

**MPI CORPORATION and Subsidiaries**  
**Consolidated Financial Statements for the**  
**Years Ended March 31, 2015 and 2014, and**  
**Independent Auditors' Report**

# MPI CORPORATION and Subsidiaries

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## **REVIEW REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE**

To the Board of Directors and Stockholders of MPI Corporation

We have reviewed the accompanying consolidated balance sheets of MPI Corporation and its subsidiaries as of March 31, 2015 and 2014, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the three-month periods then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these consolidated financial statements based on our reviews.

Except as discussed in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Review of Financial Statements" in the Republic of China. A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of Company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

As described in Note 4(3), the financial statements of certain non-significant subsidiaries and investments accounted for under the equity method were consolidated and measured based on their unreviewed financial statements as of and for the three-month periods ended March 31, 2015 and 2014. Total assets of these subsidiaries and investments amounted to NT\$1,025,270 thousand and NT\$763,739 thousand, representing 16% and 15% of the related consolidated totals, and total liabilities amounted to NT\$136,499 thousand and NT\$171,055 thousand, representing 5% and 10% of the related consolidated totals, as of March 31, 2015 and 2014,

respectively. Total comprehensive income of these subsidiaries including share of profit of associates NT \$(4,523) thousand and NT \$(5,024) thousand, constituting (5%) and (9%) of the consolidated totals for the three-month periods then ended respectively. As described in Note 6(6), it related to the investments accounted for under the equity method balances of NT \$107,840 thousand and NT \$124,323 thousand as of March 31, 2015 and 2014, respectively, the related shares of investment income from the associates amounted to NT \$2,438 thousand and NT \$(1,637) thousand. And the related share of other comprehensive income of subsidiaries amounted to NT \$0 thousand.

Based on our reviews, except for the effect of such adjustments, if any, that might have been determined to be necessary had the financial statements of certain non-significant subsidiaries and investee companies been reviewed by independent auditors as described in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above in order for them to be in conformity with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and International Accounting Standard 34, “Interim Financial Reporting” as endorsed by the Financial Supervisory Commission of the Republic of China.

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Chih-Ling Chen, CPA  
Sun Rise CPAs & Company  
Taipei, Taiwan, Republic of China  
May 11, 2015

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (ASSETS)**  
 March 31, 2015, December 31, 2014 AND March 31, 2014  
 (All amounts are expressed in New Taiwan Dollars unless otherwise stated)  
 (UNAUDITED)

ASSETS	Note	March 31, 2015		December 31, 2014		March 31, 2014	
		Amounts	%	Amounts	%	金額	%
<b>CURRENT ASSETS</b>							
Cash and cash equivalents	6(1)	\$ 661,485	11	\$ 975,612	15	\$ 685,234	14
Notes receivable, net	6(2)	26,534	-	44,848	1	17,168	-
Accounts receivable, net	6(3)	646,949	10	588,924	9	440,146	9
Accounts receivable -related parties, net	6(3). 7	90,826	1	102,922	2	47,137	1
Other receivables		13,183	-	22,383	-	16,496	-
Other receivables -related parties, net	7	298	-	-	-	-	-
Income tax receivable		12	-	134	-	12	-
Inventories, net	6(4)	1,820,101	29	1,711,592	27	1,628,214	33
Prepayments		138,823	2	139,902	2	96,055	2
Other current assets	8	13,408	-	11,732	-	12,424	-
Total Current Assets		<u>3,411,619</u>	<u>53</u>	<u>3,598,049</u>	<u>56</u>	<u>2,942,886</u>	<u>59</u>
<b>NONCURRENT ASSETS</b>							
Non-current Financial Assets at Fair Value through Profit or Loss	6(12)	-	-	608	-	-	-
Financial assets carried at cost	6(5)	-	-	20,231	-	20,231	-
Investments accounted for using equity method	6(6)	107,840	2	123,852	2	124,323	3
Property, plant and equipment	6(7). 7. 8	2,309,042	37	2,167,777	34	1,629,131	33
Intangible assets	6(8)	66,940	1	69,274	1	60,811	1
Deferred income tax assets		46,531	1	41,753	1	33,527	1
Other noncurrent assets		361,523	6	365,873	6	137,421	3
Total Noncurrent Assets		<u>2,891,876</u>	<u>47</u>	<u>2,789,368</u>	<u>44</u>	<u>2,005,444</u>	<u>41</u>
<b>TOTAL ASSETS</b>		<u>\$ 6,303,495</u>	<u>100</u>	<u>\$ 6,387,417</u>	<u>100</u>	<u>\$ 4,948,330</u>	<u>100</u>

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

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)**  
 March 31, 2015, December 31, 2014 AND March 31, 2014  
 (All amounts are expressed in New Taiwan Dollars unless otherwise stated)  
 (UNAUDITED)

LIABILITIES AND EQUITY	Note	March 31, 2015		December 31, 2014		March 31, 2014	
		Amounts	%	Amounts	%	金額	%
<b>CURRENT LIABILITIES</b>							
Short-term loans	6(9)	\$ 4,263	-	\$ 4,384	-	\$ 4,323	-
Notes payable		-	-	2,260	-	436	-
Accounts payable		452,211	7	500,805	8	496,497	10
Accounts payable-related parties	7	35,482	1	8,024	-	7,762	-
Payables on equipment		154,320	2	141,920	2	5,890	-
Other payables	6(10)	354,607	6	539,627	9	297,040	6
Other payables-related parties	7	12,955	-	13,856	-	9,069	-
Income tax payable		81,473	1	66,279	1	48,257	1
Provisions	6(11)	3,562	-	4,856	-	7,626	-
Sales revenue received in advance	7	697,498	11	663,286	10	635,808	13
Current portion of long-term liabilities	6(13)	9,329	-	9,329	-	9,329	-
Other current liabilities		15,423	-	19,047	1	15,203	1
Total Current Liabilities		1,821,123	28	1,973,673	31	1,537,240	31
<b>NONCURRENT LIABILITIES</b>							
Non-current Financial liabilities at Fair Value through Profit or Loss	6(12)	781	-	-	-	-	-
Payable bonds	6(12)	571,163	9	574,962	9	-	-
Long-term loans	6(13)	55,963	1	58,295	1	65,292	1
Deferred income tax liabilities		15,958	-	15,307	-	13,722	-
Accrued pension cost	6(14)	20,093	-	20,934	-	19,205	1
Other noncurrent liabilities		1,256	-	1,383	-	219	-
Total Other Liabilities		665,214	10	670,881	10	98,438	2
<b>TOTAL LIABILITIES</b>		<b>2,486,337</b>	<b>38</b>	<b>2,644,554</b>	<b>41</b>	<b>1,635,678</b>	<b>33</b>
<b>EQUITY</b>							
<b>EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT</b>							
Capital common stock		796,054	13	795,364	12	786,124	16
Capital surplus		871,572	14	885,012	14	774,077	16
Retained earnings							
Appropriated as legal capital reserve		410,942	7	410,942	6	383,839	8
Appropriated as special capital reserve		-	-	-	-	17,571	-
Unappropriated earnings		1,689,160	28	1,593,614	25	1,308,938	27
Total Retained Earnings		2,100,102	35	2,004,556	31	1,710,348	35
Other							
Foreign currency translation adjustments		32,693	-	40,772	2	24,933	-
Total others		32,693	-	40,772	2	24,933	-
Treasury stock		-	-	-	-	-	-
Equity attributable to shareholders of the parent		3,800,421	62	3,725,704	59	3,295,482	67
<b>NONCONTROLLING INTERESTS</b>		<b>16,737</b>	<b>-</b>	<b>17,159</b>	<b>-</b>	<b>17,170</b>	<b>-</b>
<b>TOTAL EQUITY</b>		<b>3,817,158</b>	<b>62</b>	<b>3,742,863</b>	<b>59</b>	<b>3,312,652</b>	<b>67</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 6,303,495</b>	<b>100</b>	<b>\$ 6,387,417</b>	<b>100</b>	<b>\$ 4,948,330</b>	<b>100</b>

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

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
From January 1 to March 31, 2015 and 2014  
(All amounts are expressed in New Taiwan Dollars unless otherwise stated)  
(UNAUDITED)

Items	Note	January 1 ~ March 31, 2015		January 1 ~ March 31, 2014	
		Amounts	%	Amounts	%
<b>OPERATING REVENUE, NET</b>	7				
Sales revenue		\$ 877,518	98	\$ 709,177	98
Less: sales returns		(400)	-	-	-
sales discounts and allowances		(58)	-	-	-
Commission revenue		15,740	1	14,536	2
Processing Fees revenue		38,488	1	-	-
Operating Revenue, net		931,288	100	723,713	100
<b>OPERATING COSTS</b>	6(4), 7	(501,260)	(54)	(363,817)	(50)
<b>GROSS PROFIT</b>		430,028	46	359,896	50
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		1,784	-	(26)	-
<b>GROSS PROFIT, NET</b>		431,812	46	359,870	50
<b>OPERATING EXPENSES</b>	7				
Selling expenses		(89,526)	(10)	(79,512)	(11)
General & administrative expenses		(65,709)	(7)	(85,485)	(12)
Research and development expenses	6(8)	(179,546)	(19)	(139,874)	(19)
Operating expense, net		(334,781)	(36)	(304,871)	(42)
<b>OPERATING INCOME</b>		97,031	10	54,999	8
<b>NON-OPERATING INCOME AND EXPENSES</b>					
Other gains and losses	6(17)	8,196	1	2,312	-
Finance costs	6(17)	(3,089)	-	(348)	-
Share of profits of subsidiaries and associates	6(6)	2,438	-	(1,637)	-
Interest income	7	769	-	692	-
Rent income	7	2,582	-	757	-
Allowance (reversal) for doubtful accounts	6(3)	754	-	-	-
Other non-operating revenue-other items	7	5,467	1	611	-
Total Non-operating Income		17,117	2	2,387	-
<b>INCOME BEFORE INCOME TAX</b>		114,148	12	57,386	8
<b>INCOME TAX BENEFIT(EXPENSE)</b>	6(18)	(18,551)	(2)	(3,047)	-
<b>NET INCOME</b>		95,597	10	54,339	8
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
Components of other comprehensive income that will be reclassified to profit or loss					
Exchange differences arising on translation of foreign operations		(8,552)	(1)	(228)	-
Actuarial loss from defined benefit plans		-	-	-	-
Share of other comprehensive income of subsidiaries		-	-	-	-
Other comprehensive income for the year, net of income tax		(8,552)	(1)	(228)	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		\$ 87,045	9	\$ 54,111	8
<b>NET INCOME(LOSS) ATTRIBUTABLE TO :</b>					
Shareholders of the parent		\$ 95,546	10	\$ 54,427	8
Noncontrolling interests		51	-	(88)	-
		\$ 95,597	10	\$ 54,339	8
<b>TOTAL COMPREHENSIVE INCOME(LOSS)</b>					
Shareholders of the parent		\$ 87,467	9	\$ 53,969	8
Noncontrolling interests		(422)	-	142	-
		\$ 87,045	9	\$ 54,111	8
<b>EARNINGS PER COMMON SHARE(NTD)</b>	6(19)				
Basic earnings per share		\$ 1.20		\$ 0.71	
Diluted earnings per share		\$ 1.12		\$ 0.71	

