772	$ -	$ 3,725,704

(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

Individual Statement of Cash Flows

January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Item	2014	2013
AAAA	Cash flows from operation – indirect approach		
A10000	Net profit before tax in current period	$ 591,960	$ 321,246
A20000	Adjustments		
A20010	Income/expenses unaffecting cash flows		
A20100	Depreciation expenses	120,897	104,491
A20200	Amortization expenses	30,801	31,835
A20300	Provisions (reversal) of doubtful accounts	3,557	4,206
A20400	Net loss from financial assets & liabilities at fair value through profit or loss	(1,782)	-
A20900	Interest expenses	3,007	546
A21200	Interest revenue	(1,027)	(912)
A21900	Remuneration cost paid from share-based payment	30,862	-
A22400	Portions of gain/loss from subsidiaries, affiliates, and joint ventures accounted for under the equity method	(26,738)	11,723
A22500	Gains/loss from dispositions and scrap of real properties, plants and equipment	70	(120)
A22600	Real properties, plant, and equipment recognized as expenses	-	116
A23900	Unrealized gain/loss from sales	29,076	864
A24000	Realized gain/loss from sales	(4,116)	(2,937)
A29900	Others – exchange gain/loss from prepayment for purchase of equipment	(454)	737
A30000	Changes in assets/liabilities related to operations		
A31000	Net changes in assets related to operations		
A31130	Decrease (increase) of note receivables	(5,498)	392
A31140	Decrease (increase) of note receivables - related parties	65	(3,644)
A31150	Decrease (increase) of account receivables	(32,603)	140,771
A31160	Decrease (increase) of account receivables -related parties	(310,081)	20,574
A31180	Decrease (increase) of other receivables	(14,730)	(4,958)
A31190	Decrease (increase) of other receivables - related parties	(1)	(2,979)
A31200	Decrease (increase) of inventory	(209,101)	34,914
A31230	Decrease (increase) of prepayments	3,026	5,957
A31240	Decrease (increase) of other current assets	8,589	(909)
A32000	Net changes in liabilities related to operations		
A32130	Decrease (increase) of note payables	-	(1,110)
A32150	Decrease (increase) of account payables	85,047	(5,202)
A32160	Decrease (increase) of account payables -related parties	5,157	(3,722)
A32180	Decrease (increase) of other payables	170,691	37,236
A32190	Decrease (increase) of other payables - related parties	3,573	(1,510)
A32200	Increase (decrease) of provisions for debts	(4,788)	(7,734)
A32210	Increase (decrease) of cash on receipt	1,175	(215,805)
A32230	Increase (decrease) of other current liabilities	(910)	3,173
A32240	Increase (decrease) of accrued pensions	(2,853)	(2,945)
A33000	Cash inflows (outflows) from operation	472,871	464,294
A33100	Collected interest	887	967
A33300	Paid interest	(1,503)	(558)
A33400	Paid stock dividend	(165,086)	(191,526)
A33500	Paid income tax	(65,304)	(41,667)
AAAA	Net cash inflows (outflows) from operations	241,865	231,510
BBBB	Cash flows from investments		
B01800	Investment accounted for under the equity method	(170,500)	(14,942)
B02700	Acquisition of real properties, plants, and equipment	(387,973)	(206,418)
B02800	Disposition of real properties, plants, and equipment	195	16,054
B04500	Acquisition of intangible assets	(16,519)	(9,656)
B06500	Increase of other financial assets	(28)	(1,021)
B06700	Increase of other non-current assets	(219,344)	(21,507)
B07600	Collected stock dividend	15,000	-
BBBB	Net cash inflows (outflows) from investments	(779,169)	(237,490)

(To be continued)

MPI Corporation

Individual Statement of Cash Flows (continued from previous page)

January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Item	2014	2013
CCCC	Cash flow from financing		
C01200	Offering of corporate bonds	694,797	-
C01700	Retirement of long-term loans	(9,329)	(9,328)
C04400	Decrease of other non-current liabilities	1,159	(53)
C04800	Exercise of Employee Stock Options	-	143
C05800	Purchase of treasury stock by employees	152,062	-
CCCC	Net cash inflows (outflows) from financing	838,689	(9,238)
EEEE	Increase (decrease) of cash and cash equivalents in current period	301,385	(15,218)
E00100	Balance of cash and cash equivalents at beginning of period	417,949	433,167
E00200	Balance of cash and cash equivalents at ending of period	$ 719,334	$ 417,949

(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 only the parent company’s financial statements

December 31, 2014 and 2013

(Expressed in NTD$1,000, unless otherwise noted)

I. Company profile

(I) MPI Corporation (the "Company") was founded according to Company Law and other related laws on July 25, 1995. After several capital increases, the Company's paid-in capital is NTD$795,364 thousand and outstanding stock is 79,536,392 shares until December 31, 2014. Upon resolution of the special shareholders' meeting on December 28, 2006, the Company raised the authorized capital as NTD$1,000,000,000, divided into 100,000,000 shares at par value of NTD$10 per share. The board of directors is authorized to issue the stock in lots. NTD$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 NTD$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 (the "Group" collectively) primarily engage in manufacturing, processing, maintenance, import/export and trading of semi-conductor production process and testing equipment.

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

II. Date and procedure for ratification of financial report

The parent company’s financial statement was passed by the Board for release on March 24, 2015.

III. Application of new and amended standards and interpretations

(I) The Company has applied the new and amended IFRSs recognized by the Financial Supervisory Commission (“FSC”).

N/A.

(II) Effect for the Company failure to apply the new and amended IFRSs recognized by FSC.

According to the decree of FSC under Chin-Kuan-Cheng-Shen-Tzu No. 1030010325 dated April 3, 2014, as of 2015, all of the TWSE/GTSM listed companies and over-the-counter companies shall apply the 2013 International Financial Reporting Standards (exclusive of the IFRS No. 9 "Financial Instruments") recognized by and coming into force upon promulgation by the FSC and the "Guidelines Governing the

Preparation of Financial Reports by Securities Issuers" applicable as of 2015 (hereinafter referred to as "2013 IFRSs" collectively). The new, amended and modified standards and interpretations thereof are summarized as following:

New/amended/modified standards and interpretations	Effective Date Promulgated by IASB
Amendments to IFRS No. 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendments to IFRS No. 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendments to IFRS No. 1 “Government Loans"	January 1, 2013
Amendments to IFRS No. 7 “Disclosure - Transfer of Financial Assets"	July 1, 2011
Amendments to IFRS No. 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS No. 10 “Consolidated Financial Statements”	January 1, 2013 (Investment entities coming into force as of January 1, 2014)
IFRS No. 11 “Joint Agreements	January 1, 2013
IFRS No. 12 “Disclosure of Interests in Other Entities”	January 1, 2013
IFRS No. 13 “Fair Value Measurement”	January 1, 2013
Amendments to IAS No. 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendments to IAS No. 12 "Deferred Income Tax: recovery of underlying assets"	January 1, 2012
Amendments to IAS No. 19 “Employee Benefits”	January 1, 2013
Amendments to IAS No. 27 “Separate Financial Statements”	January 1, 2013
Amendments to IAS No. 28 “Investment in Associates and Joint Ventures”	January 1, 2013
Amendments to IAS No. 32 “Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC No. 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

Upon evaluation, the Company believes that, except the following, application of 2013 IFRSs shall not render significant impact to the Company:

1. IFRS No. 12 “Disclosure of Interests in Other Entities”

   Said standard integrates the requirements about the disclosure of subsidiaries held by enterprises, joint agreement, affiliates and equity in entities excluded from consolidated financial statements referred to in the IFRSs, and requires the disclosure of related information. The Company will additionally disclose the information about entities included into and excluded from consolidated financial statements according to said standard.

2. IFRS No. 13 “Fair Value Measurement”

Said standard defines the fair value, establish the framework for fair value measurement, and regulates the disclosure of fair value measurement. Upon evaluation, said standard shall not render significant impact to the Company's. The Company will comply with the requirements about additional disclosure of fair value measurement pursuant to said standard.

3. Amendments to IAS No. 1 “Presentation of Financial Statements”

   Said standard amends the presentation of items of other comprehensive income by categorizing the items of other comprehensive income into "not reclassified into income subsequently" and "reclassified into income subsequently" by nature. The amendments also require that the items of other comprehensive income shall be stated in the amount before tax, and the applicable tax thereof shall be stated separately according to said two categories. The Company will alter the presentation of comprehensive income statement pursuant to said standard.

4. Amendments to IAS No. 19 “Employee Benefits”

   The amendments to said standard primarily require that the net interest shall be decided by net defined benefit liabilities (assets) multiplying by discount rate, which shall replace the interest cost and anticipated remuneration under planned assets before the amendments. An enterprise shall recognize the resignation benefits when it cannot revoke an offer for resignation benefits any longer or it recognizes related reorganization cost, whichever occurs earlier, but not recognize resignation benefits as liabilities and expenses until it has expressly promised related resignation matters. The Company will add the requirement about disclosure of defined benefit plan. When preparing the financial statements 2015, the Company will choose not to disclose the sensitivity analysis for defined benefits for the comparative periods in 2014. Upon evaluation, the first-time adoption is expected to render significant impact to the Company's financial position and operating result this year.

(III) <u>Effect of the IFRSs promulgated by IASB but not yet recognized by FSC</u>

The new, amended and modified standards and interpretations of 2013 IFRSs already promulgated by IASB but not yet recognized by FSC are summarized as following:

New/amended/modified standards and interpretations	Effective Date Promulgated by IASB
Amendments to IFRS No. 9 “Financial Instruments: Disclosures	January 1, 2018
Amendments to IFRS No. 10 and IAS No. 28 "Sale or Contribution of Assets Between an Investor and its Joint Venture or Associate"	January 1, 2016
Amendments to IFRS No. 10, IFRS No. 12 and IAS No. 28 "Investment Entity: Exceptions of Consolidation"	January 1, 2016

Amendments to IFRS No. 11 “Acquisition of an Interest in a Joint Operation"	January 1, 2016
IFRS No. 14 “Regulatory Deferred Accounts"	January 1, 2016
IFRS No. 15 “Revenue from Contracts"	January 1, 2017
Amendments to IAS No. 1 “Disclosure Project”	January 1, 2016
Amendments to IAS No. 16 and IFRS No. 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS No. 16 and IFRS No. 41 "Bearer Plants"	January 1, 2016
Amendments to IAS No. 19 “Defined Benefit Plans - Employees' Contribution”	July 1, 2014
Amendments to IAS No. 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS No. 36 “Recoverable Amounts Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS No. 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRSIC No. 21 “Levies”	January 1, 2014

The Company evaluates the effect of said standards and interpretations to the Company's financial position and operating result, and will disclose the effect upon completion of the evaluation.

IV. Summary of Significant Accounting Policies

The notes to major accounting policy adopted for preparing the financial report of the independent entity are specified hereunder. Unless otherwise stated, the following accounting policies have been consistently applied to the periods in which the individual financial statements were presented.

(I) Statement of compliance

The individual financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (the "Regulations") and the IFRS, international accounting standards, interpretation and the statements of interpretation recognized by FSC (the "IFRSs recognized by FSC").

(II) Basis for preparation

1. Basis for measurement

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

   (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 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. All financial information presented in NTD shall be held presented in NTD 1,000 as the currency unit.

(III) Foreign currency

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, 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 (loss), any difference shall be stated as income (loss).

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 (loss).

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 (loss) 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 (loss) 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 (loss).

(IV) <u>Classification standard of current and non-current assets and liabilities</u>

Assets that 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 that 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.

(V) Cash and cash equivalents

Cash or cash equivalents include cash on hand, demand deposits, and short-term and highly liquid time deposits or investments that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalents.

(VI) 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 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. In any of the following circumstances, the Company shall designate the financial assets other than the financial assets held for trading as the financial assets at fair value through profit or loss at the time of initial recognition.

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

Hybrid instruments including embedded derivative

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 shall be measured (including the relevant stock dividend revenue and interest revenue) and recognized as income (loss) 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 shall 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 receivables 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 shall 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 receivables held unimpaired upon individual evaluation, the impairment shall be evaluated on a combined basis again. Objective evidence implicating the portfolio of account receivables may include the experience of the Company in collection in the past, the increase of delinquent payment beyond the average due dates of the portfolio, and national or regional economic downturn related to the receivables.

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

The impairment loss on financial assets shall 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 shall 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 (loss).

(4) Derecognition of financial assets

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

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.

The equity instruments mean any contracts signifying the residual equity of The Group's assets less its liabilities. The equity instrument issued by the Company shall be recognized by the payment net of the direct cost of issuance.

The compound financial instruments issued by the Company mean the convertible corporate bonds convertible to capital stock by exercise of options. The quantity of shares thereof would not vary depending on changes of the fair value.

The amount of elements of compound financial instrument liabilities shall be measured at fair value of similar liabilities excluding equity conversion right initially. The amount of elements of equity shall be measured based on the difference between fair value and elements of liabilities of the entire compound financial instruments initially. Any trading cost that may be attributable directly shall be amortized to the elements of liabilities and equity based on the proportion of the original book values of liabilities and equity.

Upon the initial recognition, the elements of liabilities of compound financial instruments shall be measures at amortized cost under effective interest method. The elements of equity of compound financial instruments need not to be re-measured at the time of initial recognition.

The interest and loss or gain related to financial liabilities shall be recognized as income and stated into non-operating revenue and expenses.

Financial liabilities shall be re-classified as equity at the time of conversion. No profit or loss would be generated from the conversion.

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

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

The financial liabilities held for trading are acquired or incurred principally for the purpose of sale in the near term or repurchase. In any of the following circumstances, the Company shall designate the financial liabilities other than the financial liabilities held for trading as the financial liabilities at fair value through profit or loss at the time of initial recognition.

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

Hybrid instruments including embedded derivative

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

(3) 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, shall be stated as "financial cost" under the non-operating revenue and expenses.

(4) Derecongition of financial liabilities

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

(5) Offset of financial assets and liabilities

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

(VII) Inventory

The inventories shall be stated at the lower of cost and net realizable present value. The cost shall 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.

(VIII) Associates

Associates are the entities over which the Company has significant influence over its financial and corporate policy but not to the extent of dominant control. The Group will be assumed having major influence when it holds 20%~50% of the voting right in the investee.

Under the equity method, the investment is stated at cost at the time of acquisition initially. The investment includes trading cost. The book value of investment in affiliates includes the goodwill identified at the time of initial investment less any accumulated impairment loss.

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

The unrealized gain deriving from the transactions between the Company and the associates will be eliminated within the scope of equity of the Company over the investee. The unrealized loss shall be derecognized in the same manner applicable to unrealized gains, provided that the unrealized loss is limited to that arises under no impairment evidence is available.

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

(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 (loss) of current period and other comprehensive incomes (loss) as presented in the financial statement of the individual entity shall be identical with the income (loss) of current period and other comprehensive incomes attributable to the proportion allocated to the parent shareholder as presented in the financial statement prepared on the basis of consolidation. The shareholders' equity as presented in the financial statement of the individual entities shall be identical with the parent shareholders' equity as presented in the financial statement prepared on the basis of consolidation.

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

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

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

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	1-7
Transportation equipment	5
Furniture and fixtures	5-6
Research equipment	1-9
Other equipment	2-7

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 shall 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

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 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. Goodwill

Goodwill is generated from business merger and acquisition. Goodwill shall undergo impairment test each year, and be reported at cost less accumulated impairment. Impairment loss on goodwill shall not be reversed.

For the purpose of impairment test, goodwill shall be amortized into cash generation units. The amortization is identified based on operations. The goodwill shall be amortized to various cash generation units (or cash generation unit groups) expected by the Company to benefit from the consolidation which may generate goodwill.

2. 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 (loss) 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 (loss) 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.

3. Other intangible assets

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

4. After expenses

   After expenses may be capitalized only when they are able to increase the future economic effect of the relevant specific assets. Other expenses shall be stated as income (loss) when incurred, including the goodwill and brand developed internally.

5. 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 (loss):

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

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 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 shall be stated. The impairment loss shall be stated as the current income (loss) immediately.

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

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

Cancellation of treasury stock shall be credited under the title “treasury stock”, and debited as “additional paid-in capital-stock premium” and “capital stock”. Where the book value of treasury stock is higher than the total of the book value and stock premium, the balance is offset against the additional paid-in capital generated from the transactions of treasury stock under the same type. Any deficits thereof shall be debited as retained earnings. Where the book value of treasury stock is lower than the total of the book value and stock premium, the difference shall 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 the provision of labor services shall be recognized based on the progress in completion of the transaction on the reporting date.

3. Revenue from commission

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

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

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

(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 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 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.

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) Defined contribution plan

The obligation to contribute to a pension fund under the defined contribution pension plan shall be recognized as employee benefit expenses stated into the income (loss) 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 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 in the previous period and fair value of various planned assets shall be deducted. 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.

A qualified actuary shall actuate the enterprise’s net obligation on a yearly basis based on the Projected Unit Credit Method. 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.

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 (loss) under the 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 (loss).

On January 1, 2012, the date of conversion into IFRSs approved by FSC, all actuarial income (loss) shall be stated into the retained earnings. Actuarial profits and loss subsequently generated from the determined welfare program of the Company shall be immediately recognized as other comprehensive income (loss).

In the event of streamlining or settlement of the Company, recognize the profits and loss of the streamlining or settlement of the welfare plan. 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) <u>Share-based payment</u>

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 (loss).

(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 (loss) 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.

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

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) Business merger

1. The Group completes business merger under the acquisition method. The consideration for combination is calculated at the fair value of transferred assets, liabilities generated or borne therefor and equity instruments as issued. The consideration for transfer includes the fair value of any assets and liabilities generated from contingent consideration arrangement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets acquired and liabilities borne upon business merger shall be measured at the fair value prevailing on the date of acquisition. Based on the individual acquisitions, The Group chooses to measure the acquiree's non-controlling interests at fair value or the proportion of non-controlling interests in the acquiree's identifiable net assets.
2. The excess of the total of transfer consideration, acquiree's non-controlling interests, and fair value of any interests of the acquiree held previously on the date of acquisition in the fair value of the identifiable net assets acquired by The Group shall be stated as goodwill, while the difference thereof from the fair value of the identifiable net assets acquired by The Group (bargain purchase) shall be stated as the current income (loss).

(XXIII) EPS

The Company displays the basic and diluted earnings per share of the bearers of common shares. The basic earnings per share of the Company are based on the income (loss) 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 (loss) 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.

(XXIV) Information by department

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

V. <u>Significant accounting judgments, estimations, and major sources of hypotheses of uncertainty</u>

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

1. Allowance for bad debt of receivable accounts

   The Company conducts assessment on the recoverability of account receivables on the basis of the credit quality of the customers and the collection of the accounts and the experience of bad debts in the past and estimates for the provision of doubtful accounts. If some event or change resulting in failure to collect the debt shows, it is necessary to estimate the allowance for bad debt. If the projected collected cash is different from the estimation, the difference will affect the book value of receivable accounts and bad debt expenses in the year in which the estimation is changed. Until December 31, 2014, the book value of receivable accounts has been NTD$845,277 thousand (exclusive of the allowance for bad debt, NTD$21,913 thousand).

2. Evaluation of inventory

   Inventory shall be evaluated on the basis of the lower the cost and net realizable value. As such, the Company shall make judgment and estimate the net realizable value of the inventory on the balance sheet date. Rapid technological change compels the Company to assess the amount of normal wearing out and phasing out of inventory or inventory with no market price and write off the cost of inventory from net realizable value. Until December 31, 2014, the book value of The Group's inventories has been NTD$1,633,217 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NTD$186,114 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. As of December 31, 2014, the Company had deferred income tax assets amounted to NTD$40,715 thousand.

4. Recognition of revenue

   In principle, sales revenue is recognized at the time of 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. As of December 31, 2014, the Company recognized provision for liabilities amounted to NTD$4,856 thousand.

5. Calculation of accrued pension liabilities

   In the calculation of the determined welfare obligation, the Company shall 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, 2014, the book value of accruable pension liabilities of the Company amounted to NTD$18,344 thousand.

6. Evaluation of impairment on goodwill

   The evaluation of impairment on goodwill relies on the Company's subjective judgment, including identification of cash generation units and amortization of assets, liabilities and goodwill to related cash generation units and determination of collectible amount of cash generation units. For the evaluation of impairment on goodwill, please refer to Note 6(6) hereto. As of December 31, 2014, the Company's goodwill amounted to NTD$45,533 thousand.

