MPI CORPORATION and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report

MPI CORPORATION and Subsidiaries

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Independent Auditors' Report

The entities that are required to be included in the combined financial statements of MPI Corporation as of and for the year ended December 31, 2015, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standard No. 27, "Consolidated and Separate Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, MPI Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Very truly yours,
MPI CORPORATION
By

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Chairman

March 23, 2016

Independent Auditors' Report

The Board of Directors and Shareholders

MPI Corporation

We have audited the accompanying consolidated balance sheets of MPI Corporation and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our audits.

As shown in the accompanying consolidated financial statements of subsidiaries, we did not audited the financial statements. Which were audited by other independent accountants. Our audit, insofar as it relates to the financial statements is based solely on the reports of the other independent accountants. We did not audited the financial statements of certain consolidated subsidiary with total assets of NT$52,276 thousand and NT$54,580 thousand, thich represented 0.79% and 0.85% of the total consolidated assets as of December 31, 2015 and 2014, and the operating revenues of NT$56,362 thousand and NT$53,336 thousand, which represented 1.40% and 1.28% of the consolidated operating revenues, for the year ended December 31, 2015 and 2014, respectively.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MPI Corporation and subsidiaries as of December 31, 2015 and 2014, and the consolidated results of their operations and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the “Guidelines Governing the reparation of Financial Reports by Securities Issuers” and with the IFRSs, IASs, IFRIC Interpretations and SIC Interpretations endorsed by the Financial Supervisory Commission.

We have also audited the standalone balance sheets of MPI Corporation as of December 31, 2015 and 2014, and the related statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014, on which we have issued a modified unqualified audit report.

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

March 23, 2016

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (ASSETS)

DECEMBER 31 ,2015 AND 2014

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

		December 31,2015		December 31,2014	
ASSETS	Note	Amounts	%	Amounts	%
CURRENT LIABILITIES					
Cash and cash equivalents	6(1)	$ 473,793	7	$ 975,612	15
Notes receivable, net	6(2)	26,568	-	44,848	1
Accounts receivable, net	6(3)	769,566	12	588,924	9
Accounts receivable -related parties, net	6(3).7	81,938	1	102,922	2
Other receivables		19,725	-	22,383	-
Income tax receivable		1,603	-	134	-
Inventories, net	6(4)	1,636,177	25	1,711,592	27
Prepayments		125,854	2	139,902	2
Other current assets	8	10,587	-	11,732	-
Total Current Assets		3,145,811	47	3,598,049	56
NONCURRENT ASSETS					
Non-current Financial Assets at Fair Value through Profit or Loss	6(12)	-	-	608	-
Financial assets carried at cost	6(5)	-	-	20,231	-
Investments accounted for using equity method	6(6)	112,301	2	123,852	2
Property, plant and equipment	6(7).7.8	2,962,969	45	2,167,777	34
Intangible assets	6(8)	81,467	1	69,274	1
Deferred income tax assets		59,193	1	41,753	1
Other noncurrent assets		289,730	4	365,873	6
Total Noncurrent Assets		3,505,660	53	2,789,368	44
TOTAL ASSETS		$ 6,651,471	100	$ 6,387,417	100

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (LIABILITIES AND EQUITY)