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

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
From January 1 to March 31, 2015 and 2014  
(All amounts are expressed in New Taiwan Dollars unless otherwise stated)  
(UNAUDITED)

Items	Capital-		Retained Earnings			Others		Total	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Capital Reserve	Special Capital Reserve	Unappropriated Earnings	Foreign Currency Translation Reserve	Treasury Stock			
BALANCE, JANUARY, 1, 2014	\$ 786,124	\$ 740,781	\$ 383,839	\$ 17,571	\$ 1,254,511	\$ 25,391	\$ (152,606)	\$ 3,055,611	\$ 17,028	\$ 3,072,639
Net Income for the three-month period ended March 31, 2014					54,427			54,427	(88)	54,339
Other comprehensive income for the three-month period ended March 31, 2014						(458)		(458)	230	(228)
Total comprehensive income					54,427	(458)		53,969	142	54,111
Issuance of stock from exercise of employee stock options		33,296					152,606	185,902		185,902
BALANCE, MARCH, 31, 2014	\$ 786,124	\$ 774,077	\$ 383,839	\$ 17,571	\$ 1,308,938	\$ 24,933	\$ -	\$ 3,295,482	\$ 17,170	\$ 3,312,652
BALANCE, JANUARY, 1, 2015	\$ 795,364	\$ 885,012	\$ 410,942	\$ -	\$ 1,593,614	\$ 40,772	\$ -	\$ 3,725,704	\$ 17,159	\$ 3,742,863
Capital Reserve From Stock Warrants		(325)						(325)		(325)
Disposal of investments accounted for under the equity method		(19,306)						(19,306)		(19,306)
Net Income for the three-month period ended March 31, 2015					95,546			95,546	51	95,597
Other comprehensive income for the three-month period ended March 31, 2015						(8,079)		(8,079)	(473)	(8,552)
Total comprehensive income					95,546	(8,079)		87,467	(422)	87,045
Convertible Bonds Transferred To Common Stock	690	6,191						6,881		6,881
BALANCE, MARCH, 31, 2015	\$ 796,054	\$ 871,572	\$ 410,942	\$ -	\$ 1,689,160	\$ 32,693	\$ -	\$ 3,800,421	\$ 16,737	\$ 3,817,158

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



**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
From January 1 to March 31, 2015 and 2014  
(All amounts are expressed in New Taiwan Dollars unless otherwise stated)  
(UNAUDITED)

Items	Jan 1 ~ Mar 31,2015	Jan 1 ~ Mar 31,2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 114,148	\$ 57,386
Adjustments to reconcile net income to net		
Depreciation	45,498	29,793
Amortization	11,113	7,353
(Reversal) allowance for doubtful receivables	(754)	1,923
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	1,384	-
Interest expense	3,089	348
Interest revenue	(769)	(692)
Compensation cost of employee stock options	-	33,840
Loss (gain) on equity-method investments	(2,438)	1,637
(Gain) loss on disposal of property, plant and equipment	5	37
(Gain) loss on disposal of financial assets measured at cost	(5,706)	-
Transfer of properties to expenses	-	710
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(1,784)	(684)
Adjustments-exchange (Gain) loss on prepayments for equipment	(470)	-
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	18,313	386
Decrease (Increase) in accounts receivable	(58,119)	69,583
Decrease (Increase) in accounts receivable-related parties	12,997	(6,625)
Decrease (Increase) in other receivables	9,178	(8,898)
Decrease (Increase) in other receivables-related parties	(298)	-
Decrease (Increase) in inventories	(108,509)	(128,022)
Decrease (Increase) in prepayments	1,080	1,141
Decrease (Increase) in other current assets	(1,672)	195
(Decrease) Increase in notes payable	(2,260)	(1,616)
(Decrease) Increase in accounts payable	(48,594)	103,351
(Decrease) Increase in accounts payable-related parties	27,458	5,655
(Decrease) Increase in other accounts payable	(185,004)	(62,935)
(Decrease) Increase in other accounts payable-related parties	(901)	1,518
(Decrease) Increase in provision of liabilities	(1,295)	(2,019)
(Decrease) Increase in sales revenue received in advance	34,212	(38,099)
(Decrease) Increase in other current liabilities	(3,624)	(4,815)
Decrease(Increase) in accrued pension cost	(840)	(754)
Cash generated from operations	<u>(144,562)</u>	<u>59,697</u>
Interest received	791	575
Interest (excluding capitalization of interest)	(342)	(406)
Income taxes paid	<u>(7,362)</u>	<u>(766)</u>
Net cash Provided By Operating Activities	<u>(151,475)</u>	<u>59,100</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial assets measured at cost	25,938	-
Net cash flow from acquisition of subsidiaries	-	(45,632)
Additions to property, plant and equipment	(189,952)	(87,930)
Proceeds from sale of property, plant and equipment	-	87
Intangible assets	(1,236)	(4)
Increase in other financial assets	(4)	(4)
Increase in other non-current assets	<u>(3,410)</u>	<u>(24,358)</u>
Net cash Provided Used In Investing Activities	<u>(168,664)</u>	<u>(157,841)</u>

(Continue)

**MPI CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
From January 1 to March 31, 2015 and 2014  
(All amounts are expressed in New Taiwan Dollars unless otherwise stated)  
(UNAUDITED)

Items	Jan 1 ~ Mar 31, 2015	Jan 1 ~ Mar 31, 2014
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term loans	(121)	58
Repayments of long-term loans	(2,332)	(2,332)
Increase (decrease) in nocurrent liabilities	(127)	-
Employees to repurchase of treasury stock	-	152,062
Increase (decrease) in noncontrolling interests	(474)	229
Net cash (Used In) Financing Activities	<u>(3,054)</u>	<u>150,017</u>
Effects of exchange rate change on cash	<u>9,066</u>	<u>10,162</u>
Net increase in cash and cash equivalents	(314,127)	61,438
Cash and cash equivalents at beginning of year	<u>975,612</u>	<u>623,796</u>
Cash and cash equivalents at end of year	<u>\$ 661,485</u>	<u>\$ 685,234</u>

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

**MPI CORPORATION and Subsidiaries**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED MARCH 31, 2015 AND 2014**  
**(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**  
**(UNAUDITED)**

**1. GENERAL**

- (1) MPI Corporation (“the Company”), a company limited by shares, was incorporated under the Corporation Law and other relevant laws and regulations on July 25, 1995. As of March 31, 2014, the paid-in capital amounted to NT\$ 796,054 thousand.
- (2) The Company and Subsidiaries primarily offers the following services:
- A. Maintenance, purchase, sales, research and development of computers and peripheral equipment;
  - B. Import/export of semiconductors, integrated conductors and electronic parts;
  - C. Import/export of high-precision automatic machines;
  - D. Import/export of machinery and accessories ;
  - F. Test, maintenance, manufacturing and import/export trading of parts of semiconductors ;
- (3) The consolidated financial statements of MPI Corporation as of and for the year ended March 31, 2015, comprise MPI Corporation and its subsidiaries (the Group).

**2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION**

These consolidated financial statements were authorized for issuance by the Board of Directors on 5/11, 2015.

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS**

- (1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards (“IFRS”) as endorsed by the Financial Supervisory Commission (“FSC”)
- According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taipei Exchange or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and Regulations Governing the Preparation of Financial Reports by Securities Issuers effective January 1, 2015 (collectively referred herein as “the 2013 version of IFRS”) in preparing the

consolidated financial statements. The impact of adopting the 2013 version of IFRS is listed below:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendments to IFRS 1)	July 1, 2010
Severe hyperinflation and removal of fixed dates for first-time adopters (amendments to IFRS 1)	July 1, 2011
Government loans (amendments to IFRS 1)	January 1, 2013
Disclosures – Transfers of financial assets (amendments to IFRS 7)	July 1, 2011
Disclosures – Offsetting financial assets and financial liabilities (amendments to IFRS 7)	January 1, 2013
IFRS 10, ‘Consolidated financial statements’	January 1, 2013 (Investment entities: January 1, 2014)
IFRS 11, ‘Joint arrangements’	January 1, 2013
IFRS 12, ‘Disclosure of interests in other entities’	January 1, 2013
IFRS 13, ‘Fair value measurement’	January 1, 2013
Presentation of items of other comprehensive income (amendments to IAS 1)	July 1, 2012
Deferred tax: recovery of underlying assets (amendments to IAS 12)	January 1, 2012
IAS 19 (revised), ‘Employee benefits’	January 1, 2013
IAS 27, ‘Separate financial statements’ (as amended in 2011)	January 1, 2013
IAS 28, ‘Investments in associates and joint ventures’ (as amended in 2011)	January 1, 2013
Offsetting financial assets and financial liabilities (amendments to IAS 32)	January 1, 2014
IFRIC 20, ‘Stripping costs in the production phase of a surface mine’	January 1, 2013

Based on the Group’s assessment, the adoption of the 2013 version of IFRSs has no significant impact on the consolidated financial statements of the Group, except the following:

A. IFRS 12, ‘Disclosure of interests in other entities’

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. And, the Group will

disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

B. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. And, the standard requires disclosures about fair value measurements. Based on the Group's assessment, the adoption of the standard has no significant impact on its consolidated financial statements, and the Group will disclose additional information about fair value measurements accordingly.