VI. Notes to Major Accounting Titles

(I) Cash and cash equivalent

	December 31, 2014	December 31, 2013
Cash:		
Cash on hand	$ 1,630	$ 2,358
Bank deposit:		
Check deposit	-	-
Foreign currency deposit	77,982	20,341
Demand deposit	375,722	395,250
Time deposit	264,000	-
Total	$ 719,334	$ 417,949

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

(II) Net note receivables

	December 31, 2014	December 31, 2013
Receivable notes	$ 9,930	$ 4,432
Less: Allowance for bad debt	—	—
Receivable notes, net	$ 9,930	$ 4,432
Note receivables –related parties	$ 5,299	$ 5,365
Less: Allowance for bad debt	—	—
Note receivables- related parties-net	$ 5,299	$ 5,365

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

(III) Receivable accounts, net

	December 31, 2014	December 31, 2013
Receivable accounts	$ 464,454	$ 433,454
Less: Allowance for bad debt	(5,077)	(3,811)
Receivable accounts, net	$ 459,377	$ 429,643

	December 31, 2014	December 31, 2013
Receivable accounts-related party	$ 371,560	$ 61,478
Less: Allowance for bad debt	(889)	(200)
Receivable accounts-related party, net	$ 370,671	$ 61,278

	December 31, 2014	December 31, 2013
Receivable on demand (stated as other non-current assets)	$ 15,947	$ 28,102
Less: Allowance for bad debt	(15,947)	(28,102)
Receivable on demand, net	$ —	$ —

1. All account receivables of the Company are accrued from business operation and have not been pledged 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 12(2)):

	Group evaluation Impairment loss		Individual evaluation Impairment loss		Total	
January 1, 2014	$	4,215	$	27,898	$	32,113
Impairment loss provided in the current period		5,307		—		5,307
Impairment loss reversed in the current period		—		(1,750)		(1,750)
Accounts written off and uncollected in the current period		(3,556)		(10,201)		(13,757)
December 31, 2014	$	5,966	$	15,947	$	21,913
January 1, 2013	$	11,960	$	15,947	$	27,907
Impairment loss provided in the current period		—		11,951		11,951
Impairment loss reversed in the current period		(7,745)		—		(7,745)
Accounts written off and uncollected in the current period		—		—		—
December 31, 2013	$	4,215	$	27,898	$	32,113

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

	December 31, 2014		December 31, 2013	
	Total	Impairment	Total	Impairment
Undue	$781,678	$ -	$459,496	$ -
Overdue for 1~90 days	64,751	4,532	37,184	2,602
Overdue for 91~180 days	1,146	172	6,037	906
Overdue for 181~360 days	2,290	573	2,012	503
Overdue for 1~2 years	1,378	689	-	-
Overdue for more than 2 years	15,947	15,947	28,102	28,102
Total	$867,190	$ 21,913	$532,831	$ 32,113

(IV) Inventory, net

	December 31, 2014		December 31, 2013	
Raw materials	$	370,558	$	297,432
Supplies		61,850		46,735
Work in process		286,603		233,741
Semi-finished goods		155,679		84,564
Finished goods		932,179		860,922
Commodities		4,927		4,711
Materials and supplies in transit		7,535		42,034
Less: Allowance for inventory		(186,114)		(146,023)

devaluation and obsolescence losses		
Inventory, net	$ 1,633,217	$ 1,424,116

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

	2014	2013
Cost of sold inventory	$ 2,106,274	$ 1,445,822
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	40,091	41,276
Inventory retirement loss	—	—
Other operating cost - employee bonuses	23,165	13,137
Revenue from sale of scraps	—	—
Estimated maintenance and warranty cost	(2,429)	(5,776)
Sale cost, net	$ 2,167,101	$ 1,494,459

2. As of December 31, 2014 and 2013, the Company has not pledged its inventory as collateral.

(V) Financial assets measured at cost

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

	December 31, 2014	December 31, 2013
Noncurrent items:		
TAISelec Co.,Ltd	$ 20,231	$ 20,231
Less: Impairment loss	—	—
Total	$ 20,231	$ 20,231

1. The investment of the Company in stocks not listed on the TWSE/GTSM may 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, 2014 and 2013, the Company has not pledged its financial assets measured at cost as collateral.

(VI) Investment under the equity method

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

Investee	December 31, 2014 Book value	Ratio of shareholding %	December 31, 2013 Book value	Ratio of shareholding %
Subsidiaries:				
MPI Trading Corp.	$ 46,758	100 %	$ 38,541	100 %
MMI Holding Co., Ltd.	246,079	100 %	143,291	100 %
MEGTAS CO.,Ltd.	25,463	60 %	25,188	60 %
Chain-Logic International Corp.	243,022	100 %	216,447	100 %
Chia Hsin Investment Co., Ltd.	8,713	100 %	15,147	100 %
Yi Hsin Investment Co., Ltd.	8,714	100 %	15,148	100 %
Won Tung Technology Co., Ltd.	328	100 %	352	100 %
Allstron Corporation	48,440	100 %	—	—
Affiliates:				
Lumitek Co.,LTD	(3,491)	2.28 %	(4,977)	2.28 %
Total	$ 624,026		$ 449,137	-

1. Changes in investment under the equity method:

	2014	2013
Balance, beginning	$ 449,137	$ 430,416
Increase in investment in the current period	170,500	14,942
Cash dividends distributed by subsidiaries	(15,000)	—
Transfer of treasury stock to employees of subsidiaries	2,978	—
Investment income (loss) recognized under the equity method	26,738	(11,723)
Exchange difference arising from translation of the financial statement of foreign operations	15,381	13,684
Realized (unrealized) income (loss) from downstream transactions with investees	(24,960)	2,073
Other comprehensive income – Actuarial income (loss) of determined welfare	(748)	(255)
Balance, ending	$ 624,026	$ 449,137

2. Subsidiaries

Refer to the consolidated financial statements of FY2014.

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

December 31, 2014	Total assets	Total liabilities	Revenue	Net profit
Affiliates				
Lumitek Co.,LTD	$ 184,085	$ 60,005	$ 107,707	$ (99,311)

December 31, 2013	Total assets	Total liabilities	Revenue	Net profit
Affiliates				
Lumitek Co.,LTD	$ 527,616	$ 304,225	$ 119,155	$ (119,541)

3. The Company recognized the income (loss) 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 FY2014 and FY2013.
4. The financial statements of subsidiary MEGTAS Co., Ltd. in FY2014 and FY2013 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 (NTD$506) thousand and (NTD$150) thousand, respectively.
5. 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 holds a total of 6,630,000 shares at par value of NTD$10 per share, and until December 31, 2014 and 2013, the Company's shareholdings were both 17.87%.
6. The Company has acquired 843,968 shares of stock issued by Lumitek Co., LTD. in April 2013 at the cost of NTD$1,976 thousand. As of December 31, 2014 and 2013, The Group held 7,473,968 shares or 20.15% of the shares issued by Lumitek Co., LTD. and is accounted for under the equity method.
7. The Company acquired the control over Allstron Corporation (hereinafter referred to as "Allstron") upon acquisition of 100% shares of Allstron in March 2014. Allstron is a company primarily engaged in manufacturing high-frequency wafer metrology prober cards. The Company may improve its production process based on the patented technology owned by Allstron upon acquisition of Allstron. Meanwhile, the Company accessed the acquiree's clientele upon the acquisition. Therefore, the Company's market share of semiconductor production & testing equipment is expected to increase. The Company also expects to reduce cost via the economy of scale.

   The Company set January 1, 2014 as the date of acquisition. For the three months until March 31, 2014, Allstron's revenue and net profit (loss) attributable to the Company were NTD$1,112 thousand and NTD$1,149 thousand respectively.

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

   (1) Transfer consideration: NTD$50,000 thousand in cash

(2) Identifiable assets acquired and liabilities borne

Fair value of identifiable assets acquired and liabilities borne on the date of acquisition is stated as following:

Cash and cash equivalent	$	4,368
Receivable accounts		506
Other receivable accounts		12
Inventory		1,264
Prepayment		1
Other current assets		1
Property, plant and equipment (Note 6(7))		1,535
Other non-current assets		175
Payable accounts		302
Other payable accounts		3,088
Other current liabilities		5
Fair value of identifiable assets	$	4,467

(3) Goodwill

Goodwill recognized upon acquisition is stated as following:

Transfer consideration	$	50,000
Fair value of identifiable assets		4,467
Goodwill	$	45,533

The goodwill upon acquisition of Allstron was primarily generated from Allstron's metrology application end product lines in the electronic industry, such as high-frequency wafer metrology and wide-distance probe card metrology to meet the patented technology and employees' value related to changeable metrology demand in the electronic industry. Meanwhile, the payment of transfer consideration is made due to, including, expectation toward integration of semiconductor production and testing equipment business to generate combined synergy, growth of revenue and future market development, provided that such benefits do not meet the requirements for recognition of identifiable intangible assets and, therefore, were not recognized separately. The goodwill recognized therefor is expected to be tax-free.

The Company's goodwill was generated upon acquisition and merger of subsidiaries. The transfer consideration was set based on the value of investment in Allstron calculated under income-based method, according to the appraisal report issued by the expert. The income-based method applied Allstron's financial forecast for next five years and estimated discount rate. Until December 31, 2014, no significant changes showing impairment on goodwill have occurred.

8. Guarantee

As of December 31, 2014 and 2013, the Company has not pledged its investment accounted for under the equity method as collateral.

(VII) <u>Property, plant and equipment</u>

1. The changes in the cost, depreciations and impairments of the property, plant and equipment of the Company in FY2014 and FY2013:

	Land	House and building	Machine & equipment	Transportation equipment	Furniture and fixtures	Research equipment	Other equipment	Construction in progress	Total
Cost									
January 1, 2014	$291,479	$1,048,110	$275,208	$ 1,320	$ 57,103	$344,719	$ 14,088	$ 497	$2,032,524
Addition	220,594	124,427	12,115	-	18,575	27,508	2,091	4,603	409,913
Disposition	-	-	(9,770)	-	(5,498)	(265)	(963)	-	(16,496)
Transfer	-	-	40,788	-	588	53,010	1,821	(497)	95,710
December 31, 2014	$512,073	$1,172,537	$318,341	$ 1,320	$ 70,768	$424,972	$ 17,037	$ 4,603	$2,521,651
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
Accumulated depreciation and impairment:									
January 1, 2014	$ -	$ 126,134	$164,059	$ 183	$ 28,783	$159,880	$ 7,606	$ -	$ 486,645
Depreciation	-	28,096	27,870	220	12,122	50,673	1,916	-	120,897
Disposition	-	-	(9,770)	-	(5,257	(252)	(951)	-	(16,230)
Transfer	-	-	-	-	-	-	-	-	-
December 31, 2014	$ -	$ 154,230	$182,159	$ 403	$ 35,648	$210,301	$ 8,571	$ -	$ 591,312
Accumulated depreciation and impairment:									
January 1, 2013	$ -	$ 100,281	$203,572	$ -	$ 29,747	$128,928	$ 6,786	$ -	$ 469,314
Depreciation	-	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
Net book value									
December 31, 2014	$512,073	$1,018,307	$136,182	$ 917	$ 35,120	$214,671	$ 8,466	$ 4,603	$1,930,339
December 31, 2013	$291,479	$ 921,976	$111,149	$ 1,137	$ 28,320	$184,839	$ 6,482	$ 497	$1,545,879

2. The Company purchased the land and building situated at Yang Deh Section, Xinpu Township from affiliate, Lumitek Co., LTD., in September 2014. The total contract amount was NTD$316,800 thousand (after tax), and the transfer registration was completed on October 27, 2014. The land and building would be used as the facility building.
3. Guarantee

   For details about the secured long-term loan and facility until December 31, 2014 and 2013, please see Note 8.
4. For the capitalized interest, please see Note 6(16) 2. Financial cost

(VIII) Intangible assets

The cost, amortization and impairment of intangible assets of the Company in FY2014 and FY2013 are shown below

	computer software			computer software	
January 1, 2014	$	17,971	**January 1, 2013**	$	20,609
Addition		16,519	Addition		9,656
Reclassification		—	Reclassification		—
Amortization expenses		(11,000)	Amortization expenses		(12,294)
December 31, 2014	$	23,490	**December 31, 2013**	$	17,971

1. Recognized amortization and impairment

   The amortization expenses for intangible assets and other deferred expenses 2014 and 2013 were stated as the following items in the comprehensive income statement:

	2014		2013	
Operating cost	$	10,018	$	8,189
Operating expense		20,783		23,646
Total amortization expenses	$	30,801	$	31,835

2. R&D expenditure

   In FY2014 and FY2013, the R&D spending deriving from intangible assets internally developed amounted to NTD$729,242 thousand and NTD$550,451 thousand, respectively, recognized under the title of “Operating expenses –R&D expenses” in the consolidated income statement.

(IX) Other payable accounts

	December 31, 2014		December 31, 2013	
Payable expenses	$	440,916	$	276,053
Payable employee bonuses		48,242		28,071
Short-term employee benefits		15,199		34,287
Others (all less than 5%)		12,167		7,433
Total	$	516,524	$	345,844

(X) Reserve for liabilities

	Warranty	
Balance, January 1, 2013	$	9,645
Increase in current period (decrease)		(4,789)
Balance, December 31, 2014	$	4,856
Current	$	4,856
Non-current		-
Balance, December 31, 2014	$	4,856

	Warranties	
Balance, January 1, 2013	$	17,379
Increase in current period (decrease)		(7,734)
Balance, December 31, 2013	$	9,645
Current	$	9,645
Non-current		-
Balance, December 31, 2013	$	9,645

The provision for warranty liabilities of the Company in FY2014 and FY2013 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 warranties. The Company expected most of the liabilities would be realized in the year after the sales.

(XI) Corporate bonds payable

	December 31, 2014		December 31, 2013	
Aggregate of domestic 3rd unsecured convertible corporate bonds	$	700,000	$	—
Less: converted amount		(92,400)		—
Less: discount of corporate bonds payable		(32,638)		—
Corporate bonds payable, net	$	574,962	$	—
Current	$	-	$	-
Non-current		574,962		-
Total	$	574,962	$	-

1. In order to purchase plant, machine and equipment and repayment of bank loan, the Company proposed the motion for offering of domestic 3rd unsecured convertible corporate bonds. The motion was ratified by the Board of Directors on October 16, 2014 and approved by FSC via its approval letter under Ching-Kuan-Cheng-Fa-Tze No. 1030042656 dated November 4, 2014. The bonds shall be issued under the

following conditions:

(1) Total issue price: NTD$700 million

(2) Duration: 3 years (from November 18, 2014 to November 18, 2017)

(3) Coupon: 0%

(4) Duration of conversion: from the day following expiration of the issue date (December 19, 2014) until the expiry date (November 18, 2017).

(5) Conversion price and adjustment thereof:

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

B. In the case of changes in common shares (e.g., capital increase in cash, recapitalization of earnings and recapitalization of capital surplus, etc.), the conversion price will be adjusted relatively.

(6) Bondholder's put: The date of expiration of two years upon issuance of the bonds (November 18, 2016) shall be the record date on which the bond holders may exercise their put earlier. The bond holders may ask the Company to redeem the bonds held at the price of 100% of the par value of the bonds in cash within 40 days prior to the record date of put.

(7) The Company's right of redemption

A. From the date following expiration of one month upon issuance of the bonds (December 19, 2014) until 40 days prior to expiration of duration of issuance (October 9, 2017), if the closing price of the Company's common shares at GTSM has been more than the conversion price of the bonds by 30% or more for consecutive 30 business days, the Company may redeem the bonds held by the bond holder at the coupon of the bonds in cash.

B. From the date following expiration of one month upon issuance of the bonds (December 19, 2014) until 40 days prior to expiration of duration of issuance (October 9, 2017), if the balance of the outstanding bonds has been less than the total of the bonds originally issued by 10%, the Company may redeem the bonds held by the bond holder at the par value of the bonds in cash.

(8) Date and method of repayment: Unless the bond holders convert the bonds into the Company's common shares or exercise the put or the Company redeems the bonds earlier pursuant to the Regulations, or repurchase by the Company from the securities firm for cancellation, the Company will make the repayment in cash in full at the par value of the bond upon expiry of the bond.

2. Until December 31, 2014, the par value of domestic 3rd unsecured convertible

corporate bonds that have been converted upon request cumulatively has been NTD$92,400 thousand, with a total of 924 thousand shares issued, and thereby generated the capital surplus-convertible corporate bond conversion premium, NTD$82,350 thousand.

3. The Company analyzed the domestic 3rd unsecured convertible corporate bonds in accordance with IFRS No. 7 and determined that the bonds shall refer to the compound financial instruments. Therefore, the Company separated the option to conversion and liabilities, and stated them as equity and liabilities respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	November 18, 2014 (Issue date)
Total of issued convertible corporate bonds	$ 700,000
Cost of issued convertible corporate bonds	(5,203)
Elements of equity at the time of issuance - option to conversion	(32,933)
Embedded derivative financial instruments at the time of issuance	(980)
Corporate bonds payable, net at the time of issuance	$ 660,884

Said elements of equity at the time issuance were stated as capital surplus - stock option. The fair value of embedded non-equity derivatives was re-evaluated under evaluation method at the end of 2014, NTD$608 thousand, was stated as "financial assets at fair value through profit or loss - noncurrent". The "gain from financial assets (liabilities) at fair value through profit or loss" stated in 2014 totaled NTD$1,782 thousand.

The effective interest rate for issuance of domestic 3rd unsecured convertible corporate bonds was 1.9183%. The convertible corporate bond interest expenses recognized in 2014 were NTD$1,515 thousand.

(XII) Long-term loan

Bank	**Nature**	**Limit**	**Duration**	**December 31, 2014**
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loan	$163,000	2009/03/02~2022/03/02	$ 67,624
Less: current portion				(9,329)
Total				$ 58,295
Interest rate range				1.56 %

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 %

1. Information on the exposure of interest risk and liquidity risks of the Company is shown in Note 12 (2).
2. Collateral for bank loan.

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

(XIII) Pension

1. Defined benefit 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 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 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, 2014, the balance of the pension contribution in the special account at the Bank of Taiwan amounted to NTD$38,567 thousand.

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

	December 31, 2014	December 31, 2013
Present value of contributed defined benefit obligation	$ 56,911	$ 52,257
Fair value of planned assets	(38,567)	(34,228)
	18,344	18,029
Present value of unallocated defined benefit obligation	-	-
Unrecognized actuarial loss	-	-
Unrecognized service cost in the previous period	-	-
Net liabilities recognized in the balance sheet	$ 18,344	$ 18,029

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

	2014	2013
Present value of defined benefit obligation, January 1	$ 52,257	$ 50,863
Service cost	123	123
Interest cost	993	839
Actuarial loss/gain	3,538	432
Present value of defined benefit obligation, December 31	$ 56,911	$ 52,257

(4) Changes in fair value of planned assets:

	2014	2013
Fair value of planned assets, January 1	$ 34,228	$ 30,305
Contribution by employer	3,537	3,523
Benefit payment-from planned assets	-	-
Actual remuneration	802	400
Fair value of planned assets, December 31	$ 38,567	$ 34,228

(5) Total expenses recognized in comprehensive income statement:

	2014	2013
Service cost in current period	$ 123	$ 123
Interest cost	993	839
Actual remuneration of planned assets	(802)	(400)
Gain (loss) from remuneration of planned assets	370	16
Total expenses recognized in income (loss) statement	$ 684	$ 578

(6) Actuarial income recognized in other comprehensive income (loss) statement:

	2014	2013
Accumulated balance, January 1	$ (7,399)	$ (6,727)
Recognized in the current period	(3,915)	(672)
Accumulated balance, December 31	$ (11,314)	$ (7,399)

(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 years.

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

	2014	2013
Discount rate	2.00%	1.90%
Future salary and benefit level	2.25%	2.25%
Projected rate of return on planned assets	2.00%	1.20%

(9) Historical information about empirical adjustment is stated as follows:

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 56,911	$ 52,257	$ 50,863	$ 42,406
Fair value of planned assets	(38,567)	(34,228)	(30,305)	(26,639)
Deficit (surplus) of plan	$ 18,344	$ 18,029	$ 20,558	$ 15,767
Income (loss) on defined benefit obligation				
Empirical adjustment	$ 4,558	$ 2,902	$ 7,592	$ -
Changes of actuarial hypotheses	$ (1,020)	$ (2,470)	$ -	$ -
Empirical adjustment on planned assets	$ (370)	$ (15)	$ 66	$ -

(10) In the calculation of present value of determined welfare obligation, the Company shall 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. Any change in the actuarial assumption will affect the amount of determined welfare obligation of the Company.

(11) The assumption of discount rate of the Company has significant influence on the amount of income (loss) to the Company. The changes in hypotheses about discount rate, if any, would render the following influence:

	2014		2013	
	Increase by 0.25%	Decrease by 0.25%	Increase by 0.25%	Decrease by 0.25%
Effect on defined benefit obligation	(4.32%)	4.55%	(4.48%)	4.73%
Sensitivity of income (loss)	$ 2,459	$ (2,589)	$ 2,341	$ (2,472)

(12) The Company has allocated the amount of NTD$3,541 thousand to the pension plan in the year after the reporting date of December 31, 2014.

2. Defined contribution plan

(1) With effect on July 1, 2005, the Company has established the regulation for the contribution of pension fund in accordance with the "Labor Pension Act" which is applicable to employees of ROC nationality. For the employees electing to adopt the "Labor Pension Act" for retirement, the Company

allocates 6% of the respective monthly salary to their individual personal pension account at Labor Insurance Bureau. Pension will be disbursed on the basis of the deposit in the personal pension account with accumulated return payable monthly or in lump sum.

(2) In FY2014 and FY2013, the Company has recognized pension expenses amounted to NTD$36,930 thousand and NTD$32,561 thousand in accordance with the regulation for determination of pension allocation.