DECEMBER 31 ,2015 AND 2014

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

LIABILITIES AND EQUITY	Note	December 31,2015 Amounts	%	December 31,2014 Amounts	%
CURRENT LIABILITIES					
Short-term loans	6(9)	$ 554,217	9	$ 4,384	-
Current financial liabilites at fair value through profit or loss	6(12)	1,682	-	-	-
Notes payable		56	-	2,260	-
Accounts payable		394,182	6	500,805	8
Accounts payable-related parties	7	2,992	-	8,024	-
Payables on equipment		127,068	2	141,920	2
Other payables	6(10)	479,110	7	539,627	9
Other payables-related parties	7	6,667	-	13,856	-
Income tax payable		42,783	1	66,279	1
Provisions	6(11)	1,240	-	4,856	-
Sales revenue received in advance	7	492,069	8	663,286	10
Corporate bonds payable – current portion	6(12)	579,433	9	-	-
Current portion of long-term liabilities	6(13)	9,328	-	9,329	-
Other current liabilities		23,199	-	19,047	1
Total Current Liabilities		2,714,026	42	1,973,673	31
NONCURRENT LIABILITIES					
Payable bonds	6(12)	-	-	574,962	9
Long-term loans	6(13)	250,068	4	58,295	1
Deferred income tax liabilities		11,679	-	15,307	-
Accrued pension cost	`	26,014	-	20,934	-
Other noncurrent liabilities		1,256	-	1,383	-
Total Other Liabilities		289,017	4	670,881	10
TOTAL LIABILITIES		3,003,043	46	2,644,554	41
EQUITY	6(15)				
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT					
Capital common stock		796,054	12	795,364	12
Capital surplus		871,572	13	885,012	14
Retained earnings					
Appropriated as legal capital reserve		462,706	7	410,942	6
Unappropriated earnings		1,509,840	23	1,593,614	25
Total Retained Earnings		1,972,546	30	2,004,556	31
Other					
Foreign currency translation adjustments		26,872	-	40,772	2
Total others		26,872	-	40,772	2
Treasury stock		(34,454)	(1)	-	-
Equity attributable to shareholders of the parent		3,632,590	54	3,725,704	59
NONCONTROLLING INTERESTS		15,838	-	17,159	-
TOTAL EQUITY		3,648,428	54	3,742,863	59
TOTAL LIABILITIES AND EQUITY		$ 6,651,471	100	$ 6,387,417	100

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

From January 1 to December 31, 2015 and 2014

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

Items	Note	January 1 ~ December 31,2015 Amounts	%	January 1 ~ December 31,2014 Amounts	%
OPERATING REVENUE, NET	7				
Sales revenue		$ 3,712,683	92	$ 4,063,300	98
Less: sales returns		(3,270)	-	(15,321)	-
sales discounts and allowances		(2,289)	-	(3,907)	-
Commission revenue		65,254	2	53,149	1
Processing Fees revenue		240,792	6	58,911	1
Operating Revenue, net		4,013,170	100	4,156,132	100
OPERATING COSTS	6(4).7	(2,220,098)	(55)	(2,221,139)	(53)
GROSS PROFIT		1,793,072	45	1,934,993	47
Realized (Unrealized) Gross profit on sales to subsidiaries and associates		3,039	-	1,526	-
GROSS PROFIT, NET		1,796,111	45	1,936,519	47
OPERATING EXPENSES	7				
Selling expenses		(396,216)	(10)	(367,544)	(9)
General & administrative expenses		(260,632)	(7)	(282,312)	(7)
Research and development expenses	6(8)	(819,423)	(20)	(728,996)	(18)
Operating expense, net		(1,476,271)	(37)	(1,378,852)	(34)
OPERATING INCOME		319,840	8	557,667	13
NON-OPERATING INCOME AND EXPENSES					
Other gains and losses	6(17)	19,578	1	31,232	1
Finance costs	6(17)	(13,397)	-	(3,238)	-
Share of profits of subsidiaries and associates	6(6)	6,728	-	(7,433)	-
Interest income	7	2,126	-	2,532	-
Rent income	7	8,888	-	9,598	-
Other non-operating revenue-other items	7	15,751	-	9,025	-
Total Non-operating Income		39,674	1	41,716	1
INCOME BEFORE INCOME TAX		359,514	9	599,383	14
INCOME TAX BENEFIT(EXPENSE)	6(18)	(65,373)	(2)	(82,085)	(2)
NET INCOME		294,141	7	517,298	12
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that are not to be reclassified to profit or loss					
Re-measurements from defined benefit plans		(8,408)	-	(3,915)	-
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		(14,542)	-	15,850	1
Other comprehensive income for the year, net of income tax		(22,950)	-	11,935	1
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		$ 271,191	7	$ 529,233	13
NET INCOME(LOSS) ATTRIBUTABLE TO：					
Shareholers of the parent		$ 294,820	7	$ 517,636	12
Noncontrolling interests		(679)	-	(338)	-
		$ 294,141	7	$ 517,298	12
TOTAL COMPREHENSIVE INCOME(LOSS)					
Shareholers of the parent		$ 272,512	7	$ 529,102	13
Noncontrolling interests		(1,321)	-	131	-
		$ 271,191	7	$ 529,233	13
		After-tax		After-tax	
EARNINGS PER COMMON SHARE(NTD)	6(19)				
Basic earnings per share		$ 3.71		$ 6.62	
Diluted earnings per share		$ 3.42		$ 6.11	