C. IAS 1, 'Presentation of financial statements'

The amendment requires entities to separate items presented in OCI classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Group will adjust its presentation of the statement of comprehensive income.

D. IAS 19 (revised), 'Employee benefits'

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service cost will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expenses, is recognized in other comprehensive income. An entity is required to recognize termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognizes any related restructuring costs. Additional disclosures are required to present how defined benefit plans may affect the amount, timing and uncertainty of the entity's future cash flows.

(2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Group

None.

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

New standards, interpretations and amendments issued by IASB but not yet included in the 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	January 1, 2016
Investment entities: applying the consolidation exception (amendment to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations(amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
IFRS 15, 'Revenue from contracts with customers'	January 1, 2017
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
Improvements to IFRSs 2010-2012 and Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016
IFRIC 21, 'Levies'	January 1, 2014

The Group is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the consolidated financial statements will be disclosed when the assessment is complete.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods

presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(2) Basis of preparation

A. Except for the following items, these consolidated financial statements have been prepared under the historical cost convention:

- (a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.
- (b) Available-for-sale financial assets measured at fair value.
- (c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

B. Items included in the financial statements of each of the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements are presented in New Taiwan Dollars, which is the Company’s functional and the Company’s presentation currency.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

- (a) All subsidiaries are included in the Group’s consolidated financial statements. Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.
- (b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.
- (c) Profit or loss and each component of other comprehensive income are attributed to

the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

- (d) Changes in a parent's ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.
- (e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

#### B. Subsidiaries included in the consolidated financial statements:

Name of investor	Name of subsidiary	Main business activities	Ownership (%)			Description
			March 31, 2015	December 31, 2014	March 31, 2014	
MPI	Chain-Logic International Corp.	professional equipment agent and provides technologic service for the manufacturing of high-tech industry such as LED, LCD, Semiconductor, and etc.	100%	100%	100%	Established in January 25,1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	100%	Established in December 22, 2000.
MPI	MMI HOLDING CORP.(Samoa)	Investment activities	100%	100%	100%	Established in August 7, 2002.



MPI	MEGTAS LTD. (Korea)	CO.,	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	60%	60%	60%	Established in September 1, 2010.
MPI	JIA-SIN INVESTMENT CORP.		Investment activities	100%	100%	100%	Established in April 30, 2004.
MPI	YI-SIN INVESTMENT CORP.		Investment activities	100%	100%	100%	Established in April 30, 2004.
MPI	WANG-TONG CORP.		Maintenance, purchase, sales, research and development of computers and peripheral equipment;	100%	100%	100%	Established in December 22, 2010.
MPI	ALLSTRON CORP.		Manufacturing of high frequency wafer foundry measuring probing	100%	100%	100% (Note1)	Established in March 31, 2006.  The Company started on January 1, 2014 as the acquisition date, acquiring 100% of the shares.
Chain-Logic International Corp.	CHAIN-LOGIC TRADING CORP. (Mauritius)		International trading business	100%	100%	100%	Established in November 19, 2001.
Chain-Logic International Corp.	JIA-YING INVESTMENT CORP.		Investment activities	100%	100%	100%	Established in April 30, 2004.
CHAIN-LOGIC TRADING CORP.	CHAIN LOGIC (SHANGHAI) INTERNATIONAL CORP.		International trading	100%	100%	100%	Established in February 8, 2002.
MMI HOLDING CORP.	LEDA-ONE (Shenzhen) CORPORATION		development of computers and peripheral equipment	100%	100%	100%	Established in May 7, 2010.
MMI HOLDING CORP.	Lumitek (ChangZhou) Co.,Ltd		Selling and manufacturing of high-tech industry such as LED.	100%	100%	100% (Note 2)	Established in January 10, 2014.

(Note1) The Company obtained control of company, Allstron Corp. by acquiring 100% of the shares. Taking control of Allstron Corp will enable the Company to integrate its business.

(Note2) To develop the market of China, the Group through MMI HOLDING CO.,LTD invested LumitekS (ChanGzhou) Co.,Ltd USD\$4,000,000 (NT\$ 120,500 thousand dollars) in 2014. And increased investment USD\$7,500,000(NT\$ 235,875 thousand dollars) holding 100% of shares in 2015.

The financial statements of the entity as of and for the three-month periods ended March

31, 2015 and 2014 were not reviewed by the independent auditors as the entity did not meet the definition of significant subsidiary.

C. Subsidiaries not included in the consolidated financial statements : None.

D. Adjustments for subsidiaries with different balance sheet dates : None.

E. Significant restrictions : None.

F. Subsidiaries that have non-controlling interests that are material to the Group : None.

#### (4) Foreign Currencies

##### A. Foreign currency transactions and balances

Foreign currency transactions are recorded at the spot exchange rate on the date of the transaction. At the end of the reporting period (the reporting date), foreign currency monetary amounts are reported using the closing rate. Exchange differences due to settlement of transactions or translation for monetary items are recognized in profit or loss.

Non-monetary items carried at fair value should be reported at the rate that existed when the fair values were determined. Non-monetary items carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the year except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

##### B. Translation of foreign operations

(a) The operating results and financial position of all the group entities, associates and jointly controlled entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- ① Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ② Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; And
- ③ All resulting exchange differences are recognized in other comprehensive income.

(b) When the foreign operation partially disposed of or sold is an associate or jointly controlled entity, exchange differences that were recorded in other comprehensive income are proportionately reclassified to profit or loss as part of the gain or loss

on sale. In addition, even the Group still retains partial interest in the former foreign associate or jointly controlled entity after losing significant influence over the former foreign associate, or losing joint control of the former jointly controlled entity, such transactions should be accounted for as disposal of all interest in these foreign operations.

- (c) When the foreign operation partially disposed of or sold is a subsidiary, cumulative exchange differences that were recorded in other comprehensive income are proportionately transferred to the non-controlling interest in this foreign operation. In addition, even the Group still retains partial interest in the former foreign subsidiary after losing control of the former foreign subsidiary; such transactions should be accounted for as disposal of all interest in the foreign operation.
  - (d) Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rates at the balance sheet date.
- (5) Classification of current and non-current items
- A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:
    - (a) Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;
    - (b) Assets held mainly for trading purposes;
    - (c) Assets that are expected to be realized within twelve months from the balance sheet date;
    - (d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.
  - B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:
    - (a) Liabilities that are expected to be paid off within the normal operating cycle;
    - (b) Liabilities arising mainly from trading activities;
    - (c) Liabilities that are to be paid off within twelve months from the balance sheet date;
    - (d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(6) Cash and Cash Equivalents

Cash equivalents, for the purpose of meeting short-term cash commitments, consist of highly liquid time deposits and investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(7) Financial Instruments

Financial assets and liabilities shall be recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial Assets

Financial assets are classified into the following specified categories: Financial assets “at fair value through profit or loss” (FVTPL), “held-to-maturity” financial assets, “available-for-sale” financial assets and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(a) Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition.

Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including notes and accounts receivable and other receivables are measured at amortized cost using the effective interest method, less any impairment, except for those loans and receivables with immaterial discounted effect.

(c) Impairment of financial assets

Financial assets, other than those carried at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Those financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets;

their estimated future cash flows have been affected.

The criteria that the Group uses to determine whether there is objective evidence of impairment loss is as follows:

- Ⓐ Significant financial difficulty of the issuer or debtor;
- Ⓑ A breach of contract, such as a default or delinquency in interest or principal payments;
- Ⓒ The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
- Ⓓ It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Ⓔ The disappearance of an active market for that financial asset because of financial difficulties;

For financial assets carried at amortized cost, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The Group assesses the collectability of receivables by performing the account aging analysis and examining current trends in the credit quality of its customers.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

(d) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the financial asset to

another entity.

## B. Financial Liabilities and Equity Instruments

### (a) Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

### (b) Financial liabilities

Financial liabilities are subsequently measured either at amortized cost using effective interest method or at FVTPL. Financial liabilities measured at FVTPL are derivative financial instruments that do not meet the criteria for hedge accounting, and they are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities other than those held for trading purposes and designated as at FVTPL are subsequently measured at amortized cost at the end of each reporting period.

### (c) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### (d) Bonds payable

Convertible corporate bonds issued by the Company contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable and derivative features embedded in convertible corporate bonds on initial recognition as a financial asset, a financial liability or an equity instrument ('capital surplus—stock warrants') in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability and a equity instrument. Convertible corporate bonds are accounted for as follows:

- Ⓐ Call options and put options embedded in convertible corporate bonds are recognized initially at net fair value as ‘financial assets or financial liabilities at fair value through profit or loss’. They are subsequently remeasured and stated at fair value on each balance sheet date; the gain or loss is recognised as ‘gain or loss on valuation of financial assets or financial liabilities at fair value through profit or losses.
- Ⓑ Bonds payable of convertible corporate bonds is initially recognised at fair value and subsequently stated at amortised cost. Any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortised in profit or loss as an adjustment to the ‘finance costs’ over the period of bond circulation using the effective interest method.
- Ⓒ Conversion options embedded in convertible corporate bonds issued by the Group, which meet the definition of an equity instrument, are initially recognised in ‘capital surplus—stock warrants’ at the residual amount of total issue price less amounts of ‘financial assets or financial liabilities at fair value through profit or loss’ and ‘bonds payable—net’ as stated above. Conversion options are not subsequently remeasured.
- Ⓓ Any transaction costs directly attributable to the issuance of convertible corporate bonds are allocated to the liability and equity components in proportion to the allocation of proceeds.
- Ⓔ When bondholders exercise conversion options, the liability component of the bonds (including ‘bonds payable’ and ‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The book value of common shares issued due to the conversion shall be based on the adjusted book value of the above-mentioned liability component plus the book value of capital surplus – stock warrants.

(8) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw materials, direct labor, other direct costs and related production overheads (allocated based on normal operating capacity). It excludes borrowing costs. The item by

item approach is used in applying the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(9) Investment in subsidiaries

Associates are all entities over which the Group has significant influence but not control. In general, it is presumed that the investor has significant influence, if an investor holds, directly or indirectly 20 per cent or more of the voting power of the investee. Investments in associates are accounted for using the equity method and are initially recognised at cost.