(XIV) Equity

1. The Company's outstanding common stock at beginning and ending is reconciled as follows:

Unit: share

	2014	2013
Balance, January 1	76,612,392	76,610,400
Transfer of treasury stock to employees	2,000,000	2,000
Convertible corporate bond conversion	924,000	-
Cancellation of treasury stock	-	(8)
Balance, December 31	79,536,392	76,612,392

2. Capital surplus

(1) Pursuant to 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, 2014	December 31, 2013
Common stock premium	$ 210,163	$ 210,163
Convertible corporate bond conversion premium	563,025	480,676
Treasury stock trading	44,073	10,777
Donation from shareholders	1	1

Changes in net worth of equity of affiliates recognized under the equity method	19,306	19,306
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (elements of equity of convertible corporate bonds)	28,586	-
Total	$ 885,012	$ 740,781

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, NTD$480,676 thousand, and capital surplus-treasury stock trading, NTD$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 NTD$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 NTD$61.53/share. Under the Black-Scholes pricing model, it is estimated that the fair value of each share is NTD$14.03. The Company had capital surplus –treasury trade amounted to NTD$2,300 thousand.

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

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 NTD$19,306 thousand.

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 NTD$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: (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:

- 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

The Company provided and reversed special reserve according to the FSC's letter No. 1010012865 and the "Q&A for provision of special reserve upon application of IFRSs". In the case of a reversal of balance of other shareholders' equity deductions subsequently, earnings may be allocated upon the reversal.

The Company's general shareholders' meeting resolved to provide the special reserve NTD$17,571 thousand on June 17, 2013.

The Company's general shareholders' meeting also resolved to reverse the special reserve NTD$17,571 thousand on June 17, 2014.

(5) The Company estimated employee bonus of NTD$48,242 thousand and remunerations to Directors and Supervisors of NTD$12,061 thousand in FY2014, and recognized as the operating cost or operating expenses in FY2014. The estimated amount as mentioned has been passed by the Board on January 17, 2014 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 FY2015 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 FY2015.

(6) The Company's actual cash dividends to shareholders allocated from earnings FY2013 was NTD$165,086 thousand. The difference between the employee bonus, NTD$26,306 thousand, and remuneration to directors/supervisors, NTD$5,827 thousand, allocated from the earnings FY2013 and the employee bonus, NTD$28,071 thousand and remuneration to directors/supervisors, NTD$7,017 thousand, recognized in the financial statement 2013 was NTD$2,955 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 (loss) FY2014.

(7) In FY2012, the Company paid out NTD$191,526 thousand as cash dividend to the shareholders, NTD$27,039 thousand as employee bonus, and NTD$6,760 thousand as remuneration to Directors and Shareholders from the earnings of FY2012, which varied with the recognized amount of employee bonus of NTD$29,055 thousand and remuneration to Directors and Shareholders of NTD$7,264 thousand by (NTD2,520) 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.

(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

January 1 to December 31, 2014

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	—

Unit: share

January 1 to December 31, 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

(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. NTD$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, NTD$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.

(6) In order to recruit and retain the technology and professional talents required by the Company and encourage employees' permanent service, centripetal force, productivity and belongingness to create interests for the Company and shareholders, the Company, according to Article 28-2 of the Securities and Exchange Act and the "Regulations Governing Share Repurchase by Listed and OTC Companies" promulgated by FSC, established the "Regulations Governing Share Repurchase and Transfer of Shares to Employees by the Company", which was resolved and approved by the Board of Directors on March 7, 2014. To transfer treasury stock to employees, the record date for employees' stock option was set on March 7, 2014. The treasury stock was transferred to the Company's employees and the employees of Chain-Logic International Corp., wholly owned by the Company, at the price of NTD$76.26 per share. According to the estimation under Black-Scholes evaluation model, the fair value was estimated to be NTD$16.92 per share by the Company on the grant date. The Company recognized the remuneration cost, NTD$30,862 thousand (stated as salary expenses) and the subsidiary, Chain-Logic

International Corp. recognized the remuneration cost, NTD$2,978 thousand (stated as investment under the equity method). The parameters applied by the evaluation are stated as following:

		2014 Transfer of treasury stock to employees
Evaluation model	Black-Scholes evaluation model	
Hypotheses	Duration (days)	2014/3/7～2014/3/11
	Stock dividend ratio (%)	4.42 %
	Subscription price	$ 76.62
	Market price on the grant date	$ 93.1
	Projected stock price fluctuation rate	103.528 %
	Interest rate without risk	0.475 %

The difference between the transfer price, NTD$152,062 thousand, less necessary trading cost and capital surplus-employees' stock option, NTD$33,840 thousand, and the repurchase cost, NTD$152,606 was stated into the capital surplus-treasury stock transaction, NTD$33,296 thousand.

(XV) Share-based payment

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

1. Upon resolution of the board of directors on November 9, 2007, the Company established regulations governing the 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 thousand 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 shall 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:

	2014		**2013**	
(expressed in 1,000 units)	**Quantity of stock options**	**Weighted average strike price (NTD$)**	**Quantity of stock options**	**Weighted average strike price (NTD$)**
Outstanding stock options, beginning	—	—	1,811	$71.7 (Note 2)
Stock options granted in the current period	—		—	
Stock options exercised in the current period	—		(2)	$71.7 (Note 2)
Stock options waived in the current period (Note 1)	—		(41)	
Overdue and invalid quantity in the current period	—		(1,768)	
Outstanding stock options, ending	—	—	—	—
Stock options exercisable, ending	—		—	
Weighted average fair value of stock options granted in the current period (NTD$)	—		$ 37.8616	

(Note 1) The stock option owners waived the stock options upon resignation.

(Note 2) The price was adjusted as NTD$71.7 as of September 2, 2012, as a result of the Company's allocation of dividends from earnings.

3. As of December 31 2013, information on outstanding ESO is shown below: no.

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 follows:

		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%

		2014	2013
Earnings attributable to the Company	Net profit recognized in financial statement	—	$ 271,033
	Assumed net profit	—	$ 271,033
Basic EPS	EPS (NTD$) recognized in financial statement	—	$ 3.54
	Assumed EPS (NTD$)	—	$ 3.54

(XVI) Non-operating revenue and expense

1. Other gains and losses, net

	2014	2013
Gain (loss) from disposition of property, plant and equipment	$ (51)	$ 145
Net gain (loss) from financial assets at fair value through profit or loss	1,782	—
Foreign currency exchange gain (loss), net	28,191	8,354
Others	(667)	(54)
Total	$ 29,255	$ 8,445

2. Financial cost

	2014	2013
Interest expenses		
Bank loan	$ 2,770	$ 1,268
Convertible corporate bond	1,515	—
Subtotal	4,285	1,268
Less: capitalized interest	(1,278)	(722)
Total	$ 3,007	$ 546

(XVII) Income tax

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

	2014	2013
Income tax in current period:		
Generated in the current	$ 78,127	$ 43,664

period		
Overestimated (underestimated) income tax in previous year	111	3,167
Total income tax in the current period	78,238	46,831
Deferred income tax		
Occurrence and reversal of temporary difference	(3,914)	3,382
Effect of changes in the tax rate	—	—
Total deferred income tax	(3,914)	3,382
Total	$ 74,324	$ 50,213

2. The income tax expense recognized under the title of other comprehensive income in FY2014 and FY2013 were both NTD0.
3. Relations between income tax expenses (gains) and accounting profit

	2014	2013
Net profit (loss) before tax	$ 591,960	$ 321,246
Income tax on net profit before tax calculated at the domestic tax rate applicable in the place where the Company is situated (17%)	$ 100,633	$ 54,612
Tax rate difference effect in foreign jurisdiction	—	—
Income tax effect included into the items that shall not be recognized pursuant to tax laws	572	7,330
Income tax effect on deferred income tax assets/liabilities	(3,914)	3,382
Unrecognized deferred income tax assets	—	—
Tax-free income	(54,393)	(18,680)
Income tax effect on investment credit	(16,936)	(47,830)
Imposition of 10% income tax on undistributed earnings	9,641	4,569
Income tax effect under minimum tax system	38,610	43,663
Overestimated (underestimated) income tax in previous year	111	3,167
Total	$ 74,324	$ 50,213

4. Deferred income tax assets and liabilities

(1) Recognized deferred income tax assets and liabilities

	2014				
	January 1	Recognized in income (loss) statement	Recognized in other comprehensive income (loss)	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 24,824	$ 6,816	-	-	$ 31,640
Unrealized exchange loss	225	148	-	-	373
Unrealized warranty cost	1,640	(814)	-	-	826
Bad debt loss	4,553	(2,303)	-	-	2,250
Unrealized gain on inter-affiliate accounts	1,370	4,243	-	-	5,613
Tax difference on depreciation expenses	14	(1)	-	-	13
Investment credit	81	(81)	-	-	-
Total	$ 32,707	$ 8,008	-	-	$ 40,715
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (354)	$ (2,706)	-	-	$ (3,060)
Unrealized net investment income (foreign)	(3,867)	(903)	-	-	(4,770)
Recognition of pension expenses (deficit)	(3,292)	(485)	-	-	(3,777)
Total	$ (7,513)	$ (4,094)	-	-	$ (11,607)

	2013				
	January 1	Recognized in income (loss) statement	Recognized in other comprehensive income(loss)	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 17,807	$ 7,017	-	-	$ 24,824
Unrealized exchange loss	529	(304)	-	-	225
Unrealized warranty cost	2,954	(1,314)	-	-	1,640
Bad debt loss	3,570	983	-	-	4,553
Unrealized gain on inter-affiliate accounts	1,722	(352)	-	-	1,370
Tax difference on depreciation expenses	14	-	-	-	14
Investment credit	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 net investment income (foreign)	(4,013)	146	-	-	(3,867)
Recognition of pension expenses (deficit)	(2,792)	(500)	-	-	(3,292)
Total	$ (7,005)	$ (508)	-	-	$ (7,513)

(2) Unrecognized deferred income tax assets

	December 31, 2014	**December 31, 2013**
Investment credit	-	-
Amount of unrecognized deferred income tax assets	-	-

The investment credit tax on deferred income tax assets which has been recognized by The Group before December 31, 2014 shall be credited by the following deadline:

Item	**Total credit**	**Deducted amount**	**Credited balance in current period**	**Balance to be credited**	**Last year of credit**
R&D spending in FY2014	$ 65,824	$ -	$ 16,936	$ —	(non-deferred)
	$ 65,824	$ —	$ 16,936	$ —	

(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, 2014	**December 31, 2013**
Taxable temporary difference	-	-
Amount of unrecognized deferred income tax liabilities	-	-

4. Authorization of income tax

The Company has its corporate income tax approved by the taxation authorities until FY2012.

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

	December 31, 2014	December 31, 2013
Deductible tax account-Balance	$ 172,375	$ 124,357

	2014 (Projected)	2013 (Actual)
Deductible rate of earnings allocation	14.36 %	13.39 %

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.

6. Information about the Company's undistributed earnings

Except the balance, NTD$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 (loss) 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 (loss) 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:

	2014			2013		
	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NTD$)	Amount after tax	Weighted average number of outstanding common stock (thousand shares)	EPS (NTD$)
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 517,636	78,234	$ 6.62	$ 271,033	76,612	$ 3.54

Diluted EPS						
Net profit attributed to the Company's common stock shareholders	$ 517,636	78,234		$ 271,033	76,612	
Effect of all potential diluted common stocks						
Domestic 3rd unsecured convertible corporate bond	—	6,076		—	—	
Employee stock option exercise adjustment	—	—		—	—	
Employee stock bonus	—	412		—	468	
Net profit attributed to the Company's common stock shareholders plus effect of potential common stocks	$ 517,636	84,722	$ 6.11	$ 271,033	77,080	$ 3.52

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:

By function / By nature	2014			2013		
	Operating cost	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Employee benefit expense						
Salary expense (including employee bonus)	529,220	590,000	1,119,220	414,561	440,026	854,587
Labor/health insurance expenses	36,107	36,643	72,750	30,190	31,289	61,479
Pension expenses	18,009	19,605	37,614	15,792	17,347	33,139
Other employee benefit expenses (Note)	77,412	21,276	98,688	57,886	17,564	75,450
Depreciation expenses	58,730	62,167	120,897	48,443	56,048	104,491
Depletion expenses	—	—	—	—	—	—
Amortization expenses	10,018	20,783	30,801	8,189	23,646	31,835

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

(Note 2) At the end of 2014 and 2013, the Company had 1,212 and 999 employees respectively.

VII. Transactions with related parties

(I) Relations between the parent company and subsidiary

The Company's subsidiaries are stated as follows:

	Place of incorporation	Owner's equity (shareholding %) December 31, 2014	Owner's equity (shareholding %) December 31, 2013
Chain-Logic International Corp.	Taiwan	100%	100%
Yi Hsin Investment Co., Ltd.	Taiwan	100%	100%
Chia Hsin Investment Co., Ltd.	Taiwan	100%	100%
Chia Ying Investment Co., Ltd.	Taiwan	100%	100%
Won Tung Technology Co., Ltd.	Taiwan	100%	100%
Allstron Corporation	Taiwan	100%	–
MPI Trading Corp.	Samoa	100%	100%
MMI Holding Co.,Ltd.	Samoa	100%	100%
Chain-Logic Trading Corp.	Mauritius	100%	100%
Chain Logic (Shanghai) International Corp.	Mainland China	100%	100%
Leda-One (Shenzhen) Co.	Mainland China	100%	100%
Lumitek (Changchou) Co. Ltd.	Mainland China	100%	–
MEGTAS Co.,Ltd.	Korea	60%	60%

(II) Parent company and ultimate controller

The Company is the ultimate controller of The Group.

(III) Important transactions with related parties

1. Operating revenue

The Company's sales value to related parties are stated as follows:

	2014	2013
Sale of products:		
-Affiliates	$ 103,244	$ 40,025
-The Company's director	473,692	335,040
-Subsidiary	350,412	63,570
Sale of labor services:		
-Affiliates	—	—
-The Company's director	39,108	36,770
-Subsidiary	—	—
Total	$ 966,456	$ 475,405

The price of the Company's sales to related parties was not significantly different from the Company's general selling price to customers.

2. Purchase

The Company's purchase value to related parties are stated as follows:

	2014	2013
Affiliates	$ 51,046	$ 34
The Company's director	—	12,091
Subsidiary	3,763	3,313
Total	54,809	$ 15,438

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. Receivable accounts-related parties

Receivable accounts-related parties

Account title	Related party	December 31, 2014	December 31, 2013
Receivable notes	Subsidiary	$ 5,299	$ –
Receivable accounts	Affiliates	12,667	11,032
Receivable accounts	The Company's director	91,157	29,873
Receivable accounts	Subsidiary	267,736	25,938
Other receivable accounts	Subsidiary	930	933
Total		$ 377,789	$ 67,776

4. Payable accounts-related parties

Payable accounts-related parties

Account title	Related party	December 31, 2014	December 31, 2013
Account payables	Affiliates	$ –	$ 10
Account payables	The Company's director	5,715	2,097
Account payables	Subsidiary	2,090	541
Other payable accounts	Affiliates	204	54
Other payable accounts	The Company's director	13,560	7,497
Other payable accounts	Subsidiary	26,772	29,412
Total		$ 48,341	$ 39,611

5. Prepayment

Prepayment-related party

Account title	Type of related party	December 31, 2014	December 31, 2013

Prepayment for purchases	Subsidiary	$ 127	$ 174

6. Transaction of property

(1) Acquisition of property, plant, and equipment:

	Nature	**2014**	**2013**
The Company's director	Machine & equipment	$ –	$ 1,042
Subsidiary	Machine & equipment	$ 204	$ 72
Affiliates	Land	$ 220,594	$ –
Affiliates	Building	$ 91,624	$ –

(2) Disposition of property, plant, and equipment:

2014

	Name of property	Cost	Accumulated depreciation	Book value	Selling price	Gain (loss) from disposition
Subsidiary	Furniture and fixtures	$ 25	$ 2	$ 23	$ 24	$ 1

2013: N/A

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

2014:

	Maximum balance	Balance, ending	Interest rate %	Interest revenue
Subsidiary	$ 3,078	$ 3,078	5.60%	$ 159 (Note)

(Note) The interest revenue has not been received before December 31, 2014, which was stated as other receivable accounts-related party, NTD$75 thousand.

2013:

	Maximum balance	Balance, ending	Interest rate %	Interest revenue
Subsidiary	$ 3,009	$ 3,074	4.93%	$ 65

8. Purchase of labor services from related parties

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

	2014	**2013**
Promotion-expenditure in commission:		
-Affiliates	$ 1,937	$ 1,210
-The Company's director	4,452	899
-Subsidiary	69,338	71,831

Promotion-expenditure in royalty:		
-The Company's director	42,021	39,228
Total	$ 117,748	$ 113,168

For the calculation of the royalty to related parties, please see Note 9(2).

9. Others

(1) Payment on behalf of others (stated as other current assets)

	December 31, 2014	**December 31, 2013**
Subsidiary	$ —	$ 7,282

Out-of-pocket expenses of the general expenditure

(2) Advance sale receipts

	December 31, 2014	**December 31, 2013**
Affiliates	$ 23	$ 3,684
The Company's director	209	5,000
Subsidiary	—	50,250
Total	$ 232	$ 58,934

(3) Temporary receipts (stated as other current liabilities)

	December 31, 2014	**December 31, 2013**
The Company's director	$ 91	$ 97

(4) Manufacturing expenses (stated as operating cost)

	Nature	**2014**	**2013**
Affiliates	Other expenses	$ 385	$ -
Affiliates	Processing expenses	$ 2,818	$ 104
The Company's director	Other expenses	$ 37	$ 50
Subsidiary	Other expenses	$ 293	$ 152
Subsidiary	Miscellaneous purchases	$ 809	$ 176

(5) Selling expenses

	Nature	**2014**	**2013**
The Company's director	Other expenses	$ 377	$ 700
The Company's director	Miscellaneous purchases	$ -	$ 78
The Company's director	Repair and maintenance	$ -	$ 140

	expense		
Subsidiary	Other expenses	$ -	$ 370

(6) Management expenses

	Nature	2014	2013
Affiliates	Other expenses	$ —	$ 51
Subsidiary	Dormitory fees paid by employees	$ (42)	$ (49)

(7) Research expense

	Nature	2014	2013
The Company's director	Other expenses	$ 33	$ —
Subsidiary	Other expenses	$ 102	$ 175
Subsidiary	Miscellaneous purchases	$ 144	$ 73

8. Lease

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

	2014	2013
Subsidiary	$ 4,203	$ 4,276
Affiliates	$ 2,839	$ —

The main contents of the lease contract:

Subject matter	Duration of lease	Mode of collection
Rental offices, parking spaces and health center at Zhonghe St., Zhubei City, Hsinchu County	October 1, 2008~ December 31, 2008 Renewed automatically upon expiration	Initially NTD$242 thousand (before tax) per month, and adjusted as NTD$319 thousand (before tax) per month as of September 1, 2012 ; The rent of health center was NTD$2,000 (before tax) after August 20, 2012; The rent of parking spaces 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 a branch company office at Luchu, Kaohsiung City	April 18, 2008~April 17, 2009 Renewed automatically upon expiration	NTD$10 thousand per month (before tax)
Sublease of the facility building at Wenshan Road, Xinpu Township, Hsinchu County	November , 2014 ~ October 30, 2017	NTD$1,359 thousand per month (before tax); The rent of parking spaces was calculated subject to the actual service condition on a monthly basis.

(9) Other revenue

	2014	2013
The Company's director	$ —	$ 125
Affiliates	$ 5,797	$ 1,561
Subsidiary	$ 472	$ 22

(III) Information about remuneration to the management

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

	2014	2013
Salary and other short-term employee benefits	$ 11,866	$ 10,045
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Share-based payment	—	—
Total	$ 11,866	$ 10,045

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, 2014	December 31, 2013
Land	$ 447,844	$ 227,250
Building	963,761	326,563
Pledged time deposit (stated as other current assets)	8,404	8,376
Bank reserve account (stated as other current assets)	—	—
Total	$ 1,420,009	$ 562,189

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 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 (loss) expenses for said two lots of long-term operating leased land were stated as NTD$5,603 thousand both in 2014 and 2013.

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

	December 31, 2014
Less than one year	$ 5,603
one year to five years	17,972
More than five years	19,422
Total	$ 42,997

4. The outstanding amount under the purchase orders signed for purchase of equipment:

	December 31, 2014	December 31, 2013
Property, plant and equipment	$ 11,202	$ 56,396

X. Significant disaster loss: N/A.

XI. Significant subsequent events: N/A

XII. Others

(I) Financial instruments

1. Information about fair value of financial instrument

	December 31, 2014		December 31, 2013	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalent	$ 719,334	$ 719,334	$ 417,949	$ 417,949
Receivable notes and receivable accounts	845,227	845,227	500,718	500,718
Other receivable accounts	24,448	24,448	9,577	9,577
Other financial assets-current	9,028	9,028	17,589	17,589
Financial assets at fair value through profit or loss-noncurrent	608	608	—	—
Total	$1,598,645	$1,598,645	$ 945,833	$ 945,833
Financial liabilities				
Short-term loan	$ -	$ -	$ -	$ -
Payable notes and payable accounts	464,739	464,739	374,536	374,536
Other payable accounts	691,736	691,736	399,790	399,790
Long-term loan (including the current portion)	67,624	67,624	76,953	76,953
Corporate bonds payable	574,962	574,962	—	—
Total	$1,799,061	$1,799,061	$ 851,279	$ 851,279

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, etc.).