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

From January 1 to December 31, 2015 and 2014

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

Items	Capital- Common Stock	Capital Surplus	Retained Earnings: Legal Capital Reserve	Retained Earnings: Special Capital Reserve	Retained Earnings: Unappropriated Earnings	Others: Foreign Currency Translation Reserve	Treasury Stock	Total	Non-controlling	Total Equity
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
Legal capital reserve			27,103		(27,103)			-		-
Cash Dividends of Common Stock					(165,086)			(165,086)		(165,086)
special capital reserve				(17,571)	17,571					
Capital Reserve From Stock Warrants		28,585						28,585		28,585
Net Income in 2014					517,636			517,636	(338)	517,298
Other comprehensive income in 2014, net of income tax					(3,915)	15,381		11,466	469	11,935
Total comprehensive income in 2014	-	-	-	-	513,721	15,381	-	529,102	131	529,233
Convertible Bonds Transferred To Common Stock	9,240	82,350						91,590		91,590
Issuance of stock from exercise of employee stock options		33,296					152,606	185,902		185,902
BALANCE,DECEMBER,31,2014	$ 795,364	$ 885,012	$ 410,942	$ -	$ 1,593,614	$ 40,772	$ -	$ 3,725,704	$ 17,159	$ 3,742,863
BALANCE,JANUARY,1,2015	$ 795,364	$ 885,012	$ 410,942	$ -	$ 1,593,614	$ 40,772	$ -	$ 3,725,704	$ 17,159	$ 3,742,863
Legal capital reserve			51,764		(51,764)			-		-
Cash Dividends of Common Stock					(318,422)			(318,422)		(318,422)
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 in 2015					294,820			294,820	(679)	294,141
Other comprehensive income in 2015, net of income tax					(8,408)	(13,900)		(22,308)	(642)	(22,950)
Total comprehensive income	-	-	-	-	286,412	(13,900)	-	272,512	(1,321)	271,191
Convertible Bonds Transferred To Common Stock	690	6,191						6,881		6,881
Decrease (increase) in treasury stock							(34,454)	(34,454)		(34,454)
BALANCE,DECEMBER,31,2015	$ 796,054	$ 871,572	$ 462,706	$ -	$ 1,509,840	$ 26,872	$ (34,454)	$ 3,632,590	$ 15,838	$ 3,648,428

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

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2015 and 2014

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

Items	Jan 1 ~ Dec 31,2015	Jan 1 ~ Dec 31,2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 359,514	$ 599,383
Adjustments to reconcile net income to net		
Depreciation	268,359	140,413
Amortization	47,684	33,880
(Reversal) allowance for doubtful receivables	4,984	8,695
Gains on Financial Assets (Liabilities) at Fair Value through Profit or Loss	2,285	(1,782)
Interest expense	13,397	3,238
Interest revenue	(2,126)	(2,532)
Compensation cost of employee stock options	-	33,840
Loss (gain) on equity-method investments	(6,728)	7,433
(Gain) loss on disposal of property, plant and equipment	307	1,920
Gains on disposal of investments	(5,706)	-
(Realized) Unrealized gross profit on sales to subsidiaries and associates	(3,059)	(1,526)
Adjustments-exchange (Gain) loss on prepayments for equipment	1,677	(454)
Net changes in operating assets and liabilities		
Decrease (Increase) in notes receivable	18,280	(27,293)
Decrease (Increase) in accounts receivable	(185,891)	(86,029)
Decrease (Increase) in accounts receivable-related parties	21,366	(62,510)
Decrease (Increase) in other receivables	2,518	(14,764)
Decrease (Increase) in inventories	75,415	(211,400)
Decrease (Increase) in prepayments	14,049	(42,707)
Decrease (Increase) in other current assets	1,179	644
(Decrease) Increase in notes payable	(2,204)	208
(Decrease) Increase in accounts payable	(106,623)	107,659
(Decrease) Increase in accounts payable-related parties	(5,032)	5,917
(Decrease) Increase in other accounts payable	(60,622)	179,605
(Decrease) Increase in other accounts payable-related parties	(7,189)	6,306
(Decrease) Increase in provision of liabilities	(3,616)	(4,788)
(Decrease) Increase in sales revenue received in advance	(171,217)	(10,620)
(Decrease) Increase in other current liabilities	4,152	(972)
Decrease(Increase) in accrued pension cost	(3,327)	(2,941)
Cash generated from operations	271,826	658,823
Interest received	2,267	2,393
Interest (excluding capitalization of interest)	(2,259)	(1,735)
Cash dividends	(318,422)	(165,086)
Income taxes paid	(111,407)	(68,544)
Net cash Provided By Operating Activities	(157,995)	425,851