Under the equity method, an investment in an associate controlled entity is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of profit or loss and other comprehensive income of the associate and jointly controlled entity as well as the distribution received. The Group also recognizes their share in the changes in the associates and jointly controlled entity.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

When a consolidated entity transacts with an associate or a joint controlled entity, profits and losses resulting from the transactions with the associate or jointly controlled entity are recognized in the Company's consolidated financial statements only to the extent of interests in the associate or jointly controlled entity that are not owned by the Group.

(10) Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment. Costs include any incremental costs that are directly attributable to the construction or acquisition of the item of property, plant and equipment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost; Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.



The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Other property, plant and equipment apply cost model and are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item must be depreciated separately.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Items	Useful Lives
Buildings	10–50
Machinery and equipment	5–10
Transportation equipment	4–6
Office equipment	3–10
Research equipment	5
Other equipment	3–8

(11) Leases

A. The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

B. The Group as lessee

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

A finance lease is recognized as an asset and a liability at the lease's commencement at the lower of the fair value of the leased asset or the present value of the minimum lease payments.

(12) Intangible assets

A. Goodwill

Goodwill arises in a business combination accounted for by applying the acquisition method.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units, or groups of cash-generating units, that is/are expected to benefit from the synergies of the business combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

B. Research and Development Expenditures

(a) Research expenditures are recognized as an expense as incurred.

(b) Development expenditures that do not meet the following criteria are recognized as expenses as incurred, but are recognized as intangible assets when the following criteria are met:

- Ⓐ It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Ⓑ An entity intends to complete the intangible asset and use or sell it;
- Ⓒ An entity has the ability to use or sell the intangible asset;
- Ⓓ It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Ⓔ Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; And
- Ⓕ The expenditure attributable to the intangible asset during its development can be reliably

C. Other separately acquired intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method over the following estimated useful lives:

Software and system      2-5 years;

(13) Impairment of non-financial assets

A. The Group's assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its

recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognized.

- B. The recoverable amounts of goodwill, intangible assets with an indefinite useful life and intangible assets that have not yet been available for use shall be evaluated periodically. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Impairment loss of goodwill previously recognized in profit or loss shall not be reversed in the following years.

(14) Provisions

Provisions (including warranties, decommissioning, restructuring, onerous contracts, and contingent liabilities from business combinations, etc.) are recognized when the Group have a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated.

(15) Treasury stock

- A. Treasury stock is stated at cost.
- B. The cost of treasury stock is accounted for on a weighted-average basis.
- C. Upon disposal of the treasury stock, if the disposal price exceeds the cost of the treasury stock disposed of, the difference is credited to "capital reserve – treasury stock". If the disposal price is less than the cost, the difference is debited to the capital reserve arising from the treasury stock of the same class. Where the capital reserve is insufficient to cover the difference, the remaining amount is charged against retained earnings.

(16) Revenue Recognition Method

A. Sales of goods

Revenue is measured at the fair value of the consideration received or receivable taking into account of returns, rebates and discounts for the sale of goods to external customers in the ordinary course of the Group's activities. Revenue arising from the sales of goods should be recognized when the Group has delivered the goods to the customer, the amount of sales revenue can be measured reliably and it is probable that the future economic benefits associated with the transaction will flow to the entity.

The delivery of goods is completed when the significant risks and rewards of ownership have been transferred to the customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the customer has accepted the goods based on the sales contract or there is objective evidence showing that all acceptance provisions have been satisfied.

**B. Sales of services**

Revenue from delivering services is recognized under the percentage-of-completion method when the outcome of services provided can be estimated reliably. The stage of completion of a service contract is measured by the percentage of the actual services performed as of the financial reporting date to the total services to be performed.

**C. Commission Revenue**

When the Group is the representative instead of the consignor in the transaction, the revenue is recognized in net commission.

**D. Rental Revenue**

The revenue is generated from subletting real estate which is recognized as Rent Revenue under Non-operating income and expense.

**E. Dividend Revenue**

Revenue is recognized when the Group's right to receive the payment is established.

**(17) Borrowing Costs**

**A. Borrowings** are recognized initially at fair value, net of transaction costs incurred.

Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

**B. Fees paid** on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

**(18) Government grants**

Government grants are recognized at their fair value only when there is reasonable assurance that the Group will comply with any conditions attached to the grants and the grants will be received. Government grants are recognized in profit or loss on a

systematic basis over the periods in which the Group recognizes expenses for the related costs for which the grants are intended to compensate.

(19) Employee benefits

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

(a) Defined contribution plans

For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

(b) Defined benefit plans

- ① Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Group in current period or prior periods. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Group uses interest rates of government bonds (at the balance sheet date) instead.
- ② Remeasurement arising on defined benefit plans are recognised in other comprehensive income in the period in which they arise and are recorded as retained earnings or other equity.
- ③ Past-service costs are recognised immediately in profit or loss
- ④ Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that

time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

#### C. Termination benefits

Termination benefits are employee benefits provided in exchange for the termination of employment as a result from either the Group's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept an offer of redundancy benefits in exchange for the termination of employment. The Group recognizes expense as it can no longer withdraw an offer of termination benefits or it recognises relating restructuring costs, whichever is earlier. Benefits that are expected to be due more than 12 months after balance sheet date shall be discounted to their present value.

#### D. Employees' bonus and directors' and supervisors' remuneration

For restricted stocks where employees have to pay to acquire those stocks, if employees resign during the vesting period, they must return the stocks to the Company and the Company must refund their payments on the stocks, the Company recognizes the payments from the employees who are expected to resign during the vesting period as liabilities at the grant date, and recognizes the payments from the employees who are expected to be eventually vested with the stocks in 'capital surplus – others'.

#### (20) Share-based payment

The cost of equity-settled transactions between the Group and their employees are measured based on the fair value at the date on which they are granted. The employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity.

For the cash-settled share-based payment arrangements, the employee services received and the liability incurred are measured at the fair value of the liability to pay for those services, and are recognized as compensation cost and liability over the vesting period. The fair value of the liability shall be remeasured at each balance sheet date until settled at the settlement date, with any changes in fair value recognized in profit or loss.

#### (21) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax

is recognized in other comprehensive income or equity.

- B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional 10% tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.
- C. Deferred tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.
- D. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.
- E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.
- F. A deferred tax asset shall be recognized for the carry forward of unused tax credits

resulting from acquisitions of equipment or technology, research and development expenditures and equity investments to the extent that it is possible that future taxable profit will be available against which the unused tax credits can be utilized.

- G. The interim period income tax expense is recognised based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(22) Business combinations

- A. The Group uses the acquisition method to account for business combinations. The consideration transferred for an acquisition is measured as the fair value of the assets transferred, liabilities incurred or assumed and equity instruments issued at the acquisition date, plus the fair value of any assets and liabilities resulting from a contingent consideration arrangement. All acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each business combination, the Group measures at the acquisition date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to the proportionate share of the entity's net assets in the event of liquidation at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other non-controlling interests should be measured at the acquisition-date fair value.
- B. The excess of the consideration transferred, the amount of any non-controlling interest in the acquire and the fair value of any previous equity interest in the acquire over the fair value of the identifiable assets acquired and the liabilities assumed is recorded as goodwill at the acquisition date. If the total of consideration transferred, non-controlling interest in the acquire recognized and the fair value of previously held equity interest in the acquire is less than the fair value of the identifiable assets acquired and the liabilities assumed, the difference is recognized directly in profit or loss on the acquisition date.

(23) Earnings Per Common Share

Basic earnings per share (EPS) are computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding in the year. Diluted EPS reflects the potential dilution that could occur if dilutive securities and



other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

(24) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity). Operating segments' operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

**5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY**

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The above information is addressed below:

(1) Estimated impairment of accounts receivable

If there is any objective evidence of impairment, the Group will take account of estimates of future cash flows. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Significant impairment loss may occur if actual cash flows are less than forecasted.

As of March 31, 2015, the carrying amount of accounts receivable was \$ 764,309 thousand dollars. (Was deducted allowance for uncollectible accounts, \$ 29,265 thousand dollars)

(2) Investment property

Inventories are stated at the lower of cost or net realizable value, and the Group use judgment and estimate to determine the net realizable value of inventory at the end of each reporting period. Due to the rapid technological changes, the Group estimates the net realizable value of inventory for obsolescence and unmarketable items at the end of reporting period and then writes down the cost of inventories to net realizable value. The net realizable value of the inventory is mainly determined based on assumptions of future demand within a specific time horizon.

As of March 31, 2015, the carrying amount of inventories was \$1,820,101 thousand dollars. (Was deducted valuation loss, \$ 209,414 thousand dollars)

(3) Realization of Deferred Tax Assets

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which those deferred tax assets can be utilized. Assessment of the realization of the deferred tax assets requires the Company's subjective judgment and estimate, including the future revenue growth and profitability, the amount of tax credits can be utilized and feasible tax planning strategies. Any changes in the global economic environment, the industry trends and relevant laws and regulations could result in significant adjustments to the deferred tax assets.

As of March 31, 2015, the Group recognized deferred income tax assets amounting to \$46,531 thousand dollars.

(4) Revenue recognition

In principle, sales revenues are recognized when the earning process is completed. The Group estimate discounts and returns based on historical results and other known factors. Provisions for such liabilities are recorded as a deduction item to sales revenues when the sales are recognized. The Group reassesses the reasonableness of estimates of discounts and returns periodically.

As of March 31, 2015, provisions for discounts and returns amounted to \$3,562 thousand dollars.

(5) Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgement and estimate to determine the actuarial assumptions on balance sheet date, including discount rates and future salary growth rate. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of March 31, 2015, the carrying amount of accrued pension obligations was \$20,093 thousand dollars.

(6) Impairment assessment of goodwill

The impairment assessment of goodwill relies on the Group subjective judgement, including identifying cash-generating units, allocating assets and liabilities as well as goodwill to related cash-generating units, and determining the recoverable amounts of related cash-generating units. Please refer to Note 6(8) for the information of goodwill impairment. As of March 31, 2015, the Group recognised goodwill, amounting to \$45,533 thousand dollars.