   (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 following table analyzes the financial instruments measured at fair value under the valuation method, and discloses the analysis information about the three fair value levels as following:

1st level: Open quotation of the same assets or liabilities in an active market (without adjustment).

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).

December 31, 2014

	1st level	**2nd level**	**3rd level**	**Total**
Financial assets				
Financial assets at fair value through profit or loss-noncurrent	–	$ 608	–	$ 608
Convertible corporate bonds				
Financial liabilities	–	–	–	–

December 31, 2013: N/A

No transfer between 1st and 2nd fair value levels was conducted from January 1 to December 31, 2014. The gains stated into said income (loss) related to derivative financial instruments until December 31, 2014 were NTD$1,782 thousand.

(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 speaking, 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 (loss) and equity. The Company's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, JPY and EUR.

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 the USD, RMB or KRW). 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, 2014			
	Currency unit	**Amount in foreign currency** (thousand dollars)	**Applicable foreign exchange rate, ending (Dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 10,066	31.59	$318,115
	NTD/JPY	$ 2,512	0.264	$ 664
	NTD/EUR	$ 10	38.458	$ 401
	NTD/RMB	$ 45,994	5.07	$232,984
	NTD/KRW	$ 2,732	0.0292	$ 80
	NTD/HKD	$ 4	4.028	$ 18
	NTD/SGD	$ 4	23.9295	$ 88
	NTD/MYR	$ 10	8.692	$ 90
Financial liabilities	NTD/USD	$ 2,362	31.69	$ 74,847
	NTD/JPY	$98,951	0.26645	$ 26,365
	NTD/EUR	$ 82	38.658	$ 3,152
	NTD/SGD	$ 28	24.0245	$ 676

	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

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 that 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, 2014 and 2013 is stated as following:

December 31, 2014

Primary risk	**Range of change**	**Sensitivity of income (loss)**
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/-13,420 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(169) thousand

December 31, 2013

Primary risk	**Range of change**	**Sensitivity of income (loss)**
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/- 3,215 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(192) 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 2014 and 2013, 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 6(3):

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, 2014 and 2013, 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 a 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 that it is impossible to expect reasonably under extreme circumstances, e.g., a natural calamity. Further, the unused limit of the Company's loan totaled NTD$230,400 on December 31, 2014.

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, 2014			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loan	$ -	$ -	$ -	$ -
Payable accounts (including related party)	464,739	-	-	464,739
Other payable accounts (including related party)	691,736	-	-	691,736
Long-term loan (including the current portion)	9,329	9,329	48,966	67,624
Corporate bonds payable	—	574,962	—	574,962
Total	$1,165,804	$ 584,291	$ 48,966	$1,799,061

	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

(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 2013 in 2014, dedicated to maintaining the debt/equity ratio less than 100%. The Company's debt ratios on December 31, 2014 and 2013 are stated as follows:

	December 31, 2014	December 31, 2013
Total liabilities	$ 2,511,839	$ 1,550,077
Total net worth	3,725,704	3,055,611
Debt-to-net worth ratio	67%	51%

XIII. Disclosures of Notes

(I) 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	2014
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.	Attached table 3
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 4
8	Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital.	Attached table 5
9	Transactions of derivative instruments.	N/A
10	Business relationship and important transactions between the 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	Related party?	Maximum balance in current period	Balance, ending (Note 2)	Drawdown	Interest rate range	Type of loans to others	Amount of transaction	Reasons necessary for offering short-term loans	Allowance for bad debt	Collateral		Limit of loans to particular borrower (Note 3)	Limit of total loans (Note 3)
													Name	Value		
0	The Company	MEGTAS Co.,Ltd.	Other receivable accounts-related party	Yes	$3,003	$3,003	$3,003	5.60%	Short-term loans	—	Working capital	—	—	—	$323,310	$1,293,239

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 May 13, 2014 to loan the fund to its subsidiary, MEGTAS Co., Ltd., in the amount of NTD$3,003 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: 3,233,097 thousand (the Company's most recent net worth on June 30, 2014) X 40% ＝ 1,293,239 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: 3,233,097 thousand (the Company's most recent net worth on June 30, 2014) X 10% ＝ 323,310 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				Remarks
				Quantity	Book value	Ratio of shareholding	Fair value	
MPI Corporation	TAISelec Co., Ltd.	—	Financial assets measured at cost - noncurrent	150,000 (shares)	$ 20,231	18.75 %	—	

Attached table 3: Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital:

Name of company acquiring the property	Name of property	Date of occurrence	Amount of transaction	Payment	Trading counterpart	Relationship	Prior transfer information of the transacting related party				Reference basis for price determination	Purpose of acquisition and status of utilization	Other covenants
							Owner	Affiliation with issuer	Date of transfer	Amount			
MPI Corp.	Plant	2014/9/5	NTD$312,218 thousand (before tax)	Until 2014/12/31 Paid 312,218 (thousand dollars)	Lumitek Co., Ltd.	Valued under the equity method.	N/A	N/A	N/A	N/A	Appraisal report, estimate NTD$333,581 thousand	Use for production	

Attached table 4: Accounts receivable-related party 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)		Remarks
			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	$ 469,653	12 %	Same as that applicable to the general customer	—	—	Receivable accounts $ 91,114	11%	
The Company	Lumitek (Changchou) Co. Ltd.	The Company Subsidiary	Sale	$ 177,047	4%	Same as that applicable to the general customer	—	—	Receivable accounts $184,757	39%	

Attached table 5: Accounts receivable-related party reaching 100 million NTD or more than 20% of the Paid-in capital:

Name of company stated into receivable accounts	Trading counterpart	Relationship	Balance of receivable accounts-related parties	Turnover rate	Overdue receivables with related party		Receivables with related party after period collection	Allowance for bad debt
					Amount	Treatment		
MPI Corporation	Lumitek (Changchou) Co. Ltd.	The Company Subsidiary	Receivable accounts $ 184,757	5.9%	—	—	$184,757	—

(II) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income (loss) and investment income (loss) recognized in the current period of the investees in which the Company may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) in 2014 is stated as follows:

Investor	Investee	Territory	Main Business lines	Original investment amount		Held at ending			Investee income recognized in current period (Note 1)	Investment income (loss) recognized in the current period (Note 2) (Note 3)	Remarks
				End of the period	End of last year	Quantity	Ratio	Book value			
MPI Corporation	MPI Ttrading Corp.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Trading of probe cards and semi-automatic probers	$ 32	$ 32	1,000	100%	$ 46,758	$ 5,649	$ 5,649	Subsidiary of MPI
MPI Corporation	MMI Holding Co.,Ltd.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 253,874	$ 133,374	8,390,045	100%	$ 246,079	$ 8,056	$ 90	Subsidiary of MPI (Note 4)
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%	$ 25,463	$ (844)	$ (427)	Subsidiary of MPI
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%	$ 243,022	$ 35,948	$ 35,878	Subsidiary of MPI

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%	$ 8,713	$ (6,434)	$ (6,434)	Subsidiary of MPI
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%	$ 8,714	$ (6,434)	$ (6,434)	Subsidiary of MPI
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%	$ 328	$ (24)	$ (24)	Subsidiary of MPI
MPI Corporation	Lumitek Co., Ltd.	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 1,976	$ 1,976	843,968	2.28%	$ (3,491)	$ (6,434)	–	MPI adopted the evaluation under the equity method.
MPI Corporation	Allstron Corporation	2F, No. 8, Hua Xin 5th Street, Neighborhood 21, Dahua Village, Gueishan Hsiang, Taoyuan County	Manufacturer of high-frequency wafer metrology prober cards	$ 50,000	–	1,550,000	100%	$ 48,440	$ (1,560)	$ (1,560)	Subsidiary of MPI Corporation (Note 5)
Chain-Logic International Corp.	Chain-Logic Trading Corp.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	$ 46,921	$ 46,921	1,400,100	100%	$ 85,667	$ (5,801)	–	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%	$ 6,478	$ (4,940)	–	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%	$ 6,142	$ (99,311)	–	Chia Ying Investment Co., Ltd. adopted the evaluation under the 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%	$ 8,015	$ (99,311)	–	Chia Hsin Investment Co., Ltd. adopted the evaluation under the 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%	$ 8,015	$ (99,311)	–	Yi Hsin Investment Co., Ltd. adopted the evaluation under the equity method.

Note 1: Except MEGTAS Co., Ltd., which recognized the investment income (loss) 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 (loss) recognized in the current period includes the investment income (loss) recognized under the equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income (loss) recognized in the current period includes the investment income (loss) to be recognized for their re-investment pursuant to the requirements.

Note 4: In order to meet the need for business expansion, The Group's subsidiary, MMI Holding Co., Ltd., increased capital by USD$440,000 (equivalent to NTD$12,967 thousand) again in October 2013, and by USD$4,000,000 (equivalent to NTD$120,500 thousand) again in January 2014. So far, The Group has invested a total of USD$8,390,045 in the subsidiary, MMI Holding Co., Ltd., totaling 8,390,045 shares, at the par value of USD$1 per share.

In order to develop the market in Mainland China, The Group's affiliate, MMK (Kunshan), increased capital by USD$440,000 via the subsidiary, MMI Holding Co., in October 2013. So far, The Group has invested a total of USD$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.

In order to develop the market in Mainland China, the Company added the subsidiary, Lumitek (Changchou) Co. Ltd, and invested a total of USD$4,000,000 in the subsidiary via the subsidiary, MMI Holding Co., Ltd., in January 2014. The shareholding of the subsidiary, MMI Holding Co., Ltd., was 100%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

Note 5: For the information about the Company's investment in Allstron Technology Co., Ltd., please refer to Note 6(6).

(III) Information related to investments in China:

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 remitted outward from Taiwan, beginning	Amount remitted or recovered in the current period		Accumulated investment balance remitted outward from Taiwan, ending	Investee income (loss) recognized in current period	Direct and indirect shareholding of the Company	Investment income recognized in the current period (Note 4)	Book value of the investment, 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)	$ (4,641)	100 %	$(4,641)	$ 80,271	$15,852
Mjc Microelectronics (Shanghai) Co., Ltd.	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	—	—	USD 600,000 ($ 20,813)	$ 3,409	40 %	$ 1,364	$ 45,254	$32,573
MET	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	—	—	—	—	$ 3,246	40 %	$ 1,298	$ 2,922	—
Leda-One (Shenzhen) Co. (Note 5)	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)	$ (4,623)	100 %	$(4,623)	$ 40,208	—
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,960,000 ($ 57,423)	—	—	USD 1,960,000 ($ 57,423)	$ 22,375	40 %	$ 8,950	$ 59,917	—
Lumitek (Changchou) Co. Ltd.	R&D and production of semiconductor chips, calculator parts, LED production equipment, and new electronic components; purchase, wholesale, agency and import/export of electronic materials,	USD 4,000,000 ($120,500)	(Note 2)	—	USD 4,000,000 ($120,500)	—	USD 4,000,000 ($120,500)	$ 2,095	100 %	$ 2,095	$ 122,565	—

	electronic components, electronic products, LED production equipment, machinery & equipment and spare parts.											

Note 1: Reinvest the Company in Mainland China via the offshore subsidiary, Chain-Logic Trading Corp.

Note 2: Reinvest the Company in Mainland China via the offshore subsidiary, MMI Holding Co., Ltd.

Note 3: Reinvest the Company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd.

Note 4: The investment income (loss) was recognized based on the financial statements audited by the parent company's external auditors.

Note 5: For the motion for liquidation of Leda-One (Shenzhen) Co. proposed by the Company to the Board of Directors for ratification on September 5, 2014, the liquidation was still underway until the date of the audit.

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 9,760,000 (NTD 299,764)	USD 21,760,000 (NTD 666,191)	NTD 2,235,422

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 2014 (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 2014.

Declaration

The companies to be included by the Company in the consolidated financial statement of affiliated enterprises in 2014 (Jan. 1, 2014- Dec. 31, 2014) 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 24, 2015

Auditors' Report

To MPI Corporation:

We have audited the consolidated balance sheets of **MPI Corporation and its subsidiaries** prepared on December 31 2014 and 2013, and the consolidated income statements, consolidated statement of changes in shareholders' equity and consolidated statements of cash flows covering FY2014 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 2014 and 2013 was not audited by us but by other external auditors. In our opinion toward said consolidated financial statements, the information on direct investment as disclosed in note XIII are valuated as audited by other public accountants. The total assets of said subsidiaries were NTD$54,580 thousand, NTD$52,125 thousand or accounted for 0.85%, and 1.11% of the consolidated total assets as of December 31, 2014 and 2013 respectively. As of January 1 to December 31, 2014 and 2013, MPI Corporation had net sales amounted to NTD$53,336 thousand and NTD$52,221 thousand, or accounted for 1.28% and 1.72% 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 believe that our audits and the other auditors' report 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 and its subsidiaries** as of December 31 2014 and 2013, and the results of January 1 to December 31, 2014 and 2013 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", and 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 2014 and 2013.

Nexia Sun Rise CPAs & Co.

CPA: ______________________

Chang, Yu-Ming

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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 24, 2015

MPI Corporation and its subsidiaries

Consolidated Balance Sheet (Assets)

December 31 2014 and 2013

Currency unit: in NTD 1,000

			December 31, 2014		December 31, 2013	
Code	Assets	Note	Amount	%	Amount	%
	Current assets					
1100	Cash and cash equivalent	VI (I)	$ 975,612	15	$ 623,796	13
1150	Receivable notes, net	VI (II)	44,848	1	17,555	1
1170	Receivable accounts, net	VI(III)	588,924	9	510,531	11
1180	Account receivables-related parties-net	VI (III) and VII	102,922	2	41,113	1
1200	Other receivable accounts		22,383	-	7,468	-
1220	Income tax assets in the current period		134	-	10	-
130X	Inventory, net	VI (IV)	1,711,592	27	1,498,928	32
1410	Prepayment		139,902	2	97,195	2
1470	Other current assets	VIII	11,732	-	12,027	-
11XX	Total current assets		3,598,049	56	2,809,211	60
	Non-current assets					
1510	Financial assets at fair value through profit or loss-noncurrent	VI(XII)	608	-	-	-
1543	Financial assets measured at cost-noncurrent	VI (V)	20,231	-	20,231	-
1550	Investment under the equity method	VI(VI)	123,852	2	126,332	3
1600	Property, plant and equipment	VI(VII), VII and VIII	2,167,777	34	1,590,963	34
1780	Intangible assets	VI(VIII)	69,274	1	17,977	-
1840	Deferred income tax assets		41,753	1	33,324	1
1900	Other non-current assets		365,873	6	117,537	2
15XX	Total non-current assets		2,789,368	44	1,906,364	40
1XXX	Total assets		$ 6,387,417	100	$ 4,715,575	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 and its subsidiaries

Consolidated Balance Sheet (Liabilities and Shareholders' Equity)

December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Liabilities and Shareholders' Equity	Note	December 31, 2014 Amount	%	December 31, 2013 Amount	%
	Current liabilities					
2100	Short-term loan	VI (IX)	$ 4,384	-	$ 4,265	-
2150	Note payables		2,260	-	2,052	-
2170	Account payables		500,805	8	392,844	9
2180	Account payables-related parties	VII	8,024	-	2,107	-
2213	Payables for equipment		141,920	2	16,983	-
2219	Other payable accounts	VI (X)	539,627	9	356,945	8
2220	Other payables-related parties	VII	13,856	-	7,551	-
2230	Income tax liabilities in the current period		66,279	1	44,238	1
2250	Provision for liabilities-current	VI (XI)	4,856	-	9,645	-
2310	Cash on receipt	VII	663,286	10	673,907	14
2320	Current portion of long-term debts	VI (XIII)	9,329	-	9,329	-
2399	Other current liabilities		19,047	1	20,013	1
21XX	Total current liabilities		1,973,673	31	1,539,879	33
	Non-current liabilities					
2530	Corporate bonds payable	VI (XII)	574,962	9		-
2540	Long-term loan	VI (XIII)	58,295	1	67,624	1
2570	Deferred income tax liabilities	VI (XIV)	15,307	-	15,254	-
2640	Accrued pension liabilities		20,934	-	19,959	1
2670	Other non-current assets-others		1,383	-	220	-
25XX	Total non-current liabilities		670,881	10	103,057	2
2XXX	Total liabilities		2,644,554	41	1,642,936	35
	Equity	VI(XV)				
31XX	Equity attributable to the parent company					
3110	Common shares		795,364	12	786,124	17
3200	Capital surplus		885,012	14	740,781	16
	Retained earnings					
3310	Legal Reserve		410,942	6	383,839	8
3320	Special Reserve		-	-	17,571	-
3350	Undistributed Earnings		1,593,614	25	1,254,511	27
3300	Total retained earnings		2,004,556	31	1,655,921	35
	Other equities					
3410	Exchange difference arising from translation of the financial statement of foreign operations		40,772	2	25,391	-
3400	Total other equities		40,772	2	25,391	-
3500	Treasury stock		-	-	(152,606)	(3)
31XX	Total equity attributable to the parent company		3,725,704	59	3,055,611	65
36XX	Non-controlling equity		17,159	-	17,028	-
3XXX	Total equities		3,742,863	59	3,072,639	65
1XXX	Total liabilities and equities		$ 6,387,417	100	$ 4,715,575	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 and its subsidiaries
Consolidated Income Statement
January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Item	Note	2014 Amount	2014 %	2013 Amount	2013 %
	Net Sales	VII				
4110	Sales revenue		$ 4,063,300	98	$ 2,987,419	98
4170	Less: sales return		(15,321)	-	(774)	-
4190	Less: sales discount		(3,907)	-	(579)	-
4614	Revenue from commissions		53,149	1	49,712	2
4660	Revenue from processing		58,911	1		
4000	Subtotal of net sales		4,156,132	100	3,035,778	100
5000	Operating costs	VI(IV) and VII	(2,221,139)	(53)	(1,634,352)	(54)
5900	Gross profit		1,934,993	47	1,401,426	46
5910	Unrealized income(loss) from sales		(1,248)	-	-	-
5920	Realized income (loss) from sales		2,774	-	2,895	-
5950	Net gross profit		1,936,519	47	1,404,321	46
	Operating expenses	VII				
6100	Selling expenses		(367,544)	(9)	(337,705)	(11)
6200	Management expenses		(282,312)	(7)	(182,865)	(6)
6300	R&D expenses	VI (VIII)	(728,996)	(18)	(550,203)	(18)
6000	Subtotal operating expenses		(1,378,852)	(34)	(1,070,773)	(35)
6900	Net Operating Income		557,667	13	333,548	11
	Non-operating revenue and expenses					
7020	Other gains and losses, net	VI(XVII)	31,232	1	11,160	-
7050	Financial cost	VI(XVII)	(3,238)	-	(750)	-
7060	Net portions of incomes/loss of subsidiaries, affiliated and joint ventures accounted for under the equity method	VI (VI)	(7,433)	-	(27,099)	-
7100	Interest revenue	VII	2,532	-	2,462	-
7110	Rent revenue	VII	9,598	-	3,906	-
7190	Other revenue-others	VII	9,025	-	3,372	-
7000	Subtotal non-operating incomes and expenses		41,716	1	(6,949)	-
7900	Net profit (loss) before tax		599,383	14	326,599	11
7950	Income tax expenses	VI(XVIII)	(82,085)	(2)	(55,666)	(2)
8200	Net profit		517,298	12	270,933	9
	Other consolidated income/loss					
8310	Exchange difference arising from translation of the financial statement of foreign operations		15,850	1	14,593	-
8360	Actuarial gain/loss on defined benefits		(3,915)	-	(672)	-
8371	Share of other comprehensive income of affiliates and joint ventures under the equity method		-	-	(246)	-
8300	Other net consolidated incomes		11,935	1	13,675	-
8500	Comprehensive income in current period (total)		$ 529,233	13	$ 284,608	9
	Net gain/loss attributable to					
8610	Parent company shareholders		$ 517,636	12	$ 271,033	9
8620	Uncontrolled equity		(338)	-	(100)	-
	Corporate earnings in current period		$ 517,298	12	$ 270,933	9
	Consolidated income attributable to					
8710	Parent company shareholders		$ 529,102	13	$ 284,045	9
8720	Uncontrolled equity		131	-	563	-
	Total consolidated income in current period		$ 529,233	13	$ 284,608	9
	Earnings per common share: (Unit: NTD)	VI(XIX)	After taxation		After taxation	
9750	Basic EPS		$ 6.62		$ 3.54	
9850	Diluted EPS		$ 6.11		$ 3.52	

(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 and its subsidiaries

Consolidated Statement of Changes in Shareholders' Equity

January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

		Capital stock		Retained earnings			Other Equities				
Item		Common shares	Capital surplus	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange difference arising from translation of the financial statement of foreign operations	Treasury stock	Total equity attributable to owners of the parent	Non-controlling equity	Total equities
	Code	3110	3200	3310	3320	3350	3410	3500	31xx	36XX	3XXX
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	663	13,675
Total comprehensive income	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
Balance on January 1, 2014	A1	$ 786,124	$ 740,781	$ 383,839	$ 17,571	$ 1,254,511	$ 25,391	$ (152,606)	$ 3,055,611	$ 17,028	$ 3,072,639
Allocation and distribution of earnings:											
Legal reserve	B1			27,103		(27,103)			-		-
Cash dividend for common shares	B5					(165,086)			(165,086)		(165,086)
Reversal of special reserve	B17				(17,571)	17,571			-		-
Changes in other capital surplus:											
Generated from recognition of convertible corporate bonds (preferred stock)	C5		28,585						28,585		28,585
Net profit in Jan 1 –Dec 31, 2014	D1					517,636			517,636	(338)	517,298
Other comprehensive incomes from Jan 1 -Dec 31, 2014	D3					(3,915)	15,381		11,466	469	11,935
Total comprehensive income	D5	-	-	-	-	513,721	15,381	-	529,102	131	529,233
Share-based payment	N1		33,296					152,606	185,902		185,902
Convertible corporate bond conversion		9,240	82,350						91,590		91,590
Balance on December 31, 2014	Z1	$ 795,364	$ 885,012	$ 410,942	$ -	$ 1,593,614	$ 40,772	$ -	$ 3,725,704	$ 17,159	$ 3,742,863

(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 and its subsidiaries
Consolidated Statement of Cash Flows
January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Item	2014	2013
AAAA	Cash flows from operation – indirect approach		
A10000	Net profit before tax in the current period	$ 599,383	$ 326,599
A20000	Adjustments		
A20010	Income/expenses unaffecting cash flows		
A20100	Depreciation expenses	140,413	112,482
A20200	Amortization expenses	33,880	31,843
A20300	Provisions (reversal) of doubtful accounts	8,695	7,452
A20400	Net loss from financial assets & liabilities at fair value through profit or loss	(1,782)	-
A20900	Interest expenses	3,238	750
A21200	Interest revenue	(2,532)	(2,462)
A21900	Remuneration cost paid from share-based payment	33,840	-
A22300	Portions of gain/loss from subsidiaries, affiliates, and joint ventures accounted for under the equity method	7,433	27,099
A22500	Gains/loss from dispositions and scrap of property, plant and equipment	1,920	(92)
A22600	Property, plant, and equipment recognized as expenses	-	117
A23900	Unrealized gain/loss from sales	1,248	-
A24000	Realized gain/loss from sales	(2,774)	(2,895)
A29900	Others – exchange gain/loss from prepayment for purchase of equipment	(454)	737
A30000	Changes in assets/liabilities related to operations		
A31000	Net changes in assets related to operations		
A31130	Decrease (increase) of note receivables	(27,293)	(11,915)
A31150	Decrease (increase) of account receivables	(86,029)	118,500
A31160	Decrease (increase) of account receivables -related parties	(62,510)	35,632
A31180	Decrease (increase) of other receivables	(14,764)	(4,374)
A31200	Decrease (increase) of inventory	(211,400)	39,911
A31230	Decrease (increase) of prepayments	(42,707)	(27,020)
A31240	Decrease (increase) of other current assets	644	7,398
A32000	Net changes in liabilities related to operations		
A32130	Increase (decrease) of note payables	208	(1,604)
A32150	Increase (decrease) of account payables	107,659	(12,236)
A32160	Increase (decrease) of account payables - related parties	5,917	390
A32180	Increase (decrease) of other payables	179,605	33,451
A32190	Increase (decrease) of other payables - related parties	6,306	(3,934)
A32200	Increase (decrease) of provisions for debts	(4,788)	(7,734)
A32210	Increase (decrease) of advance receipt	(10,620)	(183,322)
A32230	Increase (decrease) of other current liabilities	(972)	4,022
A32240	Increase (decrease) of accrued pensions	(2,941)	(3,611)
A33000	Cash inflows (outflows) from operation	658,823	485,184
A33100	Collected interest	2,393	2,517
A33300	Paid interest	(1,735)	(695)
A33400	Paid stock dividend	(165,086)	(191,526)
A33500	Paid income tax	(68,544)	(46,559)
AAAA	Net cash inflows (outflows) from operations	425,851	248,921
BBBB	Cash flows from investments		
B01800	Investment accounted for under the equity method	-	(14,942)
B02200	Acquisition of subsidiaries (less earned cash)	(45,632)	-
B02700	Acquisition of property, plant, and equipment	(620,119)	(207,569)
B02800	Disposition of property, plant, and equipment	1,405	16,292
B04500	Acquisition of intangible assets	(16,773)	(9,656)
B06500	Increase of other financial assets	-	(1,093)
B06600	Decrease of other financial assets	239	-
B06700	Decrease of other non-current assets	(270,568)	(20,915)
B07600	Collected stock dividends	-	6,953
BBBB	Net cash inflows (outflows) from investments	(951,448)	(230,930)

(To be continued)

MPI Corporation and its subsidiaries

Consolidated Statement of Cash Flows (continued from previous page)

January 1 to December 31, 2014 and 2013

Currency unit: in NTD 1,000

Code	Item	2014	2013
CCCC	Cash flow from financing		
C01200	Offering of corporate bonds	694,797	-
C00100	Increase of short-term loans	119	4,265
C01700	Repayment of long-term loans	(9,329)	(9,328)
C04400	Decrease of other non-current liabilities	1,163	70
C04800	Exercise of Employee Stock Options	-	143
C05100	Purchase of treasury stock by employees	152,062	-
C05800	Uncontrolled equity	469	663
CCCC	Net cash inflows (outflows) from financing	839,281	(4,187)
DDDD	Effect of exchange rate fluctuation on cash and cash equivalents	38,132	7,088
EEEE	Increase (decrease) of cash and cash equivalents in current period	351,816	20,892
E00100	Balance of cash and cash equivalents at beginning of period	623,796	602,904
E00200	Balance of cash and cash equivalents at ending of period	$ 975,612	$ 623,796

(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, 2014 and 2013

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

I. Company profile

(I) MPI Corporation (hereinafter referred to as the "The Company") was founded according to Company Law and other related laws on July 25, 1995. Upon capital increase for several times, The Company's paid-in capital has been NTD$795,364 thousand and outstanding stock has been 79,536,392 shares until December 31, 2014. Upon resolution of the special shareholders' meeting on December 28, 2006, The Company raised the authorized capital as NTD$1,000,000,000, divided into 100,000,000 shares at par value of NTD$10 per share. The board of directors is authorized to issue the stock in lots. NTD$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 NTD$10 per share, available for 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 "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 the financial report

The consolidated financial statements have been approved and released by the Board of Directors on March 24, 2015.

III. Application of new and amended standards and interpretations

(I) The Company has applied the new and amended IFRSs recognized by Financial Supervisory Commission (“FSC”).

N/A

(II) Effect for The Company failure to apply the new and amended IFRSs recognized by FSC

According to the decree of FSC under Chin-Kuan-Cheng-Shen-Tzu No. 1030010325 dated April 3, 2014, as of 2015, all of the TWSE/GTSM listed companies and over-the-counter companies shall apply the 2013 International Financial Reporting Standards (exclusive of the IFRS No. 9 "Financial Instruments") recognized by and coming into force upon promulgation by the FSC and the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" applicable as of 2015 (hereinafter referred to as "2013 IFRSs" collectively). The new, amended and modified standards and interpretations thereof are summarized as following:

New/amended/modified standards and interpretations	Effective Date Promulgated by IASB
Amendments to IFRS No. 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendments to IFRS No. 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendments to IFRS No. 1 “Government Loans"	January 1, 2013
Amendments to IFRS No. 7 “Disclosure - Transfer of Financial Assets"	July 1, 2011
Amendments to IFRS No. 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
IFRS No. 10 “Consolidated Financial Statements”	January 1, 2013 (Investment entities coming into force as of January 1, 2014)
IFRS No. 11 “Joint Agreements”	January 1, 2013
IFRS No. 12 “Disclosure of Interests in Other Entities”	January 1, 2013
IFRS No. 13 “Fair Value Measurement”	January 1, 2013
Amendments to IAS No. 1 "Presentation of Items of Other Comprehensive Income"	July 1, 2012
Amendments to IAS No. 12 "Deferred Income Tax: recovery of underlying assets"	January 1, 2012
Amendments to IAS No. 19 “Employee Benefits”	January 1, 2013
Amendments to IAS No. 27 “Separate Financial Statements”	January 1, 2013
Amendments to IAS No. 28 “Investment in Associates and Joint Ventures”	January 1, 2013
Amendments to IAS No. 32 “Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC No. 20 "Stripping Costs in the Production Phase of a Surface Mine"	January 1, 2013

Upon evaluation, The Group believes that, except for the following, application of 2013 IFRSs shall not render significant impact to The Group:

1. IFRS No. 12 “Disclosure of Interests in Other Entities”

   Said standard integrates the requirements about the disclosure of subsidiaries held by enterprises, joint agreement, affiliates and equity in entities excluded from consolidated financial statements referred to in the IFRSs, and requires the disclosure of related information. The Group will additionally disclose the information about entities included into and excluded from consolidated financial statements according to said standard.

2. IFRS No. 13 “Fair Value Measurement”

   Said standard defines the fair value, establish the framework for fair value measurement, and regulates the disclosure of fair value measurement. Upon evaluation, said standard shall not render a significant impact to The Group. The Group will comply with the requirements about additional disclosure of fair value measurement pursuant to said standard.

3. Amendments to IAS No. 1 “Presentation of Financial Statements”

   Said standard amends the presentation of items of other comprehensive income by categorizing the items of other comprehensive income into "not reclassified into income subsequently" and "reclassified into income subsequently" by nature. The amendments also require that the items of other comprehensive income shall be stated in the amount before tax, and the applicable tax thereof shall be stated separately according to said two categories. The Group will alter the presentation of comprehensive income statement pursuant to said standard.

4. Amendments to IAS No. 19 “Employee Benefits”

   The amendments to said standard primarily require that the net interest shall be decided by net defined benefit liabilities (assets) multiplying by discount rate, which shall replace the interest cost and anticipated remuneration under planned assets before the amendments. An enterprise shall recognize the resignation benefits when it cannot revoke an offer for resignation benefits any longer or it recognizes related reorganization cost, whichever occurs earlier, but not recognize resignation benefits as liabilities and expenses until it has expressly promised related resignation matters. The Group will add the requirement about disclosure of the defined benefit plan. When preparing the financial statements 2015, The Group will choose not to disclose the sensitivity analysis for defined benefits for the comparative periods in 2014. Upon evaluation, the first-time adoption is expected to render significant impact to The Group's financial position and operating result this year.

(III) Effect of the IFRSs promulgated by IASB but not yet recognized by FSC

The new, amended and modified standards and interpretations of 2013 IFRSs already promulgated by IASB but not yet recognized by FSC are summarized as following:

New/amended/modified standards and interpretations	Effective Date Promulgated by IASB

Amendments to IFRS No. 9 “Financial Instruments: Disclosures”	January 1, 2018
Amendments to IFRS No. 10 and IAS No. 28 "Sale or Contribution of Assets Between an Investor and its Joint Venture or Associate"	January 1, 2016
Amendments to IFRS No. 10, IFRS No. 12 and IAS No. 28 "Investment Entity: Exceptions of Consolidation"	January 1, 2016
Amendments to IFRS No. 11 “Acquisition of an Interest in a Joint Operation"	January 1, 2016
IFRS No. 14 “Regulatory Deferred Accounts"	January 1, 2016
IFRS No. 15 “Revenue from Contracts"	January 1, 2017
Amendments to IAS No. 1 “Disclosure Project”	January 1, 2016
Amendments to IAS No. 16 and IFRS No. 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS No. 16 and IFRS No. 41 "Bearer Plants"	January 1, 2016
Amendments to IAS No. 19 “Defined Benefit Plans - Employees' Contribution”	July 1, 2014
Amendments to IAS No. 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS No. 36 “Recoverable Amounts Disclosures for Non-Financial Assets"	January 1, 2014
Amendments to IAS No. 39 "Notation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRSIC No. 21 “Levies”	January 1, 2014

The Group evaluates the effect of said standards and interpretations to The Group's financial position and operating result, and will disclose the effect upon completion of the evaluation.

IV. Summary of Significant Accounting Policies

The important accounting policies applied by the financial statements are summarized as follows: Unless otherwise stated, the following accounting policies have been consistently applied to the periods in which the consolidated financial statements were presented.

(I) Statement of compliance

The consolidated financial statements were prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the "Regulations") and the IFRS, international accounting standards, interpretation and the statements of interpretation recognized by FSC (hereinafter referred to as the "IFRSs recognized by FSC").

(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 shall be presented based on the Company's functional currency, NTD. All of the financial information presented in NTD shall 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 (loss) 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:

Investor	**Name of Subsidiary**	**Nature of business**	**Equity (%)**		**Note**
			December 31, 2014	**December 31, 2013**	
The Company	Chain-Logic International Corp.	Professional agent and trading of semi-conductor	100%	100%	Founded on January 25, 1994

The Company	MPI Trading Corp.(Samoa)	Trading of probe cards and semi-automatic probers	100%	100%	Founded on December 22, 2000
The Company	MMI Holding Corp. (Samoa)	General investment	100%	100%	Founded on August 7, 2002
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%	Founded on September 1, 2010
The Company	Chia Hsin Investment Co., Ltd.	General investment	100%	100%	Founded on April 30, 2004
The Company	Yi Hsin Investment Co., Ltd.	General investment	100%	100%	Founded on April 30, 2004
The Company	Won Tung Technology Co., Ltd.	Manufacturing of telecommunication appliances, wholesale and retail of electronic materials, and manufacturing of electronic components	100%	100%	Founded on December 22, 2010
The Company	Allstron Corporation	Manufacturer of high-frequency wafer metrology prober card	100% (Note 1)	–	That company was incorporated on March 31, 2006. The Company set January 1, 2014 as the date of acquisition on which the Company acquired 100% of the equity.
Chain-Logic International Corp.	Chain-Logic Trading Corp. (Mauritius)	International trading	100%	100%	Founded on November 19, 2001
Chain-Logic International Corp.	Chia Ying Investment Co., Ltd.	General investment	100%	100%	Founded on April 30, 2004
Chain-Logic Trading Corp.	Chain Logic (Shanghai) International Corp.	International trading	100%	100%	Founded on February 8, 2002
MMI Holding Corp.	Leda-One (Shenzhen) Co.	Production, management and	100%	100%	Founded on May 7, 2010

		development of new electronic components, et al.			
MMI Holding Corp.	Lumitek (Changchou) Co. Ltd.	LED die back-end process design, development, production and sale	100% (Note 2)	－	Founded on January 10, 2014

(Note 1) The Group acquired the control over Allstron Corporation upon acquisition of 100% shares of Allstron in 2014, in order to develop the production of wafer metrology probe cards. The investment cost was NTD$50,000 thousand.

(Note 2) In order to develop the market in Mainland China, The Group added the subsidiary, Lumitek (Changchou) Co. Ltd, and invested a total of USD$4,000,000 (equivalent to NTD$120,500 thousand) in the subsidiary via the subsidiary, MMI Holding Co., Ltd., in January 2014. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

External auditors audited the financial statements of said subsidiaries. The investment income (loss) 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 2014 and 2013 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 NTD$506 thousand and NTD$150 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) Foreign currency

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, 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 (loss), any difference shall be stated as income (loss).

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 (loss).

   When disposing 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 (loss).

(V) <u>Standards about classification of current and non-current assets and liabilities</u>

Assets that 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 and highly liquid time deposits or investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The bank time deposits to initially expire within one year are intended to satisfy the short-term cash commitment instead of investment or others, which may be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, therefore, are stated as cash or cash equivalent.

(VII) Financial instruments

Financial assets and financial liabilities are recognized when The Group becomes a party 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. In any of the following circumstances, The Group shall designate the financial assets other than the financial assets held for trading as the financial assets at fair value through profit or loss at the time of initial recognition:

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

Hybrid instruments including embedded derivative

Such financial assets are measured at fair value at the time of initial recognition. The relevant transaction costs shall be stated as income (loss) when they are incurred. The following measurement shall be based on fair value, and then the gain or loss generated therefor shall be measured (including the relevant stock dividend revenue and interest revenue) and recognized as income (loss) 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 equity investments “without public market price and the fair value of which cannot be reliably measured”, they shall 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 shall 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 is likely to wind up or proceed with other financial reorganizations, and the active market of financial assets extinguishing due to financial difficulty.

For some accounts receivable was held unimpaired upon individual evaluation, the impairment shall 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 shall 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 shall 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 (loss).

(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 shall be recognized based on the payment of acquisition less the direct issuing cost.

The compound financial instruments issued by The Group mean the convertible corporate bonds convertible to capital stock by exercise of options. The quantity of shares thereof would not vary depending on changes of the fair value.

The amount of elements of compound financial instrument liabilities shall be measured at fair value of similar liabilities excluding equity conversion right initially. The amount of elements of equity shall be measured based on the difference between fair value and elements of liabilities of the entire compound financial instruments initially. Any trading cost that may be attributable directly shall be amortized to the elements of liabilities and equity based on the proportion of the original book values of liabilities and equity.

Upon the initial recognition, the elements of liabilities of compound financial instruments shall be measures at amortized cost under effective interest method. The elements of equity of compound financial instruments need not to be re-measured at the time of initial recognition.

The interest and loss or gain related to financial liabilities shall be recognized as income (loss) and stated into non-operating revenue and expenses.

Financial liabilities shall be re-classified as equity at the time of conversion. No profit or loss would be generated from the conversion.

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

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

The financial liabilities held for trading are acquired or incurred principally for the purpose of sale in the near term or repurchase. In any of the following circumstances, The Group shall designate the financial liabilities other than the financial assets held for trading as the financial assets at fair value through profit or loss at the time of initial recognition.

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

Hybrid instruments including embedded derivative

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

(3) 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, shall be stated as "financial cost" under the non-operating revenue and expenses.

(4) Derecongition of financial liabilities

The Group will derecognize financial liabilities upon performance, cancellation or expiration of contractual obligations.

(5) 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 shall 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 (loss) from the invested affiliates recognized subject to the shareholdings and other comprehensive income (loss) 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 where 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 include the purchase of property, plant and equipment denominated in foreign currency.

   When property, plant and equipment consist of various components, and the total cost for the item is significant and it is advisable to apply different depreciation ratio or methods, the property, plant and equipment shall 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 shall be derecognized. The routine maintenance and repair of property, plant and equipment shall be stated as income (loss) 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 (loss).

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 equipment	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 shall be made if necessary, and the changes shall be treated as changes in accounting estimates.

(XI) Lease

No risk and remuneration over the ownership of assets would be passed on to lessee under The Group's lease terms and conditions. Therefore, the lease was classified as operating lease all the time. The lease income was stated as income under straight line method within the given lease term. The lease payment was stated as expenses under straight line method within the lease term. Under operating lease, contingent rent was stated as current expenses.

(XII) Intangible assets

1. Goodwill

Goodwill is generated from business mergers and acquisition. Goodwill shall undergo an impairment test each year, and be reported at cost less accumulated impairment. Impairment loss on goodwill cannot be reversed.

For the purpose of impairment test, goodwill shall be amortized into cash generation units. The amortization is identified based on operations. The goodwill shall be amortized to various cash generation units (or cash generation unit groups) expected by the Company to benefit from the consolidation which may generate goodwill.

2. Reseach & Development

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 (loss) when they 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 (loss) when they 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.

3. Other intangible assets

The other intangible assets acquired by The Group shall be stated at cost less accumulated amortization and accumulated impairment.

4. 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 (loss) when incurred, including the goodwill and brand developed internally.

5. 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 (loss):

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 shall be stated. The impairment loss shall be stated as the current income (loss) 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 the 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 shall 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, 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.

Under the calculation method agreed in the lease contract, it shall be stated as revenue within the lease term.

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

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 (loss) 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 (loss) 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 (loss) under the 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 (loss).

On January 1, 2012, the date of conversion into IFRSs approved by FSC, all actuarial income (loss) shall be stated into the retained earnings. The Group's actuarial income (loss) generated subsequent to the defined benefit plan shall be stated as other comprehensive income (loss).

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 dividends 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 (loss).

(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 (loss), other than the income tax related to combined entities, and items stated into other comprehensive income (loss) 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) Business merger

1. The Group completes business merger under the acquisition method. The consideration for combination is calculated at the fair value of transferred assets, liabilities generated or borne therefore and equity instruments as issued. The consideration for transfer includes the fair value of any assets and liabilities generated from contingent consideration arrangement. The cost related to acquisition is stated as expense when it is incurred. The identifiable assets acquired and liabilities borne upon business merger shall be measured at the fair value prevailing on the date of acquisition. Based on the individual acquisitions, The Group chooses to measure the acquiree's non-controlling interests at fair value or the proportion of non-controlling interests in the acquiree's identifiable net assets.
2. The excess of the total of transfer consideration, acquiree's non-controlling interests, and fair value of any interests of the acquiree held previously on the date of acquisition in the fair value of the identifiable net assets acquired by The Group shall be stated as goodwill, while the difference thereof from the fair value of the identifiable net assets acquired by The Group (bargain purchase) shall be stated as the current income (loss).

(XXIII) <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 (loss) 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 (loss) 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.

(XXIV) <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, 2014, the book value of receivable accounts has been NTD$736,694 thousand (exclusive of the allowance for bad debt, NTD$30,836 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, 2014, the book value of The Group's inventories has been NTD$1,711,592 thousand (exclusive of the allowance for inventory devaluation and obsolescence loss, NTD$187,770 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, 2014, the deferred income tax assets recognized by The Group have been NTD$41,753 thousand.