## **6. DETAILS OF SIGNIFICANT ACCOUNTS**

**(1) Cash and cash equivalents**

	March 31, 2015	December 31, 2014	March 31, 2014
Cash:			
Cash on hand	\$ 2,015	\$ 2,570	\$ 2,290
Cash in banks:			
Checking deposits	—	10	136
Demand deposits	598,351	647,652	608,389
Time deposits	61,119	325,380	74,419
Total	<u>\$ 661,485</u>	<u>\$ 975,612</u>	<u>\$ 685,234</u>

**(2) Notes receivable, net**

	March 31, 2015	December 31, 2014	March 31, 2014
Notes receivable	\$ 26,534	\$ 44,848	\$ 17,168
Less: Allowance for doubtful accounts	—	—	—
Notes receivable, net	<u>\$ 26,534</u>	<u>\$ 44,848</u>	<u>\$ 17,168</u>

**(3) Accounts receivable, net**

	March 31, 2015	December 31, 2014	March 31, 2014
Accounts receivable	\$ 656,488	\$ 602,044	\$ 446,650
Less: Allowance for doubtful accounts	(9,539)	(13,120)	(6,504)
Accounts receivable, net	<u>\$ 646,949</u>	<u>\$ 588,924</u>	<u>\$ 440,146</u>

	March 31, 2015	December 31, 2014	March 31, 2014
Accounts receivable-related parties	\$ 90,826	\$ 103,824	\$ 47,939
Less: Allowance for doubtful accounts	—	(902)	(802)
Accounts receivable-related parties, net	<u>\$ 90,826</u>	<u>\$ 102,922</u>	<u>\$ 47,137</u>

	March 31, 2015	December 31, 2014	March 31, 2014
Overdue receivable	\$ 19,726	\$ 16,814	\$ 29,986
Less: Allowance for doubtful accounts	(19,726)	(16,814)	(29,986)
Overdue receivable, net	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

A. Movements on the Group provision for impairment of accounts receivable are as follows:

	2015		
	Group provision	Individual provision	Total
At January 1	\$ 14,889	\$ 15,947	\$ 30,836
Provision for impairment	—	—	—
Reversal of impairment	(754)	—	(754)
Write-offs during the period	(763)	—	(763)
Unwinding of discount and premium	(54)	—	(54)
At March 31	<u>\$ 13,318</u>	<u>\$ 15,947</u>	<u>\$ 29,265</u>

2014

	Group provision	Individual provision	Total
At January 1	\$ 8,331	\$ 27,898	\$ 36,229
Provision for impairment	3,673	—	3,673
Reversal of impairment	—	(1,750)	(1,750)
Write-offs during the period	(203)	(644)	(847)
Unwinding of discount and premium	(13)	—	(13)
At March 31	\$ 11,788	\$ 25,504	\$ 37,292

B. The ageing analysis of accounts receivable that were past due but not impaired is as follows:

	March 31, 2015		December 31, 2014		March 31, 2014	
	Total	impairment	Total	impairment	Total	impairment
Up to 90 days	\$693,068	\$ —	\$650,296	\$ —	\$440,775	\$ —
1~90 days	55,145	3,860	77,892	5,452	58,760	4,187
91 to 180 days	17,376	2,607	6,402	1,017	4,645	697
181 to 360 days	4,228	1,057	8,505	2,031	5,467	1,367
361 to 720 days	4,031	2,015	4,199	2,100	2,110	1,055
Over 721 days	19,726	19,726	20,236	20,236	29,986	29,986
Total	\$793,574	\$ 29,265	\$767,530	\$ 30,836	\$541,743	\$37,292

#### (4) Inventories

	March 31, 2015	December 31, 2014	March 31, 2014
Raw materials	\$ 386,048	\$ 373,324	\$ 351,959
Supplies	66,908	62,175	50,250
Work-in-process	313,320	288,719	283,903
Semi-finished goods	173,491	155,679	82,787
Finished goods	997,340	944,009	935,052
Merchandise	92,408	67,921	74,997
Materials and supplies in transit	—	7,535	—
Less : Allowance to reduce inventory to market	(209,414)	(187,770)	(150,734)
Inventories, net	\$ 1,820,101	\$ 1,711,592	\$ 1,628,214

#### A. The detail of cost of good sold

	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Cost of inventories sold	\$ 477,003	\$ 360,292
Loss on market price decline inventories (gain from price recovery)	21,214	2,645
Loss on obsolescence of inventory	—	—
Other operating costs- employees' bonus	3,893	2,321
Income from sale of scrap and wastes	—	—
Estimated warranty liabilities	(850)	(1,441)
Operating Cost	\$ 501,260	\$ 363,817

B. As of March 31, 2015, December 31, 2014 and March 31, 2014, the inventory were not

pledged as collateral.

**(5) Financial assets carried at cost**

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Non-current items:			
TAISelec Co., Ltd	—	\$ 20,231	\$ 20,231
Accumulated impairment	—	—	—
Total	<u>—</u>	<u>\$ 20,231</u>	<u>\$ 20,231</u>

A. According to the Company's intention, its investment in TAISelec Co., Ltd Corporation stocks should be classified as available-for-sale financial assets. However, as TAISelec Co., Ltd Corporation stocks are not traded in active market, and no sufficient industry information of companies similar to TAISelec Co., Ltd Corporation or TAISelec Co., Ltd Corporation's financial information cannot be obtained, the fair value of the investment in TAISelec Co., Ltd Corporation stocks cannot be measured reliably. The Group classified those stocks as 'financial assets measured at cost'.

B. The transfer of the Company's Board of Directors held TAISelec Co., Ltd 18.75% stake in relation to non-person, in the Republic in February 2015 transfer, sale price was NT \$ 25,938 thousand dollars, dispose of the interests of NT \$ 5,706 thousand dollars.

C. As of March 31, 2015, December 31, 2014 and March 31, 2014, the financial assets carried at cost were not pledged as collateral.

**(6) Investments accounted for using equity method**

Names of Investee company	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
	Amounts	Amounts	Amounts
<b>Associates :</b>			
MJC Microelectronics Shanghai Co.,Ltd.	\$ 44,922	\$ 45,254	\$ 42,595
MJC Microelectronics Kunshan Co.,Ltd.	61,388	59,917	50,595
Lumitek Corporation	1,530	18,681	31,133
Total	<u>\$ 107,840</u>	<u>\$ 123,852</u>	<u>\$ 124,323</u>

A. The variation during as follow :

	<u>Jan.1~Mar. 31, 2015</u>	<u>Jan.1~Mar. 31, 2014</u>
At January 1	\$ 123,852	\$ 126,332
Increase long-term investment	—	—
Cash dividend	—	—
Investment income under equity method	2,438	(1,637)
Cumulative translation adjustments	(20,234)	(346)
Unrealized Gross Profit	1,784	(26)
At March 31	<u>\$ 107,840</u>	<u>\$ 124,323</u>

	<b>2014</b>
At January 1	\$ 126,332
Increase long-term investment	-
Cash dividend	-
Investment income under equity method	( 7,433)
Cumulative translation adjustments	3,427
Unrealized Gross Profit	1,526
At December 31	<u>\$ 123,852</u>

B. The financial information of the Group's principal associates is summarized below:

Company name	Nature of relationship	Principal place of business	Shareholding ratio			Methods of measurement
			March 31, 2015	December 31, 2014	March 31, 2014	
MJC Microelectronics Shanghai Co.,Ltd.	To develop the Market of China.	China	40%	40%	40%	Equity method
MJC Microelectronics Kunshan Co.,Ltd.	To develop the Market of China.	China	40%	40%	40%	Equity method
Lumitek Corporation	To dismiss in Feb.28,2015	Taiwan	20.15%	20.15%	20.15%	Equity method

C. The carrying amount of the Group's interests in all individually immaterial associates and the Group's share of the operating results are summarised below:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
The carrying amount of the Group's individually immaterial associates	<u>\$ 107,840</u>	<u>\$ 123,852</u>	<u>\$ 124,323</u>
	<u>Jan.1~Mar. 31, 2015</u>	<u>Jan.1~Mar. 31, 2014</u>	
Profit or loss for the period from continuing operations	\$ 2,438	\$ (1,637)	
Loss for the period from discontinued operations	-	-	
Other comprehensive income- net of tax	-	-	
Total comprehensive income	<u>\$ 2,438</u>	<u>\$ (1,637)</u>	

D. As of March 31, 2015 and 2014, the financial statements of investments accounted for using equity method were consolidated and measure based on their unreviewed financial statements.

E. As of March 31, 2015, December 31, 2014 and March 31, 2014, the Investments accounted for using equity method were not pledged as collateral.