4. Recognition of revenue

In principle, sales revenue is recognized at the time of the earning process. The related reserve for liabilities is provided based on the estimated after-sales 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, 2014, the reserve for liabilities recognized by The Group have been NTD$4,856 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, 2014, the book value of The Group's accrued pension liabilities have been NTD$20,934 thousand.

6. Evaluation of impairment on goodwill

The evaluation of impairment on goodwill relies on The Group's subject judgment, including identification of cash generation units and amortization of assets, liabilities and goodwill to related cash generation units and determination of collectible amount of cash generation units. For the evaluation of impairment on goodwill, please refer to Note 6(8) hereto. As of December 31, 2014, The Group's goodwill amounted to NTD$45,533 thousand.

VI. Notes to Major Accounting Titles

(I) Cash and cash equivalent

	December 31, 2014	December 31, 2013
Cash:		
Cash on hand	$ 2,570	$ 3,027
Bank deposits:		
Check deposit	10	10
Demand deposits	647,652	619,619
Time deposits	325,380	1,140
Total	$ 975,612	$ 623,796

The bank deposits provided by The Group as collateral have been re-stated as other current assets. Please see Note 8.

(II) Net note receivables

	December 31, 2014	December 31, 2013
Receivable notes	$ 44,848	$ 17,555
Less: Allowance for bad debt	－	－

Receivable notes, net	$ 44,848	$ 17,555

The Group's receivable notes were issued for business and never been provided as collateral.

(III) Receivable accounts, net

	December 31, 2014	December 31, 2013
Receivable accounts	$ 602,044	$ 517,284
Less: Allowance for bad debt	(13,120)	(6,753)
Receivable accounts, net	$ 588,924	$ 510,531

	December 31, 2014	December 31, 2013
Receivable accounts-related party	$ 103,824	$ 41,313
Less: Allowance for bad debt	(902)	(200)
Receivable accounts-related party, net	$ 102,922	$ 41,113

	December 31, 2014	December 31, 2013
Receivable on demand (stated as other non-current assets)	$ 16,814	$ 29,276
Less: Allowance for bad debt	(16,814)	(29,276)
Receivable on demand, net	$ —	$ —

1. The Group's receivable accounts were incurred for business and never been provided as collateral.
2. For information about the changes of bad debt provided for the impairment on receivable accounts and account age analysis on loans (for the disclosure of credit risk, please see Note 12(2)):

	Group evaluation Impairment loss	Individual evaluation Impairment loss	Total
January 1, 2014	$ 8,331	$ 27,898	$ 36,229
Impairment loss provided in the current period	10,445	—	10,445
Impairment loss reversed in the current period	—	(1,750)	(1,750)
Accounts written off and uncollected in the current period	(4,036)	(10,201)	(14,237)
Foreign exchange rate effect	149	—	149
December 31, 2014	$ 14,889	$ 15,947	$ 30,836
January 1, 2013	$ 13,006	$ 15,947	$ 28,953
Impairment loss provided in the current period	—	11,951	11,951
Impairment loss reversed in	(4,499)	—	(4,499)

the current period			
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

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

	December 31, 2014		December 31, 2013	
	Total	**Impairment**	**Total**	**Impairment**
Undue	$ 650,296	$ -	$ 503,853	$ -
Overdue for 1~90 days	77,892	5,452	52,968	2,945
Overdue for 91~180 days	6,402	1,017	10,732	1,050
Overdue for 181~360 days	8,505	2,031	5,723	700
Overdue for 1~2 years	4,199	2,100	1,236	618
Overdue for more than 2 years	20,236	20,236	30,916	30,916
Total	$ 767,530	$ 30,836	$ 605,428	$ 36,229

(IV) Inventory, net

	December 31, 2014	December 31, 2013
Raw materials	$ 373,324	$ 298,796
Supplies	62,175	47,128
Work in process	288,719	236,416
Semi-Finished Goods	155,679	84,564
Finished goods	944,009	860,922
Commodity	67,921	76,880
Materials and supplies in transit	7,535	42,034
Less: Allowance for inventory devaluation and obsolescence losses	(187,770)	(147,812)
Inventory, net	$ 1,711,592	$ 1,498,928

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

	2014	2013
Cost of sold inventory	$ 2,159,959	$ 1,585,202
Allowance for inventory devaluation and obsolescence losses (revaluation gains)	40,388	41,363
Inventory retirement loss	56	426
Other operating cost - employee bonuses	23,165	13,137
Revenue from sale of scrap	—	—
Estimated maintenance and warranty cost	(2,429)	(5,776)
Sales cost, net	$ 2,221,139	$ 1,634,352

2. Before December 31, 2014 and 2013, The Group's inventories have never been provided as collateral.

(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, 2014		December 31, 2013	
Noncurrent items:				
TAISelec Co.,Ltd	$	20,231	$	20,231
Less: Impairment loss		—		—
Total	$	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, 2014 and 2013, The Group's financial assets measured at cost had never been provided as collateral.

(VI) Investment under the equity method

The Investment under the equity method by The Group on the reporting date is stated as follows:

	December 31, 2014		December 31, 2013	
Investee	Book value	Ratio of shareholding %	Book value	Ratio of shareholding %
Affiliates:				
MJC Microelectronics (Shanghai) Co., Ltd.	$ 45,254	40 %	$ 42,326	40 %
MMK (Kunshan)	59,917	40 %	49,064	40 %
Lumitek Co., Ltd.	18,681	20.15 %	34,942	20.15 %
Total	$ 123,852		$ 126,332	

1. Changes in investment under the equity method:

	2014		2013	
Balance, beginning	$	126,332	$	138,067
Increase in investment in the current period		-		14,942
Cash dividend distributed by affiliates		-		(6,953)
Investment income (loss) recognized under the equity method		(7,433)		(27,099)
Exchange difference arising from		3,427		4,480

translation of the financial statement of foreign operations		
Realized (unrealized) income (loss) from downstream transactions with affiliates	1,526	2,895
Balance, ending	$ 123,852	$ 126,332

2. The affiliates' financial information is summarized as following, which is not adjusted based on the ratio of The Group's ownership:

December 31, 2014	Total assets	Total liabilities	Revenue	Net profit
Mjc Microelectronics (Shanghai) Co., Ltd.	$ 114,905	$ 1,771	$ 36,431	$ 3,409
MMK (Kunshan)	212,043	62,252	179,783	22,375
Lumitek Co., Ltd.	184,085	60,055	107,707	(99,311)
Total	$ 511,033	$ 124,078	$ 323,921	$ (73,527)

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)

3. The Group recognized the share of investment income (loss) under the equity method based on the investees' financial statements 2014 and 2013 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 has held a total of 6,630,000 shares of Lumiteck Co., Ltd. at par value of NTD$10 per share, and until December 31, 2014 and 2013, The Group's shareholdings were both 17.87%.
5. The Group has acquired 843,968 shares of stock issued by Lumitek Co., Ltd., via the Company, in April 2013 at the cost of NTD$1,976 thousand. As of December 31, 2014 and 2013, The Group held 7,473,968 shares or 20.15% of the shares issued by Lumitek Co., Ltd. and is accounted for under the equity method.
6. Guarantee

   As of December 31, 2014 and 2013, The Group has not pledged its investment accounted for under the equity method as collateral.

(VII) Property, plant and equipment

1. The details about changes in the cost, depreciation and impairment loss of The

Group's property, plant and equipment in 2014 and 2013 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, 2014	$291,479	$1,078,796	$293,752	$ 5,047	$ 68,975	$344,718	$ 26,434	$ 497	$2,109,698
Acquired from business merger	-	-	663	-	5,527	-	132	-	6,322
Addition	220,594	124,427	215,208	2,814	18,763	27,508	3,864	4,603	617,781
Disposition	-	-	(10,773)	(3,732)	(14,736)	(264)	(5,245)	-	(34,750)
Transfer	-	-	40,788	-	588	53,010	1,706	(497)	95,595
Effect of foreign exchange rate change	-	1,086	4,910	115	254	-	325	-	6,690
December 31, 2014	$512,073	$1,204,309	$544,548	$ 4,244	$ 79,371	$424,972	$ 27,216	$ 4,603	$2,801,336
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
Accumulated depreciation and impairment:									
January 1, 2014	$ -	$ 136,836	$169,616	$ 3,102	$ 36,237	$159,881	$ 13,063	$ -	$ 518,735
Acquired from business merger	-	-	548		4,133		106	-	4,787
Depreciation	-	29,500	41,027	991	13,417	50,672	4,806	-	140,413
Disposition	-	-	(10,419)	(3,466)	(13,212)	(252)	(4,056)	-	(31,405)
Transfer	-	-	-	-	-	-	(20)	-	(20)
Effect of foreign exchange rate change	-	405	387	53	809	-	(605)	-	1,049
December 31, 2014	$ -	$ 166,741	$201,159	$ 680	$ 41,384	$210,301	$ 13,294	$ -	$ 633,559
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	-	523	172	135	90	-	195	-	1,115

exchange rate change									
December 31, 2013	$ -	$ 136,836	$169,616	$ 3,102	$ 36,237	$159,881	$ 13,063	$ -	$ 518,735
Net book value									
December 31, 2014	$512,073	$1,037,568	$343,389	$ 3,564	$ 37,987	$214,671	$ 13,922	$ 4,603	$2,167,777
December 31, 2013	$ 291,479	$ 941,960	$124,136	$ 1,945	$ 32,738	$184,837	$ 13,371	$ 497	$1,590,963

2. The Company purchased the land and building situated at Yang Deh Section, Xinpu Township from the affiliate, Lumitek Co., Ltd., in September 2014. The total contract amount was NTD$316,800 thousand (after tax), and the transfer registration was completed on October 27, 2014. The land and building will be used as the facility building.
2. The Group purchased the pre-construction real property situated at Gehuzhong Road, Wujing District, Changchou City, Jiangsu Province, China from a non-related party in September 2014. The total contract amount was RMB4,320 thousand (equivalent to NTD$21,988 thousand), which has already been paid up and stated as "other noncurrent assets".
4. Guarantee

   For details about the secured long-term loan and facility until December 31, 2014 and 2013, please see Note 8.
5. For the capitalized interest, please see Note 6(17)2. Financial cost.

(VIII) Intangible assets

The details about changes in the cost, amortization and impairment loss of intangible assets in 2014 and 2013 are stated as follows:

	Goodwill	**Computer software**	**Total**
January 1 to December 31, 2014			
January 1, 2014	$ —	$ 17,977	$ 17,977
Addition	—	16,773	16,773
Reclassification	—	—	—
Acquired from merger	45,533	—	45,533
Amortization expenses	—	(11,014)	(11,014)
Impairment	—	—	—
Exchange difference, net	—	5	5
December 31, 2014	$ 45,533	$ 23,741	$ 69,274

	Goodwill	Computer software	Total
January 1 to December 31, 2013			
January 1, 2013	$ —	$ 20,620	$ 20,620
Addition	—	10,470	10,470
Reclassification	—	(10)	(10)
Amortization expenses	—	(13,103)	(13,103)
Impairment	—	–	–
Exchange difference, net	—	–	–
December 31, 2013	$ —	$ 17,977	$ 17,977

1. Recognized amortization and impairment

The amortization expenses for intangible assets and other deferred expenses 2014 and 2013 (stated as other noncurrent assets) were stated as the following items in the comprehensive income statement:

	2014	2013
Operating cost	$ 12,112	$ 8,189
Operating expense	21,768	23,654
Total amortization expenses	$ 33,880	$ 31,843

2. R&D expenditure

In 2014 and 2013, the R&D spending deriving from intangible assets internally developed amounted to NTD$728,996 thousand and NTD$550,203 thousand, respectively, recognized under the title of “Operating expenses –R&D expenses” in the comprehensive income statement.

3. Acquisition of subsidiaries

The Group acquired the control over Allstron Corporation (hereinafter referred to as "Allstron") upon acquisition of 100% shares of Allstron in March 2014. Allstron is primarily engaged in manufacturing high-frequency wafer metrology prober cards.

The Group may improve its production process based on the patented technology owned by Allstron upon acquisition of Allstron. Meanwhile, The Group accessed the acquiree's clientele upon the acquisition. Therefore, the Company's market share of semiconductor production & testing equipments is expected to increase. The Group also expects to reduce cost via the economy of scale.

The Group set January 1, 2014 as the date of acquisition. For the three months until

March 31, 2014, Allstron's revenue and net profit (loss) attributable to the Company were NTD$1,112 thousand and NTD$1,149 thousand respectively.

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

(1) Transfer consideration: NTD$50,000 thousand in cash

(2) Identifiable assets acquired and liabilities borne

Fair value of identifiable assets acquired and liabilities borne on the date of acquisition is stated as following:

Cash and cash equivalent	$	4,368
Receivable accounts		506
Other receivable accounts		12
Inventory		1,264
Prepayment		1
Other current assets		1
Property, plant and equipment (Note 6(7))		1,535
Other non-current assets		175
Payable accounts		302
Other payable accounts		3,088
Other current liabilities		5
Fair value of identifiable assets	$	4,467

(3) Goodwill

Goodwill recognized upon acquisition is stated as following:

Transfer consideration	$	50,000
Fair value of identifiable assets		4,467
Goodwill	$	45,533

The goodwill upon acquisition of Allstron was primarily generated from Allstron's metrology application end product lines in the electronic industry, such as high-frequency wafer metrology and wide-distance probe card metrology to meet the patented technology and employees' value related to changeable metrology demand in the electronics industry. Meanwhile, the payment of transfer consideration is made due to, including, expectation toward integration of semiconductor production and testing equipment business of that company and The Group to generate combined synergy, growth of revenue and future market development, provided that such benefits do not meet the requirements for recognition of identifiable intangible assets and, therefore, were not recognized separately. The goodwill recognized therefor is expected to be tax-free.

The Group's goodwill was generated upon acquisition and merger of subsidiaries. The transfer consideration was set based on the value of investment in Allstron calculated under income-based method, according to the appraisal report issued by the expert. The income-based method applied Allstron's financial forecast for next five years and estimated discount rate. Until December 31, 2014, no significant changes showing impairment on goodwill have occurred.

(IX) Short-term loans

	December 31, 2014		December 31, 2013	
Nature of the loan	Amount	Interest rate	Amount	Interest rate
Credit loans	$ 4,384	5.60%	$ 4,265	4.34%~5.12%
Mortgage loans	—		—	
Total	$ 4,384		$ 4,265	

For the information about exposure of The Group's interest rate and liquidity risks, please refer to Note 12(2).

(X) Other payable accounts

	December 31, 2014	December 31, 2013
Payable expenses	$ 458,523	$ 286,605
Payable employee bonuses	48,242	28,071
Short-term employee benefits	15,199	34,287
Payable stock dividends	—	—
Others (all less than 5%)	17,663	7,982
Total	$ 539,627	$ 356,945

(XI) Reserve for liabilities

	Warranties		Warranties
Balance, January 1, 2014	$ 9,645	**Balance, January 1, 2013**	$ 17,379
Increase (decrease)	(4,789)	Increase (decrease)	(7,734)
Balance, December 31, 2014	$ 4,856	**Balance, December 31, 2013**	$ 9,645
Current	$ 4,856	Current	$ 9,645
Non-current	-	Non-current	-
Balance, December 31, 2014	$ 4,856	**Balance, December 31, 2013**	$ 9,645

The Group's reserve for warranties and liabilities in 2014 and 2013 was primarily related to the sale of semi-conductor production process and testing equipments. The reserve for warranties 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) Corporate bonds payable

	December 31, 2014	December 31, 2013
Aggregate of domestic 3rd unsecured convertible corporate bonds	$ 700,000	$ —
Less: converted amount	(92,400)	—
Less: discount of corporate bonds payable	(32,638)	—
Corporate bonds payable, net	$ 574,962	$ —
Current	$ -	$ -
Non-current	574,962	-
Total	$ 574,962	$ -

1. In order to purchase plant, machine and equipment and repayment of bank loan, the Company proposed the motion for offering of domestic 3rd unsecured convertible corporate bonds. The motion was ratified by the Board of Directors on October 16, 2014 and approved by FSC via its approval letter under Ching-Kuan-Cheng-Fa-Tze No. 10300425656 dated November 4, 2014. The bonds shall be issued under the following conditions:
   (1) Total issue price: NTD$700 million
   (2) Duration: 3 years (from November 18, 2014 to November 18, 2017)
   (3) Coupon rate: 0%
   (4) Duration of conversion: from the day following expiration of the issue date (December 19, 2014) until the expiry date (November 18, 2017).
   (5) Conversion price and adjustment thereof:
      A. The conversion price shall be NTD$100 per share at the time of issuance.
      B. In the case of changes in common shares (e.g., capital increase in cash, recapitalization of earnings and recapitalization of capital surplus, etc.), the conversion price will be adjusted relatively.
   (6) Bondholder's put: The date of expiration of two years upon issuance of the bonds (November 18, 2016) shall be the record date on which the bond holders may exercise their put earlier. The bond holders may ask the Company to redeem the bonds held by him at the price of 100% of the par value of the bonds in cash within 40 days prior to the record date of put.
   (7) The Company's right of redemption:
      A. From the date following expiration of one month upon issuance of the bonds (December 19, 2014) until 40 days prior to expiration of duration of issuance (October 9, 2017), if the closing price of the Company's

common shares at GTSM has been more than the conversion price of the bonds by 30% or more for consecutive 30 business days, the Company may redeem the bonds held by the bond holder at the coupon of the bonds in cash.

B. From the date following expiration of one month upon issuance of the bonds (December 19, 2014) until 40 days prior to expiration of duration of issuance (October 9, 2017), if the balance of the outstanding bonds has been less than the total of the bonds originally issued by 10%, the Company may redeem the bonds held by the bond holder at the par value of the bonds in cash.

(8) Date and method of repayment: Unless the bond holders convert the bonds into the Company's common shares or exercise the put or the Company redeems the bonds earlier pursuant to the Regulations, or repurchase by the Company from the securities firm for cancellation, the Company will make the repayment in cash in full at the par value of the bond upon expiry of the bond.

2. Until December 31, 2014, the par value of domestic 3rd unsecured convertible corporate bonds which have been converted upon request cumulatively has been NTD$92,400 thousand, with a total of 924 thousand shares issued, and thereby generated the capital surplus-convertible corporate bond conversion premium, NTD$82,350 thousand.

3. The Company analyzed the domestic 3rd unsecured convertible corporate bonds in accordance with IFRS No. 7 and determined that the bonds shall refer to the compound financial instruments. Therefore, the Company separated the option to conversion and liabilities, and stated them as equity and liabilities respectively. The information about convertible corporate bonds in the financial statements is stated as following:

	November 18, 2014 (Issue date)
Total of issued convertible corporate bonds	$ 700,000
Cost of issued convertible corporate bonds	(5,203)
Elements of equity at the time of issuance - option to conversion	(32,933)
Embedded derivative financial instruments at the time of issuance	(980)
Corporate bonds payable, net at the time of issuance	$ 660,884

Said elements of equity at the time issuance were stated as capital surplus - stock option. The fair value of embedded non-equity derivatives was re-evaluated under evaluation method at the end of 2014, NTD$608 thousand, was stated as "financial assets at fair value through profit or loss - noncurrent". The "gain from financial assets (liabilities) at fair value through profit or loss" stated in 2014 totaled NTD$1,782 thousand.

The effective interest rate for issuance of domestic 3rd unsecured convertible corporate bonds was 1.9183%. The convertible corporate bond interest expenses recognized in 2014 were NTD$1,515 thousand.

(XIII) Long-term loan

Bank	Nature	Limit	Duration	December 31, 2014
Land Bank of Taiwan - Tunghsinchu Branch	Mortgage loans	$163,000	2009/03/02~2022/03/02	$ 67,624
Less: current portion				(9,329)
Total				$ 58,295
Interest rate range				1.56 %

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 %

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

   For bank loans secured by The Group’s assets, please see Note 8.

(XIV) 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 2014, the balance of the pension funds contributed by The Group to the special pension fund account at Bank of Taiwan was $46,314 thousand.

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

	December 31, 2014	December 31, 2013
Present value of contributed defined benefit obligation	$ 67,321	$ 61,573
Fair value of planned assets	46,387	(41,614)
	20,934	19,959
Present value of unallocated defined benefit obligation	-	-
Unrecognized actuarial loss	-	-
Unrecognized service cost in previous period	-	-
Net liabilities recognized in the balance sheet	$ 20,934	$ 19,959

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

	2014	2013
Present value of defined benefit obligation, January 1	$ 61,573	$ 59,674
Service cost	209	207
Interest cost	1,170	980
Actuarial loss/(gain)	4,369	712
Present value of defined benefit obligation, December 31	$ 67,321	$ 61,573

(4) Changes in fair value of planned assets:

	2014	2013
Fair value of planned assets, January 1	$ 41,614	$ 37,305
Contribution by employer	3,797	3,819
Benefit payment-from planned assets	-	-
Actual remuneration	976	490
Fair value of planned assets, December 31	$ 46,387	$ 41,614

(5) Total expenses recognized in comprehensive income statement:

	2014	2013
Service cost in the current period	$ 209	$ 207
Interest cost	1,170	980
Actual remuneration of planned assets	(976)	(490)
Gain (loss) from remuneration of planned assets	453	20
Total expenses recognized in the income (loss) statement	$ 856	$ 717

(6) Actuarial income recognized in other comprehensive income statement:

	2014	2013
Accumulated balance, January 1	$ (7,399)	$ (6,727)
Recognized in the current period	(3,915)	(672)
Accumulated balance, December 31	$ (11,314)	$ (7,399)

(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 the Labor Pension Fund Supervisory Committee, and by taking into consideration the guaranteed average yield rate for the most recent 3 years.