## (7) Property, plant and equipment

A. The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Buildings	Machinery	Transportation	Office equipment	Research equipment	Other equipment	construction in progress	Total
Cost:									
At January 1, 2015	\$512,073	\$1,204,309	\$544,548	\$4,244	\$79,371	\$424,972	\$27,216	\$4,603	\$2,801,336
Acquisition through business combination	-	-	-	-	-	-	-	-	-
Additions	-	950	33,180	-	2,353	31,943	370	16,614	85,410
Disposals	-	-	(126)	-	(259)	(198)	-	-	(583)
Reclassifications effect of movements in exchange rate	-	-	24,479	-	248	45,919	-	-	70,646
	-	(278)	30,612	(26)	19	-	(254)	-	30,073
At March 31, 2015	<u>\$512,073</u>	<u>\$1,204,981</u>	<u>\$632,693</u>	<u>\$4,218</u>	<u>\$81,732</u>	<u>\$502,636</u>	<u>\$27,332</u>	<u>\$21,217</u>	<u>\$2,986,882</u>
Cost:									
At January 1, 2014	\$291,479	\$1,078,796	\$293,752	\$5,047	\$68,975	\$344,718	\$26,434	\$497	\$2,109,698
Acquisition through business combination	-	-	663	-	5,527	-	132	-	6,322
Additions	-	-	64,932	-	533	520	297	4,567	70,849
Disposals	-	-	-	-	(533)	-	-	-	(533)
Reclassifications effect of movements in exchange rate	-	-	2,572	-	133	3,781	-	(497)	5,989
	-	(116)	(10,221)	(15)	39	-	100	(3)	(10,216)
At March 31, 2014	<u>\$291,479</u>	<u>\$1,078,680</u>	<u>\$351,698</u>	<u>\$5,032</u>	<u>\$74,674</u>	<u>\$349,019</u>	<u>\$26,963</u>	<u>\$4,564</u>	<u>\$2,182,109</u>
Accumulated depreciation and impairment :									
At January 1, 2015	\$-	\$166,741	\$201,159	\$680	\$41,384	\$210,301	\$13,294	\$-	\$633,559
Acquisition through business combination	-	-	-	-	-	-	-	-	-
Additions	-	8,325	15,559	238	3,721	16,587	1,068	-	45,498
Disposals	-	-	(126)	-	(254)	(198)	-	-	(578)
effect of movements in exchange rate	-	(111)	(350)	(3)	74	-	(249)	-	(639)
At March 31, 2015	<u>\$-</u>	<u>\$174,955</u>	<u>\$216,242</u>	<u>\$915</u>	<u>\$44,925</u>	<u>\$226,690</u>	<u>\$14,113</u>	<u>\$-</u>	<u>\$677,840</u>
Accumulated depreciation and impairment :									
At January 1, 2014	\$-	\$136,836	\$169,616	\$3,102	\$36,237	\$159,881	\$13,063	\$-	\$518,735
Acquisition through business combination	-	-	548	-	4,133	-	106	-	4,787
Additions	-	7,087	7,127	267	3,209	11,187	916	-	29,793
Disposals	-	-	-	-	(409)	-	-	-	(409)
effect of movements in exchange rate	-	(42)	79	(12)	10	-	37	-	72
At March 31, 2014	<u>\$-</u>	<u>\$143,881</u>	<u>\$177,370</u>	<u>\$3,357</u>	<u>\$43,180</u>	<u>\$171,068</u>	<u>\$14,122</u>	<u>\$-</u>	<u>\$552,978</u>
Book value									
At March 31, 2015	<u>\$512,073</u>	<u>\$1,030,026</u>	<u>\$416,451</u>	<u>\$3,303</u>	<u>\$36,807</u>	<u>\$275,946</u>	<u>\$13,219</u>	<u>\$21,217</u>	<u>\$2,309,042</u>
At December 31, 2014	<u>\$512,073</u>	<u>\$1,037,568</u>	<u>\$343,389</u>	<u>\$3,564</u>	<u>\$37,987</u>	<u>\$214,671</u>	<u>\$13,922</u>	<u>\$4,603</u>	<u>\$2,167,777</u>
At March 31, 2014	<u>\$291,479</u>	<u>\$934,799</u>	<u>\$174,328</u>	<u>\$1,675</u>	<u>\$31,494</u>	<u>\$177,951</u>	<u>\$12,841</u>	<u>\$4,564</u>	<u>\$1,629,131</u>

B. The Company in September 2014 to affiliates Lumitek Corporation purchased land located Yangde segment Xinpu Township and buildings, the sale of a total of \$316,800 thousand dollars for contract dollars. And settled transfer on October 27, 2014, serves the purpose of staff's dormitory.

C. The Group in September 2014 to Non related party purchased pre - sale housing, the sale of a total of RMB 4,320,000.

D. The collateralized land and building for loans amounted please see note 8 for details.

E. Total capitalized interest amounted see note 6(17) for details.

**(8) Intangible assets**

The costs of intangible assets, amortization, and the impairment loss of the Group as of and for the ended of March 31, 2015 and 2014 were as follows:

	Goodwill	Software	Total
<b>2015</b>			
At January 1	\$ 45,533	\$ 23,741	\$ 69,274
Additions	—	1,236	1,236
Reclassifications	—	—	—
Acquisition through business combination	—	—	—
Amortization	—	(3,568)	(3,568)
Impairment loss	—	—	—
effect of movement in exchange rate	—	(2)	(2)
At March 31	<u>\$ 45,533</u>	<u>\$ 21,407</u>	<u>\$ 66,940</u>
<b>2014</b>			
At January 1	\$ —	\$ 17,977	\$ 17,977
Additions	—	4	4
Reclassifications	—	—	—
Acquisition through business combination	45,533	—	45,533
Amortization	—	(2,703)	(2,703)
Impairment loss	—	—	—
effect of movement in exchange rate	—	—	—
At March 31	<u>\$ 45,533</u>	<u>\$ 15,278</u>	<u>\$ 60,811</u>

B. Research and development expenditures are recognized as Operating-Research and development, which represented \$179,546 thousand dollars and \$139,874 thousand dollars respectively.

C. Acquisition of subsidiaries

Allstron Corp is the specialty manufacturer of high frequency wafer foundry measuring probing. We are able to improve the product production because using Allstron Corp patented technology by taking over Allstron Corp. In addition, we expect to increase the market share for the semi-conductor products and testing equipment that we have gained the customers through the acquired company. Therefore, we highly expect cost down by economic scale.

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



income (loss) of Allstron Corp recognized as the operating income \$1,112 thousand dollars and net loss \$1,149 thousand dollars of the Company from January to March, 2014.

The consideration for the business combination and the fair values of identifiable assets and liabilities accounted for on acquisition date were as follows:

a. Transfer pricing : \$50,000 thousand dollars.

b. Identifiable assets and liabilities acquired

Fair values of identifiable assets and liabilities acquired on acquisition date were as follows:

Cash and cash equivalents	\$	4,368
Accounts receivable		506
Other receivables		12
Inventory		1,264
Advance payment		1
Other current assets		1
Property, plant and equipment (Note6(7))		1,535
Other non-current assets		175
Accounts payable		302
other payables		3,088
Other current liabilities		5
Fair value of net assets	\$	<u>4,467</u>

c. Goodwill

Transfer pricing	\$	50,000
Less : Fair value of net assets		(4,467)
Goodwill	\$	<u>45,533</u>

The goodwill of acquisition Allstron Corp mainly comes from Allstron Corp's measurement application of product line in electronics industry. For example, the measurement of RFM skills uses the wide spacing probe in order to accord the changeful demands of the market and also the value of employer. Furthermore, transfer the consideration relationship includes the expect of business to business semiconductor manufacturing and integrate the testing equipment to produce combined synergy, the growth of income and the future development.

The goodwill resulted from the merger of Allstron Corp. The Transfer pricing is determined through the income approach by an independent appraisal company.

Income approach is the five-year cash flow of Allstron Corp. and based on the discount rate used to calculate the asset recoverable.

There was no impairment of intangible assets for the years ended March 31, 2015.

**(9) Short-term loans**

Nature	March 31, 2015		December 31, 2014		March 31, 2014	
	Amounts	Interest rates	Amounts	Interest rates	Amounts	Interest rates
Credit loan	\$ 4,263	5.60%	\$ 4,384	5.60%	\$ 4,323	5.60%
Secured borrowings	—		—		—	
Total	<u>\$ 4,263</u>		<u>\$ 4,384</u>		<u>\$ 4,323</u>	

**(10) Other payables**

	March 31, 2015	December 31, 2014	March 31, 2014
Accrued expenses	\$ 261,510	\$ 458,523	\$ 211,947
Salaries payable (including Bonuses payable)	56,847	48,242	33,109
Short-term employee benefits	20,817	15,199	40,380
Dividend payable	—	—	—
Others	15,433	17,663	11,604
合計	<u>\$ 354,607</u>	<u>\$ 539,627</u>	<u>\$ 297,040</u>

**(11) Provisions**

	Warranty		Warranty		Warranty
At January 1, 2015	\$ 4,856	At January 1, 2014	\$ 9,645	At January 1, 2014	\$ 9,645
Provision made/(Payment)	(1,294)	Provision made/(Payment)	(4,789)	Provision made/(Payment)	(2,019)
At March 31, 2015	<u>\$ 3,562</u>	At December 31, 2014	<u>\$ 4,856</u>	At March 31, 2014	<u>\$ 7,626</u>
Current	\$ 3,562	Current	\$ 4,856	Current	\$ 7,626
Non-current	—	Non-current	—	Non-current	—
At March 31, 2015	<u>\$ 3,562</u>	At December 31, 2014	<u>\$ 4,856</u>	At March 31, 2014	<u>\$ 7,626</u>

The Group gives warranties on Semiconductor Manufacturing Technology sold. Provision for warranty is estimated based on historical warranty data, and are recognized as a reduction of revenue in the second year of the related product sales.

**(12) Corporate bonds-payable**

	March 31, 2015	December 31, 2014	March 31, 2014
The convertible bonds issued in 2014	\$ 700,000	\$ 700,000	\$ —
Bonds transferred to common stock	(99,300)	(92,400)	—
Less: Discount of bonds payable	(29,537)	(32,638)	—
Corporate bonds-payable, net	<u>\$ 571,163</u>	<u>\$ 574,962</u>	<u>\$ —</u>
Current	\$ —	\$ —	\$ —
Non-current	571,163	574,962	—
At March 31, 2015	<u>\$ 571,163</u>	<u>\$ 574,962</u>	<u>\$ —</u>

Embedded derivative- Financial (Assets) liability	\$	781	\$	(608)	\$	—
Equity element	\$	28,261	\$	28,586	\$	—

A. The company issued the third Domestic unsecured convertible corporate bonds on October 16, 2014 for the purpose of purchasing the factory equipments.

Terms and conditions of corporate bonds are outlined as follows :

- (1) Issue Amount : \$700,000 thousand dollars.
- (2) The bonds have maturity of three years. (November 18,2014~November 18,2017)
- (3) Interest : 0%
- (4) Conversion period : The date after one month of the bonds issue to the maturity date
- (5) The price at which shares will be issued upon conversion was NTD 100 per share at the issue date and shall be adjusted accordingly if there is a capital increase in cash or marking of a free distribution by the company.
- (6) A bondholder may request the company to redeem the bonds after two years from the issue date.
- (7) As stipulated in the contract, the company reserves the right to redeem the convertible bonds from the holders.

B. Till March 31,2015,the convertible bonds transferred to common stock were \$99, 300 thousand dollars (issue 993 thousand shares), and the company recognized \$88,540 thousand dollars as paid-in capital in excess of par-common stock.