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

	2014	2013
Discount rate	2.00%	1.90%
Future salary and benefit level	2.25%~2.75%	2.25%~2.75%
Projected rate of return on planned assets	2.00%	1.20%

(9) Historical information about empirical adjustment is stated as follows:

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 67,321	$ 61,573	$ 59,674	$ 51,886
Fair value of planned assets	(46,387)	(41,614)	(37,305)	(33,208)
Deficit (surplus) of plan	$ 20,934	$ 19,959	$ 22,369	$ 18,678
Income on				

defined benefit obligation				
Empirical adjustment	$ 5,576	$ 3,628	$ 6,645	$ -
Changes of actuarial hypotheses	$ (1,207)	$ (2,917)	$ -	$ -
Empirical adjustment on planned assets	$ (454)	$ (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 (loss). The changes in hypotheses about discount rate, if any, would render the following influence:

	2014		**2013**	
	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%	(4.49%)	4.74%
Sensitivity of income (loss)	$ 2,909	$ (3,063)	$ 2,765	$ (2,919)

(12) The Group schedules to contribute NTD$3,800 thousand to the retirement plan within one year after the reporting date on December 31, 2014.

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. 2. 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 NTD$40,682 thousand and NTD$36,569 thousand in 2014 and 2013.

(XV) Equity

1. The Company's outstanding common stock at beginning and ending is reconciled as follows:

Unit: share

	2014	2013
Balance, January 1	76,612,392	76,610,400
Transfer of treasury stock to employees	2,000,000	2,000
Convertible corporate bond conversion	924,000	-
Cancellation of treasury stock	-	(8)
Balance, December 31	79,536,392	76,612,392

2. Capital surplus

(1) Pursuant to 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, 2014	December 31, 2013
Common stock premium	$ 210,163	$ 210,163
Convertible corporate bond conversion premium	563,025	480,676
Treasury stock trading	44,073	10,777
Donation from shareholders	1	1
Changes in net worth of equity of affiliates recognized under the equity	19,306	19,306

method		
Others-issuance of new shares due to acquisition of shares of another company	19,858	19,858
Stock option (elements of equity of convertible corporate bonds)	28,586	-
Total	$ 885,012	$ 740,781

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, NTD$480,676 thousand, and capital surplus-treasury stock trading, NTD$8,477 thousand.

B. The Group repurchased a total of 500,000 shares at the cost of NTD$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 NTD$61.53 per share. According to the estimation under Black-Scholes evaluation model, the fair value was NTD$14.03 per share. The capital surplus-treasury stock trading, NTD$2,300 thousand, was generated therefor.

C. For The Group's capital surplus donation from shareholders, please see Note 6(14) 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, NTD$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 NTD$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 a profit after final account for the concerning fiscal year, the profit 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:

- Employee bonus: at least 12% 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 dividends.

(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

The Company provided and reversed special reserve according to the FSC's letter Chin-Kuan-Cheng-Fa-Tzu No. 1010012865 and the "Q&A for provision of special reserve upon application of IFRSs". In the case of reversal of balance of other shareholders' equity deductions subsequently, earnings may be allocated upon the reversal.

The Company's general shareholders' meeting resolved to provide the special reserve NTD$17,571 thousand on June 17, 2013.

The Company's general shareholders' meeting also resolved to reverse the special reserve NTD$17,571 thousand on June 17, 2014.

(5) The Company estimated employee bonus of NTD$48,242 thousand and remunerations to Directors and Supervisors of NTD$12,061 thousand in FY2014, and recognized as the operating cost or operating expenses in FY2014. The estimated amount as mentioned has been passed by the Board on January 17, 2014 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 FY2015 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 FY2015.

(6) The Company's actual cash dividend to shareholders allocated from earnings 2013 was NTD$165,086 thousand. The difference between the employee bonus, NTD$26,306 thousand, and remuneration to directors/supervisors, NTD$5,827 thousand, allocated from the earnings 2013 and the employee bonus, NTD$28,071 thousand and remuneration to directors/supervisors, NTD$7,017 thousand, recognized in the financial statement 2013 was NTD$2,955 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 (loss) 2014.

(7) In FY2012, the company paid out NTD$191,526 thousand as cash dividend to the shareholders, NTD$27,039 thousand as employee bonus, and NTD$6,760 thousand as remuneration to Directors and Shareholders from the earnings of FY2012, which varied with the recognized amount of employee bonus of NTD$29,055 thousand and remuneration to Directors and Shareholders of NTD$7,264 thousand by (NTD2,520) 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.

(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

2014

Cause	Quantity, beginning	Increase in the current period	Decrease in the current period	Quantity, ending
For transfer of shares to employees	2,000,000	—	2,000,000	—
Total	2,000,000	—	2,000,000	—

Unit: share

2013

Cause	Quantity, beginning	Increase in the current period	Decrease in the 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

(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., NTD$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, NTD$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.

(6) In order to recruit and retain the technology and professional talents required by the Company and encourage employees' permanent service, centripetal force, productivity and belongingness to create interests for the Company and shareholders, the Company, according to Article 28-2 of the Securities and Exchange Act and the "Regulations Governing Share Repurchase by Listed and OTC Companies" promulgated by FSC, established the "Regulations Governing Share Repurchase and Transfer of Shares to Employees by the Company", which was resolved and approved by the Board of Directors on March 7, 2014. To transfer treasury stock to employees, the record date for employees' stock option was set on March 7, 2014. The treasury stock was transferred to the Company's employees at NTD$76.26 per share and the employees of Chain-Logic International Corp. wholly owned by the Company. According to the estimation under Black-Scholes evaluation model, the fair value was estimated to be NTD$16.92 per share by The Group on the grant

date. The Group recognized the remuneration cost, NTD$33,840 thousand (stated as salary expenses). The parameters applied by the evaluation are stated as following:

		2014
		Transfer of treasury stock to employees
Evaluation model	Black-Scholes evaluation model	
Hypotheses	Duration (days)	2014/3/7～2014/3/11
	Stock dividend ratio (%)	4.42 %
	Subscription price	$ 76.62
	Market price on the grant date	$ 93.1
	Projected stock price fluctuation rate	103.528 %
	Interest rate without risk	0.475 %

The difference between the transfer price, NTD$152,062 thousand, less necessary trading cost and capital surplus-employees' stock option, NTD$33,840 thousand, and the repurchase cost, NTD$152,606 thousand, was stated into the capital surplus-treasury stock transaction, NTD$33,296 thousand.

(XVI) 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 the 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 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 shall 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 an 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:

	2014		**2013**	
(expressed in 1,000 units)	**Quantity of stock options**	**Weighted average number of outstanding common stock (thousand shares) Contract amount (NTD$)**	**Quantity of stock options**	**Weighted average number of outstanding common stock (thousand shares) Contract amount (NTD$)**
Outstanding stock options, beginning	—	—	1,811	$71.7 (Note 2)
Stock options granted in the current period	—		—	
Stock options exercised in the current period	—		(2)	$71.7 (Note 2)
Stock options waived in the current period (Note 1)	—		(41)	
Overdue and invalid quantity in the current period	—		(1,768)	
Outstanding stock options, ending	—	—	—	
Stock options exercisable, ending	—		—	
Weighted average fair value of stock options granted in the current period (NTD$)	—		$ 37.8616	

(Note 1) The stock option owners waived the stock options upon resignation.

(Note 2) The price was adjusted as NTD$71.7 as of September 2, 2012, as a result of the Company's allocation of dividends from earnings.

3. Information about the outstanding employee stock options until December 31, 2014: 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 follows:

		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%

		2014	2013
Consolidated net profit attributed to parent company	Net profit recognized in financial statement	—	$ 271,033
	Assumed net profit	—	$ 271,033
Basic EPS	EPS (NTD$) recognized in financial statement	—	$ 3.54
	Assumed EPS (NTD$)	—	$ 3.54

(XVII) Non-operating revenue and expense

1. Other gains and losses, net

	2014	2013
Gain (loss) from disposition of property, plant and equipment	$ 840	$ 144
Net gain (loss) from financial assets at fair value through profit or loss	1,782	—
Foreign currency exchange gain (loss), net	31,323	11,199
Others	(2,713)	(183)
Total	$ 31,232	$ 11,160

2. Financial cost

	2014	2013
Interest expenses		
Bank loan	$ 3,001	$ 1,472
Convertible corporate bonds	1,515	—
Subtotal	4,516	1,472
Less: capitalized interest	(1,278)	(722)
Total	$ 3,238	$ 750

(XVIII) Income tax

1. The Group's income tax expenses (gains) are specified as following:

	2014	2013
Income tax in the current period		
Generated in the current period	$ 90,350	$ 46,846
Overestimated (underestimated) income tax in previous year	111	3,167
Total income tax in the current period	90,461	50,013
Deferred income tax		
Occurrence and reversal of temporary difference	(8,376)	5,653
Effect of changes in tax rate	—	—
Total deferred income tax	(8,376)	5,653
Total	$ 82,085	$ 55,666

2. The income tax expenses recognized by The Group in the other comprehensive income statements 2013 and 2012 were both NTD$0.

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

	2014	2013
Net profit (loss) before tax	$ 599,383	$ 326,599
Income tax on net profit (loss) before tax calculated at the domestic tax rate applicable in the place where the Company is situated (17%)	$ 101,895	$ 55,522
Tax rate difference effect in foreign jurisdiction	(1,521)	1,469
Income tax effect included into the items that shall not be recognized pursuant to tax laws	14,801	8,119
Income tax effect on deferred income tax assets/liabilities	(8,376)	5,653
Changes of foreign exchange rate of deferred income tax assets/liabilities	—	—
Unrecognized deferred income tax assets	14	14
Tax-free income	(54,393)	(18,680)
Limit of foreign tax credit	(1,761)	—
Income tax effect on investment credit	(16,936)	(47,830)
Imposition of 10% income tax on undistributed earnings	9,641	4,569
Income tax effect under minimum tax system	38,610	43,663

Overestimated (underestimated) income tax in previous year	111	3,167
Total	$ 82,085	$ 55,666

4. Deferred income tax assets and liabilities

(1) Recognized deferred income tax assets and liabilities

2014	January 1	Recognized in income (loss) statement	Recognized in other comprehensive income (loss)	Exchange difference	December 31
Deferred income tax assets					
Temporary difference					
Unrealized inventory devaluation and obsolescence losses	$ 25,055	$ 6,867			$ 31,922
Unrealized exchange loss	225	221			446
Unrealized warranty cost	1,640	(814)			826
Bad debt loss	4,686	(2,020)			2,666
Unrealized gain on inter-affiliate accounts	1,400	4,272			5,672
Tax difference on depreciation expenses	14	(1)			13
Recognition of pension expenses (excess)	223	(15)			208
Investment credit	81	(81)			-
Loss carryforwards	-	-			-
Total	$ 33,324	$ 8,429			$ 41,753
Deferred income tax liabilities					
Temporary difference					
Unrealized exchange gain	$ (414)	$ (2,645)			$ (3,059)
Unrealized net investment income (foreign)	(11,548)	3,077			(8,471)
Recognition of pension expenses (deficit)	(3,292)	(485)			(3,777)
Total	$ (15,254)	$ (53)			$(15,307)

2013	January 1	Recognized in income (loss) statement	Recognized in other comprehensive income (loss)	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)

(2) Unrecognized deferred income tax assets

	December 31, 2014	**December 31, 2013**
Loss carryforwards	$ 6,445	$ 6,445
Investment credit	-	-
Amount of unrecognized deferred income tax assets	$ 6,445	$ 6,445

According to the Income Tax Act, taxation may be made on 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, 2014 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	71	2020

Loss in 2011	15,152	2021
Loss in 2012	11,872	2022
Loss in 2013	10,243	2023
Loss in 2014	83	2024
Total	$ 37,912	

The investment credit tax on deferred income tax assets which has been recognized by The Group before December 31, 2014 shall be credited by the following deadline:

Item	Total credit	Deducted amount	Credited balance in the current period	Balance to be credited	Last year of credit
R&D spending in FY2014	$ 65,824	$ —	$ 16,936	$ —	(non-deferred)
	$ 65,824	$ —	$ 16,936	$ —	

(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, 2014	December 31, 2013
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 returns
The Company	Authorized until 2012
Subsidiary - Chain-Logic International Corp.	Authorized until 2012
Subsidiary - Chia Ying Investment Co., Ltd.	Authorized until 2012
Subsidiary - Chia Hsin Investment Co., Ltd.	Authorized until 2012
Subsidiary - Yi Hsin Investment Co., Ltd.	Authorized until 2012
Subsidiary - Won Tung Technology Co., Ltd.	Authorized until 2012
Subsidiary - Allstron Corporation	Authorized until 2012

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

	December 31, 2014	December 31, 2013
Deductible tax account-Balance	$ 172,375	$ 124,357

	2015 (Projected)	2014 (Actual)
Deductible rate of earnings allocation	14.36 %	13.39 %

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.

6. Information about the Company's undistributed earnings

Except for the balance, NTD$322 thousand, before 1997, the remainder of the Company's undistributed earnings refers to those after 1998.

(XIX) EPS

1. Basic EPS

The basic EPS is calculated based on the income (loss) 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 (loss) 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:

	2014			2013		
	Amount after tax	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NTD$)**	**Amount after tax**	**Weighted average number of outstanding common stock (thousand shares)**	**EPS (NTD$)**
Basic EPS						
Net profit attributed to the Company's common stock shareholders	$ 517,636	78,234	$ 6.62	$ 271,033	76,612	$ 3.54
Diluted EPS						
Net profit attributed to the Company's	$ 517,636	78,234		$ 271,033	76,612	

common stock shareholders						
Effect of all potential diluted common stocks						
Domestic 3rd unsecured convertible corporate bond		6,076				
Employee stock option exercise adjustment	—	—		—	—	
Employee stock bonus	—	412		—	468	
Net profit attributed to the Company's common stock shareholders plus the effect of potential common stocks	$ 517,636	84,722	$ 6.11	$ 271,033	77,080	$ 3.52

For the details about capital increase, please see Note 6(14).

(XX) Employee benefits, depreciation, depletion and amortization expenses are summarized as following by function:

Function / Nature	2014			2013		
	Operating cost	**Operating expenses**	**Total**	**Operating cost**	**Operating expenses**	**Total**
Employee benefit expenses						
Salary expenses (including employee bonuses)	561,324	671,688	1,233,012	442,634	524,320	966,954
Labor/health insurance expenses	36,149	41,466	77,615	30,242	35,949	66,191
Pension expenses	18,141	23,397	41,538	15,982	21,304	37,286
Other employee benefit expenses (Note)	78,549	25,578	104,127	58,286	20,780	79,066
Depreciation expenses	70,477	69,936	140,413	49,249	63,233	112,482
Depletion expenses	—	—	—	—	—	—
Amortization expenses	12,112	21,768	33,880	8,189	23,654	31,843

(Note) 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 Group and other related parties are disclosed as following:

1. Operating revenue

The Group's sales value to related parties are stated as follows:

	2014	2013
Sale of products:		
-Affiliates	$ 104,490	$ 40,596
-The Company's director	480,645	335,040
Sale of labor services:		
-The Company's director	39,108	42,738
Total	$ 624,243	$ 418,374

The price of The Group's sale to related parties was not significantly different from the Company's general selling price to customers.

2. Purchase

The Group's purchase value to related parties are stated as follows:

	2014	2013
Affiliates	$ 36,078	$ 1,234
The Company's director	27,796	12,091
Total	$ 63,874	$ 13,325

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

3. Receivable accounts-related parties

The Group's receivable accounts-related parties:

Account title	**Related party**	**December 31, 2014**	**December 31, 2013**
Receivable accounts	Affiliates	$ 12,668	$ 11,440
Receivable accounts	The Company's director	91,156	29,873
Total		$ 103,824	$ 41,313

4. Payable accounts-related parties

The Group's payable accounts-related parties:

Account title	**Related party**	**December 31, 2014**	**December 31, 2013**
Account payables	Affiliates	$ 2,308	$ 10
Account payables	The Company's director	5,716	2,097
Other payable accounts	Affiliates	295	54
Other payable	The Company's director	13,561	7,497

accounts		
Total	$ 21,880	$ 9,658

5. Transaction of property

(1) Acquisition of property, plant, and equipment: N/A

	Nature	**2014**	**2013**
The Company's director	Machine & equipment	$ -	$ 1,042
Affiliates	Land	220,594	-
Affiliates	Building	91,624	-
Total		$ 312,218	$ 1,042

(2) Disposition of property, plant, and equipment:

6. Financing from related party (stated as other payable accounts-related party)

The Group's loans from related parties are stated as follows:

2014: N/A

2013:

	Maximum balance	Balance, ending	Interest rate %	Interest revenue
Investment in subsidiaries under the equity method	$ 2,647	$ -	6.90%	$ 21

7. Purchase of labor services from related parties

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

	2014	**2013**
Promotion-expenditure in commission:		
Affiliates	$ 1,937	$ 1,210
The Company's director	4,452	899
Promotion-expenditure in royalties:		
-The Company's director	42,021	39,228
Total	$ 48,410	$ 41,337

For the calculation of the royalties to related parties, please see Note 9(2).

8. Others

(1) Payment on behalf of others (stated as other current assets)

	December 31, 2014	**December 31, 2013**
The Company's director	$ 1,817	$ 462
Affiliates	92	-
Total	$ 1,909	$ 462

Payment of goods on behalf of others for triangle trade

(2) Advance sale receipts

	December 31, 2014	December 31, 2013
Affiliates	$ 23	$ 3,684
The Company's director	209	5,000
Total	$ 232	$ 8,684

(3) Receipt under custody (stated as other current liabilities)

	December 31, 2014	December 31, 2013
The Company's director	$ 3,387	$ 3,343

Payment of goods and general receipt under custody for triangle trade

(4)Temporary receipts (stated as other current liabilities)

	December 31, 2014	December 31, 2013
The Company's director	$ 116	$ 97

(5) Manufacturing expenses (stated as operating cost)

	Nature	2014	2013
Affiliates	Processing expenses	$ 2,818	$ 104
Affiliates	Other expenses	$ 385	$ -
The Company's director	Other expenses	$ 37	$ 50

(6) Selling expenses

	Nature	2014	2013
The Company's director	Repair and maintenance expenses	$ -	$ 140
The Company's director	Other expenses	$ 377	$ 700
The Company's director	Miscellaneous purchases	$ -	$ 78

(7) Management expenses

	Nature	2014	2013
Affiliates	Other expenses	$ -	$ 51
Affiliates	Consultation fees	$ 1,464	$ -

(8) Research expenses

	Nature	2014	2013
The Company's director	Other expenses	$ 33	$ —

(9) Rent revenue

	2014	2013
Affiliates	$ 2,839	$ —

The main contents of lease contract:

Subject matter	Duration of lease	Mode of collection
Sublease of the facility building at Wenshan Road, Xinpu Township, Hsinchu County	2014/11/01~2017/10/31	NTD$1,359 thousand per month (before tax); The rent of parking spaces was calculated subject to the actual service condition on a monthly basis.

(10) Other revenue

	2014	2013
The Company's director	$ —	$ 125
Affiliates	$ 5,797	$ 1,561

(III) Information about remuneration to the management

Information about remuneration to The Group's management is stated as follows:

	2014	2013
Salary and other short-term employee benefits	$ 11,866	$ 10,045
Resignation benefits	—	—
Retirement benefits	—	—
Other long-term benefits	—	—
Share-based payment	—	—
Total	$ 11,866	$ 10,045

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 collateral for bank loans, import business tax and sale commitment. The book value thereof is stated as follows:

	December 31, 2014	December 31, 2013
Land	$ 447,844	$ 227,250
Building	963,761	326,563
Pledged time deposit (stated as other current assets)	8,935	9,174
Bank reserve account (stated as other current assets)	—	—
Total	$ 1,420,540	$ 562,987

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 continue 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 spaces. 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 (loss) expenses for said two lots of long-term operating leased land were stated as NTD$5,603 thousand both in 2014 and 2013.

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

	December 31, 2014
Less than one year	$ 5,603
One year to five years	17,972
More than five years	19,422
Total	$ 42,997

4. The outstanding amount under The Group's purchase orders signed for purchase of equipment:

	December 31, 2014	December 31, 2013
Property, plant and equipment	$ 11,202	$ 56,396

X. Significant disaster loss: N/A.

XI. Significant subsequent events: N/A

XII. Others

(I) Financial instruments

1. Information about fair value of financial instrument

	December 31, 2014		December 31, 2013	
	Book value	Fair value	Book value	Fair value
Financial assets				
Cash and cash equivalent	$ 975,612	$ 975,612	$ 623,796	$ 623,796
Receivable notes and receivable accounts	736,694	736,694	569,199	569,199
Other receivable accounts	22,383	22,383	7,468	7,468
Other financial assets-current	11,732	11,732	12,027	12,027
Financial assets at fair value through profit or loss-noncurrent	608	608	—	—
Total	$1,747,029	$1,747,029	$1,212,490	$1,212,490
Financial liabilities				
Short-term loan	$ 4,384	$ 4,384	$ 4,265	$ 4,265
Payable notes and payable accounts	511,089	511,089	397,003	397,003
Other payable accounts	695,403	695,403	381,479	381,479
Long-term loans (including the current portion)	67,624	67,624	76,953	76,953
Corporate bonds payable	574,962	574,962	—	—
Total	$1,853,462	$1,853,462	$ 859,700	$ 859,700

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, etc.).

(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 following table analyzes the financial instruments measured at fair value under the valuation method, and discloses the analysis information about the three fair value levels as following:

1st level: Open quotation of the same assets or liabilities in an active market (without adjustment).

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).

December 31, 2014

	1st level	**2nd level**	**3rd level**	**Total**
Financial assets				
Financial assets at fair value through profit or loss-noncurrent	—	$ 608	—	$ 608
Convertible corporate bonds				
Financial liabilities	—	—	—	—

December 31, 2013: N/A

No transfer between 1st and 2nd fair value levels was conducted from January 1 to December 31, 2014. The gains stated into said income (loss) related to derivative financial instruments until December 31, 2014 were NTD$1,782 thousand.

(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 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 funds 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 (loss) and equity. The Group's foreign exchange risk arises primarily from fluctuation in the foreign exchange rate of USD, JPY and EUR.

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 KRW). 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, 2014			
	Currency unit	**Amount in foreign currency** (thousand dollars)	**Applicable foreign exchange rate, ending (dollar)**	**Book value (NTD) (thousand dollars)**
Financial assets	NTD/USD	$ 12,023	31.573	$ 379,595
	NTD/JPY	$ 7,083	0.264	$ 1,873
	NTD/EUR	$ 11	38.458	$ 434
	NTD/RMB	$ 46,534	5.007	$ 232,984
	NTD/KRW	$ 2,732	0.0292	$ 80
	NTD/HKD	$ 4	4.028	$ 18
	NTD/SGD	$ 4	23.9295	$ 88
	NTD/MYR	$ 10	8.692	$ 90
Financial liabilities	NTD/USD	$ 4,577	31.563	$ 144,461
	NTD/JPY	$102,664	0.257	$ 26,416
	NTD/EUR	$ 82	38.439	$ 3,152
	NTD/SGD	$ 28	24.0245	$ 676

	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
	NTD/RMB	$ 131	4.9158	$ 642
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

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, 2014 and 2013 is stated as following:

December 31, 2014

Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/-13,212 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(169) thousand

December 31, 2013

Primary risk	**Range of change**	**Sensitivity of income**
Foreign exchange risk	Fluctuation in foreign exchange rate+/- 3%	+/-1,675 thousand
Interest rate risk	Loan with floating interest rate +/- 0.25%	(192) 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 2014 and 2013, 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 the 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 were no significant credit risks.

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, 2014 and 2013, 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 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 NTD$230,400 thousand on December 31, 2014.

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, 2014			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loans	$ 4,384	$ -	$ -	$ 4,384
Payable accounts (including related party)	511,089	-	-	511,089
Other payable accounts (including related party)	695,403	-	-	695,403
Long-term loans (including the current portion)	9,329	9,329	48,966	67,624
Corporate bonds payable	-	574,962	-	574,962
Total	$1,220,205	$ 584,291	$ 48,966	$1,853,462

	December 31, 2013			
Non-derivative financial liabilities	**Within 1 year**	**1~2 years**	**More than 2 years**	**Total**
Short-term loans	$ 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 loans (including the current portion)	9,329	9,329	58,295	76,953
Total	$ 792,076	$ 9,329	$ 58,295	$ 859,700

(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 2013 in 2014, dedicated to maintaining the debt/equity ratio less than 100%. The Group's debt ratios on December 31, 2014 and 2013 are stated as following:

	December 31, 2014	December 31, 2013
Total liabilities	$ 2,644,554	$ 1,642,936
Total net worth	3,742,863	3,072,639
Debt/equity ratio	71%	53%

XIII. Disclosures of Notes

(I) 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	2014
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:	Attached table 3
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 4
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 5

Attached table 1: Loans to others:

No. (Note 1)	Lender	Borrower	Account titles	Related party or not	Maximum balance in the current period	Balance, ending (Note 2)	Drawdown	Interest rate range	Nature of the loan	Amount of transaction	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	$3,003	$3,003	$3,003	5.60%	Short-term loans	—	Working capital	—	—	—	$323,310	$1,293,239

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 May 13, 2014 to loan the fund to its subsidiary, MEGTAS Co., Ltd., in the amount of NTD$3,003 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: 3,233,097 thousand (The Company's most recent net worth on June 30, 2014) X 40% ＝ NTD$1,293,239 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: 3,233,097 thousand (The Company's most recent net worth on June 30, 2014) X 10% ＝ 323,310 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	Shareholding Ratio	Fair value	
MPI Corporation	TAISelec Co., Ltd.	—	Financial assets measured at cost-noncurrent	150,000	$ 20,231	18.75 %	—	

Attached table 3: Acquisition amount of real estate reaching 300 million NTD or more than 20% of the Paid-in capital:

Name of company acquiring the property	Name of property	Date of occurrence	Amount of transaction	Payment	Trading counterpart	Relationship	Prior acquisition information of the transacting related party				Reference basis for price determination	Purpose of acquisition and status of utilization	Other covenants
							Owner	Affiliation with issuer	Date of transfer	Amount			
MPI Corp.	Plant	2014/9/5	NTD$ 312,218 thousand (before tax)	Until 2014/12/31 Paid 312,218 (thousand dollars)	Lumitek Co., Ltd.	Valued under the equity method.	N/A	N/A	N/A	N/A	Appraisal report Appraised value NTD$333,581 thousand	Use for production	

Attached table 4: Amount on purchase from and sale to related parties reaching 100 million NTD or more than 20% of the paid-in capital:

Seller/ buyer	Trading counterpart	Relationship	Status				Distinctive terms and conditions of trade and the reasons		Accounts/notes receivable (payable)		Remarks
			Purchase (sale)	Amount	Percentage in total purchase (sale) amount	Duration of the loan	Unit price	Duration of the loan	Balance	Percentage in total accounts/notes receivable (payable)	
The Company	MJC Electronics Corporation	Subsidiary of The Company's director, MJC	Sale	$ 469,653	11 %	Same as that applicable to the general customer	—	—	Receivable accounts $91,114	12 %	

Attached Table 5. Business relationship and important transactions between parent company and subsidiaries

1. 2014

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction: Title	Amount	Trading terms and conditions	% of consolidated total operating revenue or total assets (Note 3)
0	MPI Corporation	MPI Trading Corp.	1	Sales revenue	$ 52,628	Note 4	1%
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue	$ 21,605	Note 4	1%
				Receivable notes	$ 5,299	Note 6	—
				Receivable accounts	$ 208	Note 6	—
				Other receivable accounts	$ 930	Note 8	—
				Rent revenue	$ 4,203	Note 7	—
				Administrative and general expenses – other expenses, less	$ 42	Note 7	—
				Other gains (losses)	$ 472	Note 4	
0	MPI Corporation	Chain Logic (Shanghai) International Corp.	1	Sales revenue	$ 80,834	Note 4	2%
				Receivable accounts	$ 75,052	Note 6	1%
0	MPI Corporation	Leda-One (Shenzhen) Corp.	1	Sales revenue	$ 18,298	Note 4	—
				Receivable accounts	$ 7,718	Note 6	—
0	MPI Corporation	MEGTAS Co.,Ltd.	1	Other receivable accounts	$ 3,078	Note 9	—
				Interest revenue	$ 159	Note 9	—
0	MPI Corporation	Lumitek (Changchou) Co. Ltd.	1	Sales revenue	$ 177,047	Note 4	4%
				Receivable accounts	$ 184,757	Note 6	3%
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	$ 3,941	Note 4	—
				Receivable accounts	$ 2,420	Note 6	—
				Other receivable accounts	$ 36	Note 8	—
				Revenue from commission	$ 60,981	Note 5	1%
				Receivable commission	$ 17,514	Note 6	—
				Advance sale receipts	$ 127	Note 4	—
				Other gains (losses)	$ 1	Note 4	—
1	Chain-Logic International Corp.	Chain Logic (Shanghai) International Corp.	1	Sales revenue	$ 10,204	Note 4	—
				Receivable accounts	$ 2,683	Note 6	—
1	Chain-Logic International Corp.	Leda-One (Shenzhen) Corp.	3	Sales revenue	$ 70	Note 4	—

1	Chain-Logic International Corp.	MEGTAS Co.,Ltd.	3	Revenue from commission	$ 1,355	Note 5	—
1	Chain-Logic International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue Receivable accounts	$ 220 $ 220	Note 4 Note 6	— —
2	Leda-One (Shenzhen) Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue Receivable accounts Other gains (losses)	$ 5,632 $ 2,903 $ 10	Note 4 Note 6 Note 4	— — —
3	Chain Logic (Shanghai) International Corp.	MPI Corporation	2	Revenue from commission Receivable accounts	$ 8,661 $ 8,140	Note 5 Note 6	— —
3	Chain Logic (Shanghai) International Corp.	Leda-One (Shenzhen) Corp.	3	Sales revenue	$ 83	Note 4	—
3	Chain Logic (Shanghai) International Corp.	Lumitek (Changchou) Co. Ltd.	3	Sales revenue Receivable accounts	$ 49,774 $ 49,720	Note 4 Note 6	1% 1%
4	MEGTAS Co.,Ltd.	MPI Corporation	2	Sales revenue Receivable accounts	$ 39 $ 40	Note 4 Note 6	— —
4	MEGTAS Co.,Ltd.	Chain-Logic International Corp.	3	Sales revenue Receivable accounts	$ 1,093 $ 169	Note 4 Note 6	— —
4	MEGTAS Co.,Ltd.	Chain Logic (Shanghai) International Corp.	3	Sales revenue Receivable accounts	$ 8,451 $ 1,126	Note 4 Note 6	— —
5	Allstron Corporation	MPI Corporation	2	Sales revenue Other receivable accounts Other gains (losses)	$ 906 $ 468 $ 20	Note 4 Note 6 Note 4	— — —

2. 2013

No. (Note 1)	Trader	Trading counterpart	Affiliation with trader (Note 2)	Status of transaction			
				Title	Amount	Trading terms and conditions	% of consolidated total operating revenue or total assets (Note 3)
0	MPI Corporation	MPI Trading Corp.	1	Advance sale receipts	$ 49,858	Note 4	1%
0	MPI Corporation	Chain-Logic International Corp.	1	Sales revenue Receivable notes Receivable accounts Other receivable accounts	$ 32,620 $ 5,365 $ 7,340 $ 934	Note 4 Note 6 Note 6 Note 8	1% — — —
				Advance sale receipts Rent revenue	$ 392 $ 4,276	Note 4 Note 7	— —

				Administrative and general expenses – other expenses, less	$ 49	Note 7	—
				Other gains (losses)	$ 22	Note 4	—
0	MPI Corporation	Chain Logic (Shanghai) International Corp.	1	Sales revenue	$ 24,114	Note 4	1%
				Receivable accounts	$ 11,865	Note 6	—
0	MPI Corporation	Leda-One (Shenzhen) Corp.	1	Sales revenue	$ 6,837	Note 4	—
				Receivable accounts	$ 1,368	Note 6	—
				Payment on behalf of others	$ 7,217	Note 8	—
0	MPI Corporation	MEGTAS Co.,Ltd	2	Other receivable accounts	$ 3,074	Note 9	—
				Interest revenue	$ 65	Note 9	—
1	Chain-Logic International Corp.	MPI Corporation	2	Sales revenue	$ 5,584	Note 4	—
				Receivable accounts	$ 604	Note 6	—
				Other receivable accounts	$ 101	Note 8	—
				Revenue from commission	$ 50,491	Note 5	2%
				Receivable commission	$ 14,811	Note 6	—
				Advance sale receipts	$ 174	Note 4	—
				Other gains (losses)	$ 1	Note 4	—
1	Chain-Logic International Corp.	Chain Logic (Shanghai) International Corp.	1	Sales revenue	$ 8,695	Note 4	—
				Receivable accounts	$ 3,762	Note 6	—
1	Chain-Logic International Corp.	Leda-One (Shenzhen) Co.	3	Sales revenue	$ 180	Note 4	—
1	Chain-Logic International Corp.	MEGTAS Co.,Ltd.	3	Revenue from commission	$ 680	Note 5	—
2	Leda-One (Shenzhen) Corp.	Chain Logic (Shanghai) International Corp	3	Sales revenue	$ 153	Note 4	—
2	Chain Logic (Shanghai) International Corp	MPI Corporation	2	Revenue from commission	$ 21,522	Note 5	1%
				Receivable accounts	$ 13,642	Note 6	—
				Other receivable accounts	$ 763	Note 6	—
3	MEGTAS Co.,Ltd.	MPI Corporation	2	Sales revenue	$ 15	Note 4	—
3	MEGTAS Co.,Ltd.	Chain-Logic International Corp.	3	Sales revenue	$ 208	Note 4	—
3	MEGTAS Co.,Ltd.	Chain Logic (Shanghai) International Corp	3	Sales revenue	$ 11,809	Note 4	—
				Receivable accounts	$ 2,381	Note 6	—

Note 1: Transactions between the 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 the subsidiary;

(2) Subsidiary to the 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

(II) Information about investees

The information about name, territory, business lines, original investment amount, shares held at ending, income (loss) and investment income (loss) recognized in the current period of the investees in which The Group may exert material influence or control directly or indirectly (exclusive of investees in Mainland China) in 2014 is stated as following:

Investor	Name of Investee	Territory	Business Lines	Original investment amount		Held at ending			Investee income recognized in the current period (Note 1)	Investment income recognized in the current period (Note 2) (Note 3)	Remarks
				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%	$ 46,758	$ 5,649	$ 5,649	Subsidiary of MPI
MPI Corporation	MMI Holding Co.,Ltd.	Offshore Chambers, P.O.BOX 217, APIA,SAMOA	Holding company	$ 253,874	$ 133,374	8,390,045	100%	$ 246,079	$ 8,056	$ 90	Subsidiary of MPI (Note 4)

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%	$ 25,463	$ (844)	$ (427)	Subsidiary of MPI
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%	$ 243,022	$ 35,948	$ 35,878	Subsidiary of MPI
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%	$ 8,713	$ (6,434)	$ (6,434)	Subsidiary of MPI
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%	$ 8,714	$ (6,434)	$ (6,434)	Subsidiary of MPI
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%	$ 328	$ (24)	$ (24)	Subsidiary of MPI
MPI Corporation	Lumitek Co., Ltd.	No. 988, Sec. Litoushan, Wenshan Road, Xinpu Township, Hsinchu County	Manufacturing of electronic spare parts	$ 1,976	$ 1,976	843,968	2.28%	$ (3,491)	$ (6,434)	—	MPI adopted the evaluation under he equity method
MPI Corporation	Allstron Corporation	2F, No. 8, Hua Xin 5th Street, Neighborhood 21, Dahua Village, Gueishan Hsiang, Taoyuan County	Manufacturer of high-frequency wafer metrology prober card	$ 50,000	—	1,550,000	100%	$ 48,440	$ (1,560)	$ (1,560)	Subsidiary of MPI (Note 5)
Chain-Logic International Corp.	Chain-Logic Trading Corp.	Offshore Incorporations (Mauritius) Limited, G.P.O.BOX 365,307 St James Court, St Denis Street, Port Louis, Republic of Mauritius.	Primarily engaged in international trading	$ 46,921	$ 46,921	1,400,100	100%	$ 85,667	$ (5,801)	—	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 %	$ 6,478	$ (4,940)	—	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 %	$ 6,142	$ (99,311)	—	Chia Ying Investment Co., Ltd. adopted the evaluation under the 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 %	$ 8,015	$ (99,311)	—	Chia Hsin Investment Co., Ltd. adopted the evaluation under the 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 %	$ 8,015	$ (99,311)	—	Yi Hsin Investment Co., Ltd. adopted the evaluation under the equity method.

Note 1: Except MEGTAS Co., Ltd., which recognized the investment income (loss) 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 (loss) recognized in the current period includes the investment income (loss) recognized under the equity method and realized (unrealized) gain recognized from upstream/side stream transactions.

Note 3: The subsidiaries' income (loss) recognized in the current period includes the investment income (loss) to be recognized for their re-investment pursuant to the requirements.

Note 4: In order to meet the need for business expansion, The Group's subsidiary, MMI Holding Co., Ltd., increased capital by USD$440,000 thousand (equivalent to NTD$12,967 thousand) again in October 2013, and by USD$4,000,000 (equivalent to NTD$120,500 thousand) again in January 2014. So far, the Group has invested a total of USD$8,390,045 in the subsidiary, MMI Holding Co., Ltd., totaling 8,390,045 shares, at the par value of USD$1 per share.

In order to develop the market in Mainland China, the Group's affiliate, MMK (Kunshan), increased capital by USD$440,000 via the subsidiary, MMI Holding Co., in October 2013. So far, the Group has invested a total of USD$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.

In order to develop the market in Mainland China, the Group added the subsidiary, Lumitek (Changchou) Co. Ltd, and invested a total of USD$4,000,000 in the subsidiary via the subsidiary, MMI Holding Co., Ltd., in January 2014. The shareholding of the subsidiary, MMI Holding Co., Ltd., was 100%. The investment project was already approved by Investment Commission, Ministry of Economic Affairs.

Note 5: For the information about the Group's investment in Allstron Technology Co., Ltd., please refer to Note 6(8).

(III)Information related to investments in China:

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 remitted outward from Taiwan, beginning	Amount remitted or recovered in the current period		Accumulated investment balance remitted outward from Taiwan, ending	Investee Income (loss)	Direct and indirect shareholding of the Company	current period Investment income recognized in the current period	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)	$ (4,641)	100 %	$(4,641)	$ 80,271	$15,852
MJC Microelectronics (Shanghai) Co., Ltd.	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 1,500,000 ($52,033)	(Note 2)	USD 600,000 ($20,813)	—	—	USD 600,000 ($ 20,813)	$ 3,409	40 %	$ 1,364	$ 45,254	$32,573
MET	Electronic and communication technology development and import/export of electronic parts	RMB 500,000 ($ 2,396)	(Note 3)	—	—	—	—	$ 3,246	40 %	$ 1,298	$ 2,922	—
Leda-One (Shenzhen) Corp.	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)	$ (4,623)	100 %	$(4,623)	$ 40,208	—
MMK (Kunshan)	Design and production of electronic equipment, testing instrument and probe card for semi-conductor testing, and sale of self-made products	USD 4,900,000 ($143,558)	(Note 2)	USD 1,960,000 ($ 57,423)	—	—	USD 1,960,000 ($ 57,423)	$ 22,375	40 %	$ 8,950	$ 59,917	—
Lumitek (Changchou) Co. Ltd.	Purchase, wholesale, commissioned agent and import/export of semiconductor chips, calculator parts, LED production equipment, and new electronic components; purchase, wholesale,	USD 4,000,000 ($120,500)	(Note 2)	—	USD 4,000,000 ($120,500)	—	USD 4,000,000 ($120,500)	$ 2,095	100 %	$ 2,095	$ 122,565	—

	agency and import/export of electronic materials, electronic components, electronic products, LED production equipment, machinery & equipment and spare parts											

Note 1: Reinvest the company in Mainland China via the offshore subsidiary,Chain-Logic Trading Corp..

Note 2: Reinvest the company in Mainland China via the offshore subsidiary, MMI Holding Co., Ltd..

Note 3: Reinvest the company in Mainland China by own fund via the China investee, Mjc Microelectronics (Shanghai) Co., Ltd.

Note 4: The investment income (loss) was recognized based on the financial statements audited by the parent company's external auditors.

Note 5: For the motion for liquidation of Leda-One (Shenzhen) Co. proposed by The Company to the Board of Directors for ratification on September 5, 2014, the liquidation was still under going until the date of audit.

2. Information related to ceiling on investment in Mainland China

Accumulated amount of remittance from Taiwan to Mainland China at the end of period	Original 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 9,760,000 (NTD 299,764)	USD 21,760,000 (NTD 666,191)	NTD 2,235,422

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 2014 (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 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 equipment. According to

IFRS No. 8 “Operating Segments”, the Group shall be identified as one single operating segment.

(II) To report the information about department income (loss), assets and liabilities, and basis of measurement and reconciliation

The department income (loss), department assets and department liabilities are consistent with those identified in the financial statements. Please see the balance sheet and comprehensive income statement.

(III) 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.

(IV) 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.

	2014		**2013**	
By territory	**Revenue**	**Non-current assets**	**Revenue**	**Non-current assets**
Taiwan	$ 1,882,387	$ 2,315,783	$ 1,595,370	$ 1,678,221
China	963,907	269,776	703,983	27,494
U.S.A.	782,812	—	420,447	—
Korea	34,637	17,365	57,607	20,762
Other countries	492,389	—	258,371	—
Total	$ 4,156,132	$ 2,602,924	$ 3,035,778	$ 1,726,477

(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.

(V) Information about major customers

Information about The Group's revenue from the transaction with single customer accounting for 10% of the operating revenue, net:

2014

Customer	**2014**
Customer M	$ 471,969

2013:

Customer	**2013**
Customer A	$ 315,134
Customer M	$ 335,947

MPI Corporation

CEO: Steve Chen