C. The fair value of convertible option was separated from the third bonds payable, and was recognized in “Capital reserve from stock warrants” according to IAS No. 7. Total “Valuation gain (loss) on financial assets (liabilities)” amounted to \$(1,384) thousand dollars and \$0 thousand dollars as of March 31, 2015 and 2014.

D. The effective interest rate of the third convertible bonds is 1.9183%, total interest expenses amounted to \$2,762 and \$0 thousand dollars for the three-month ended of 2015 and 2014.

**(13) Long-term Loans**

Lender	Nature	Amount	Period	March31,2015
Land Bank –East Shichu Branch	Secured bank borrowings	\$163, 000	2009.03.02~2022.03.02	\$ 65, 292
Less: Long-term Loans payable-current portion				(9, 329)
Long-term Loans, net				\$ 55, 963
Interest rates for long-term loans				1.56 %

Lender	Nature	Amount	Period	December 31, 2014
Land Bank	Secured	\$163,000	2009.03.02~2022.03.02	\$ 67,624
-East Shichu Branch	bank borrowings			
Less: Long-term Loans payable-current portion				(9,329)
Long-term Loans, net				\$ 58,295
Interest rates for long-term loans				1.56 %

Lender	Nature	Amount	Period	March 31, 2014
Land Bank	Secured	\$163,000	2009.03.02~2022.03.02	\$ 74,621
-East Shichu Branch	bank borrowings			
Less: Long-term Loans payable-current portion				(9,329)
Long-term Loans, net				\$ 65,292
Interest rates for long-term loans				1.56 %

Land and building are rendered as collateral for Loans; please refer to note 8 for details.

(14) **Pension Benefits**

A. Defined benefit plans

- a. The Company and its domestic subsidiaries have a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees' service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 2% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.
- b. For the aforementioned pension plan, the Group recognized pension costs of \$138 thousand and \$214 thousand dollars for the three-month periods ended March 31, 2015 and 2014, respectively.
- c. Expected contributions to the defined benefit pension plans of the Group for the next annual reporting period as at March 31, 2015 is \$3,874 thousand dollars.

B. Defined contribution plans

Effective July 1, 2005, the Company and its domestic subsidiaries have established a defined contribution pension plan (the "New Plan") under the Labor Pension Act (the "Act"), covering all regular employees with R.O.C nationality. Under the New Plan,

the Company and its domestic subsidiaries contribute monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment. The Company's subsidiaries in mainland China are subject to the government sponsored defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on a certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. The pension costs under the defined contribution pension plans of the Group for the three-month periods ended March 31, 2015 and 2014 were \$11,474 thousand dollars and \$9,395 thousand dollars.

(15) **EQUITY**

A. Movements in the number of the Company's ordinary shares outstanding are as follows:

	<u>2015</u>	<u>2014</u>
At January 1	79, 536, 392	76, 612, 392
Employee stock options exercised	—	2, 000, 000
Convertible Bonds Transferred To Common Stock	69, 000	—
At March 31	<u>79, 605, 392</u>	<u>78, 612, 392</u>

B. Capital surplus

a. Pursuant to the R.O.C. Company Act, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalized mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient.

b. The components of capital surplus were as follows:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Additional paid-in capital	\$ 210, 163	\$ 210, 163	\$ 210, 163
From convertible bonds	569, 216	563, 025	480, 676
Treasury Stock Transactions	44, 073	44, 073	44, 073
Donations	1	1	1
From share of changes in equities of subsidiaries and associates	—	19, 306	19, 306
Other	19, 858	19, 858	19, 858
Option	28, 261	28, 586	—
Total	<u>\$ 871, 572</u>	<u>\$ 885, 012</u>	<u>\$ 774, 077</u>

- c. The company issued the first and second Domestic unsecured convertible corporate bonds; the company recognized \$480,676 thousand dollars as paid-in capital in excess of par-common stock and treasury stock transaction \$8,477 thousand dollars.
- d. The board of directors by resolution transfers of treasury shares to employees to set the base date for November 26, 2009. The Company in accordance with "for the first time to buy Back 500,000 shares \$35,387 thousand dollars to the transfer of shares in employee, to use NTD61.53 per share fully transferred to the employees, and 100% shareholding of Chain-Logic International Corp. employees, Black-Scholes option-pricing model according to the estimated fair value of NTD14.03 per share, to recognized the treasury Stock transactions \$ 2,300 thousand dollars.
- e. The Company invest in LUMITED CORPORATION through JIA-SIN INVESTMENT CORP. and YI-SIN INVESTMENT CORP. and JIA-YING INVESTMENT CORP. handle to increase the Company's working capital and employee stock options ,didn't subscribe, so the additional paid-in capital from investee under equity method were \$19,306 thousand dollars.

### C. Retained Earning

Under the Company's Articles of Incorporation, the Company's annual earnings, after paying tax and offsetting deficit, that 10% of the annual earnings shall be retained as legal reserve first and special reserve; the rest earnings shall be decided and appropriated by the stockholders' meeting except that the proportion of distribution is not more than 3% as directors' bonus, not less than 12% as employees' bonus, and the number after deducting the above mentioned as Shareholder's dividend.

The policy for dividend distribution should reflect factors such as the current and future investment environment, fund requirements, domestic and international competition and capital budgets; as well as the benefit of stockholders, stock dividend equilibrium, and long-term financial planning. The board of directors shall make the distribution proposal annually and present it at the stockholders' meeting. The Company's Articles of Incorporation also provide that profits of the Company may be distributed by way of cash dividend and or stock dividend. Accordingly, at least 10% of the dividends must be paid in the form of cash.

The company is loss so estimated amounts of employees' bonus of \$8,185 thousand dollars and directors' and supervisors' remuneration of \$2,046 thousand dollars for the three-month periods ended March 31, 2015. The Board of Directors has resolved the appropriation on January 13, 2015.

The company is loss so estimated amounts of employees' bonus of \$48,242 thousand

dollars and directors' and supervisors' remuneration of \$12,061 thousand dollars for the year ended in 2014. The Board of Directors has resolved the appropriation on March 24, 2015. The difference amounts from \$105 thousand dollars which not approve by the stockholders subsequently are recognized as gain or loss in 2015.

The company is loss so estimated amounts of employees' bonus of \$48,242 thousand dollars and directors' and supervisors' remuneration of \$12,061 thousand dollars in 2014, The Board of Directors has resolved the appropriation on January 17, 2014.

The bonus to shareholder included cash bonus of \$165,086 thousand dollars and to employees included a cash bonus of \$26,306 thousand dollars and supervisors' remuneration of \$5,827 thousand dollars for 2013 were approved in the stockholders' meeting.

The amounts of employees' bonus and directors' and supervisors' remuneration of 2013 are \$28,071 thousand dollars and \$7,017 thousand dollars, respectively, are recognized as operating costs or operating expenses for 2013. The difference amounts from \$(2,955) thousand dollars approved by the stockholders subsequently are recognized as gain or loss in 2014.

D. Treasury stock

a. Changes in the treasury stock are set forth below:

Year ended March 31, 2015				
	Beginning	Additions	Disposal	Ending shares
Reason for reacquisition	shares			
To be reissued to employees	—	—	—	—

  

Year ended March 31, 2014				
	Beginning	Additions	Disposal	Ending shares
Reason for reacquisition	shares			
To be reissued to employees	2, 000, 000	—	2, 000, 000	—

b. Pursuant to the R.O.C. Securities and Exchange Law, the number of shares bought back as treasury stock should not exceed 10% of the number of the Company's issued and outstanding shares and the amount bought back should not exceed the sum of retained earnings, paid-in capital in excess of par value and realized capital reserve. As of December 31, 2011, the shares bought back as treasury stock amounted to \$152,606 thousand dollars.

c. Pursuant to the R.O.C. Securities and Exchange Law, treasury stock should not be pledged as collateral and is not entitled to dividends before it is reissued to the

employees.

- d. Pursuant to the R.O.C. Securities and Exchange Law, treasury stocks should be reissued to the employees within three years and shares not reissued within the three-year period are to be retired.
- e. Company's share-based payment transactions

① As of December 31, 2014, the Company's share-based payment transactions are set forth below:

Type of arrangement	Grant date	Quantity granted	Vesting conditions
Treasury stock transferred to employees	2014.03.07	2,000,000	Vested immediately

The board of directors by resolution transfers of treasury shares to employees to set the base date for March 7, 2014. The Company in accordance with "for the first time to buy Back 2,000,000 shares \$152,606 thousand dollars to the transfer of shares in employee, to use NTD76.26 per share fully transferred to the employees, and 100% shareholding of Chain-Logic International Corp. employees, Black-Scholes option-pricing model according to the estimated fair value of NTD16.92 per share, recognized Exercise employee stock warrants \$33,840 thousand dollars.

Model of the parameters used are as follows :

		<b>2014 Treasury stock transferred to employees</b>
Valuation Model	Black-Scholes option-pricing model	
	Vesting period	103/3/7~103/3/11
	Dividend yield rate	4.42 %
	Exercise price	\$ 76.26
	Stock price	\$ 93.1
	Expected price volatility	103.528 %
	Risk-free interest rate	0.475 %

Transfer price calculated after deducting the necessary transaction costs \$ 152,062 thousand dollars and Exercise employee stock warrants \$33,840 thousand dollars, the difference with the cost of \$152,606 thousand dollars to recognized the treasury Stock transactions \$33,296 thousand dollars.

**(16) Share-based payment – employee compensation plan**

None.



(17) **NON-OPERATING INCOME AND EXPENSES**

A. Other gains and losses

	<u>Jan.1~ Mar. 31, 2015</u>	<u>Jan.1~ Mar. 31, 2014</u>
Gains (losses) on disposal of property, plant and equipment	\$ (5)	\$ (37)
Gains (losses) on disposal of investments	5,706	—
Net gains (losses) on financial liabilities at fair value through profit or loss	(1,384)	—
Net currency exchange gains (losses)	4,441	2,349
Others	(562)	—
Total	<u>\$ 8,196</u>	<u>\$ 2,312</u>

B. Finance costs

	<u>Jan.1~ Mar. 31, 2015</u>	<u>Jan.1~ Mar. 31, 2014</u>
Interest expense		
Bank borrowings	\$ 327	\$ 348
The convertible bonds issued in 2014 subtotal	<u>2,762</u>	<u>—</u>
	3,089	348
Less: capitalisation of qualifying assets	—	—
Total	<u>\$ 3,089</u>	<u>\$ 348</u>

(18) **Income Tax**

A. Income tax expense :

	<u>Jan.1~ Mar. 31, 2015</u>	<u>Jan.1~ Mar. 31, 2014</u>
Current tax:		
Current tax on profits for the period	\$ 22,679	\$ 4,672
Adjustments in respect of prior years	—	111
Total current tax	<u>22,679</u>	<u>4,783</u>
Deferred tax:		
Origination and reversal of temporary differences	(4,128)	(1,736)
Impact of change in tax rate	—	—
Total deferred tax	<u>(4,128)</u>	<u>(1,736)</u>
Income tax expense	<u>\$ 18,551</u>	<u>\$ 3,047</u>

B. The Group recognized Income tax expenses in other comprehensive income are NT\$ 0 start from January to March, at 2014 and 2015.

C. As of March 31, 2015, the investment tax credits of the Company consisted of the following:

Item	Total tax credits	Used tax Credits before the year	Used tax credits of the year	Unused tax credits	Final year tax credits are due
Research and development-2015	\$ 15,855	—	\$ 4,843	\$ —	2015
	<u>\$ 15,855</u>	<u>—</u>	<u>\$ 4,843</u>	<u>\$ —</u>	

D. The latest years for which income tax returns have been examined and cleared by the tax authorities were as follows:

	<u>Year</u>
MPI Corporation	2012
Chain-Logic International Corp.	2013
JIA-YING INVESTMENT CORP.	2013
JIA-SIN INVESTMENT CORP.	2013
YI-SIN INVESTMENT CORP.	2013
WANG-TONG CORP.	2013
Allstron Corp	2013

E. Double taxation:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Balance in deductible tax accounts	\$ 172,375	\$ 172,375	\$ 124,393
	<u>2015</u> (Expected)	<u>2014</u> (Actual)	
Deduction percentage of earnings appropriation	<u>14.36 %</u>	<u>13.39 %</u>	

G. The unappropriated a retained earnings of the company is except that the remaining sum was \$322 thousand dollars before 1997, the others belong to the unappropriated retained earnings after 1998.

(19) **Earnings Per Common Share**

	<u>Jan.1~Mar. 31, 2015</u>	<u>Jan.1~Mar. 31, 2014</u>
Basic EPS	<u>After-tax</u>	<u>After-tax</u>
Net Income (Numerator)(Thousands)	\$ 95,546	\$ 54,427
Shares (Denominator)(Thousands)	<u>79,548</u>	<u>76,946</u>
Earnings Per Share (Dollars)	<u>\$ 1.20</u>	<u>\$ 0.71</u>
Diluted EPS		
Net Income (Numerator)(Thousands)	\$ 95,546	\$ 54,427
Shares (Denominator)(Thousands)	<u>85,643</u>	<u>76,997</u>
Earnings Per Share (Dollars)	<u>\$ 1.12</u>	<u>\$ 0.71</u>

A. Please refer to note 6(14) for increase of capital information.

(20) **Supplemental cash flow information**

A. Investing activities with partial cash payments

	<u>Jan.1~Mar. 31, 2015</u>	<u>Jan.1~Mar. 31, 2014</u>
Purchase of fixed assets	\$ 202,352	\$ 76,837
Add: opening balance of payable on equipment	141,920	16,983
Less: ending balance of payable on equipment	(154,320)	(5,890)
Cash paid during the period	<u>\$ 189,952</u>	<u>\$ 87,930</u>

B. Financing activities with no cash flow effects

	<u>Jan.1~Mar. 31, 2015</u>	<u>Jan.1~Mar. 31, 2014</u>
Convertible bonds being converted to capital stocks	\$ 690	\$ —

## 7. Related Party Transactions

### A. Parent and ultimate controlling party :

The Company is the ultimate controlling party of the Group.

### B. Major transactions with related parties:

#### a. Sales revenue

	<u>Jan.1~Mar. 31, 2015</u>	<u>Jan.1~Mar. 31, 2014</u>
Sales of goods:		
Associates	\$ 12,396	\$ 24,686
One director of the Company	102,169	47,613
Sales of services: :		
One director of the Company	15,717	12,430
Total	<u>\$ 130,282</u>	<u>\$ 84,729</u>

The company sold general products to the related party. The prices and received periods range are as same as other clients.

#### b. Purchasing

	<u>Jan.1~Mar. 31, 2015</u>	<u>Jan.1~Mar. 31, 2014</u>
Associates	\$ 27,265	\$ —
One director of the Company	7,878	8,938
Total	<u>\$ 35,143</u>	<u>\$ 8,938</u>

There are no other significant difference between the Company's purchase price from related parties and other suppliers.

#### c. Receivables from related parties:

<u>Item</u>	<u>Related parties</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Accounts receivable	Associates	\$ 12,919	\$ 12,668	\$ 29,813
Accounts receivable	One director of the Company	77,907	91,156	18,126
Other receivable	Associates	298	—	—
Total		<u>\$ 91,124</u>	<u>\$ 103,824</u>	<u>\$ 47,939</u>

#### d. Payables to related parties:

<u>Item</u>	<u>Related parties</u>	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Accounts payable	Associates	\$ 29,282	\$ 2,308	\$ —
Accounts payable	One director of the Company	6,200	5,716	7,762
Other payables	Associates	579	295	399
Other payables	One director of the Company	12,377	13,561	8,670
Total		<u>\$ 48,438</u>	<u>\$ 21,880</u>	<u>\$ 16,831</u>

e. Prepayments : None.

f. Property, plant, and equipment transactions

(a) Assets purchased from related parties:

	Nature	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Associates	Other equipment	\$ 130	\$ —

(b) Sell assets purchased to related parties : None.

g. Purchases of services

	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Selling expense - Commission expense :		
Associates	\$ 809	\$ 470
One director of the Company	426	98
Selling expense -Royalty		
One director of the Company	12, 051	8, 496
Total	<u>\$ 13, 286</u>	<u>\$ 9, 064</u>

Please refer to note 9 for the payment term of royalty expense.

h. Others

① Payment on behalf of others

	March 31, 2015	December 31, 2014	March 31, 2014
Associates	\$ —	\$ 92	\$ —
One director of the Company	1, 201	1, 817	—
Total	<u>\$ 1, 201</u>	<u>\$ 1, 909</u>	<u>\$ —</u>

② Sales revenue received in advance

	March 31, 2015	December 31, 2014	March 31, 2014
Associates	\$ 23	\$ 23	\$ 3, 684
One director of the Company	31, 204	209	1, 129
Total	<u>\$ 31, 227</u>	<u>\$ 232</u>	<u>\$ 4, 813</u>

③ Receipts under custody

	March 31, 2015	December 31, 2014	March 31, 2014
One director of the Company	<u>\$ 2, 625</u>	<u>\$ 3, 387</u>	<u>\$ 4, 741</u>

④ Temporary receipts

	March 31, 2015	December 31, 2014	March 31, 2014
One director of the Company	<u>\$ 97</u>	<u>\$ 116</u>	<u>\$ 97</u>

⑤ Manufacturing overhead

	Nature	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Associates	Manufacturing	<u>\$ 252</u>	<u>\$ —</u>

	Overhead-outs sourced		
Associates	Others	\$ 345	\$ 380
One director of the Company	Others	\$ —	\$ 8

⑥ Selling expense

	Nature	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Associates	Stationery	\$ 1	\$ —
One director of the Company	Others	\$ 68	\$ 86

⑦ General & administrative expense

	Nature	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Associates	Others	\$ 51	\$ —

⑧ Research and development expense

	Nature	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Associates	Stationery	\$ 4	\$ —
Associates	Others	\$ 1,033	\$ —

⑨ Rental income

	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Associates	\$ 670	\$ —

The contents of lease contract are as follow :

Objective	Lease period	Collection Term
Wenshan Rd., Xinpu Township, Hsinchu County	2014.11.01-2017.10.31	\$ 1,359 thousand dollars per month (excluded VAT) from 2014. Since January 1, 2015, NT \$ 296 thousand per month (excluded VAT) ; Since February 1, 2015, NT \$ 185 thousand per month (excluded VAT) ; Since March 1, 2015, NT \$ 162 thousand per(excluded VAT) ; To count for actual parking space per month.

⑩ Other revenue

	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Associates	\$ 551	\$ 88
One director of the Company	\$ 3,768	\$ —

i. Key management compensation

	Jan.1~Mar. 31, 2015	Jan.1~Mar. 31, 2014
Salaries and other short-term employee	\$ 5,406	\$ 3,084
Termination benefits	—	—
Post-employment benefits	—	—
Other long-term benefits	—	—
Share-based payments	—	—
Total	\$ 5,406	\$ 3,084

## 8、Pledged Assets

Certain property, plant, equipment and deposit were pledged to secure long-term debt from banks and value-added tax for imported goods. The carrying values of the collateralized properties as follows:

	<u>March 31, 2015</u>	<u>December 31, 2014</u>	<u>March 31, 2014</u>
Land	\$ 447,844	\$ 447,844	\$ 227,250
Buildings	957,145	963,761	561,476
Pledged time deposit	8,939	8,935	9,178
Total	<u>\$ 1,413,928</u>	<u>\$ 1,420,540</u>	<u>\$ 797,904</u>

## 9. Commitments and Contingencies

- (1) The Company signed a teaming agreement with the following companies to improve product quality and the independent production rate. Major term of the agreement is as follows:

Company: MICRONICS JAPAN CO., LTD.

Product for Technology Cooperation: Providing technology and information for position precision improvement of needles for inspecting IC chips.

The agreement will be automatically extended for another year if no party objects three months before the expiration date. This automatic extension is also available for subsequent years.

The technology payments are modified to 3% of the total sale of PROBE CARD which the Company manufactures and sells ; And the payment made quarterly.

- (2) At March 31, 2015 and 2014, the Group have opened and unused letters of credit : None.