(Continue)

MPI CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

From January 1 to December 31, 2015 and 2014

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

Items	Jan 1 ~ Dec 31,2015	Jan 1 ~ Dec 31,2014
CASH FLOWS FROM INVESTING ACTIVITIES		
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	(1,087,949)	(620,119)
Proceeds from sale of property, plant and equipment	149	1,405
Intangible assets	(28,057)	(16,773)
(Increase) in nocurrent assets	(34)	-
Increase in other non-current assets	-	239
(Increase) in nocurrent assets	-	(270,568)
Increase in nocurrent assets	43,636	-
Net cash Provided Used In Investing Activities	(1,046,317)	(951,448)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	549,833	119
Issuance of corporate bonds	-	694,797
Increase in long-term borrowings	191,771	-
Repayments of long-term loans	-	(9,329)
Increase (decrease) in nocurrent liabilities	-	1,163
Increase (decrease) in other nocurrent liabilities	(127)	-
Decrease (increase) in treasury stock	(34,454)	-
Employees to repurchase of treasury stock	-	152,062
Increase (decrease) in noncontrolling interests	(642)	469
Net cash (Used In) Financing Activities	706,381	839,281
Effects of exchange rate change on cash	(3,908)	38,132
Net increase in cash and cash equivalents	(501,839)	351,816
Cash and cash equivalents at beginning of year	975,612	623,796
Cash and cash equivalents at end of year	$ 473,773	$ 975,612

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

MPI CORPORATION and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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 December 31, 2015, 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 December 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 3/23, 2016.

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 entitles'

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
IFRS 16 Leases	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
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
IFRIC 21, ‘Levies’	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

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 SIGNIFICANTACCOUNTING 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
			December 31, 2015	December 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%	Established in January 25,1994
MPI	MPI TRADING CORP.(Samoa)	Selling Probe Card and Test Equipment	100%	100%	Established in December 22, 2000.
MPI	MMI HOLDING CORP.(Samoa)	Investment activities	100%	100%	Established in August 7, 2002.

MPI	MEGTAS CO.,LTD.	Test, maintenance, manufacturing and import/export trading of parts of semiconductors	60%	60%	Established in September 1, 2010.
MPI	JIA-SIN INVESTMENT CORP.	Investment activities	100%	100%	Established in April 30, 2004.
MPI	YI-SIN INVESTMENT CORP.	Investment activities	100%	100%	Established in April 30, 2004.
MPI	WANG-TONG CORP.	Maintenance, purchase, sales, research and development of computers and peripheral equipment;	100%	100%	Established in December 22, 2010.
MPI	ALLSTRON CORP.	Manufacturing of high frequency wafer foundry measuring probing	100%	100%	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%	Established in November 19, 2001.
Chain-Logic International Corp.	JIA-YING INVESTMENT CORP.	Investment activities	100%	100%	Established in April 30, 2004.
CHAIN-LOGIC TRADING CORP.	CHAIN LOGIC （SHANGHAI） INTERNATIONAL CORP.	International trading	100%	100%	Established in February 8, 2002.
MMI HOLDING CORP.	LEDA-ONE (Shenzhen) CORPORATION	development of computers and peripheral equipment	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%	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 Lumitek (Chan gzhou) Co.,Ltd. USD$4,000,000 (NT$120,500 thousand dollars) in 2014. And increased investment USD$11,000,000 (NT$349,990 thousand dollars) holding 100% of shares in 2015.

Certain investments, which were accounted for under the equity method based on the financial statements of the investees of Megtas Co., Ltd., were audited by other independent accountants. Respectively, the related shares of investment income from the subsidiaries amounted to NT$(1,018) thousand and NT$(506) thousand as of December 31, 2015 and 2014.

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

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

E. Nature and extent of the restrictions on fund remittance from subsidiaries to the parent company：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） <u>Classification of Current and Non-current Assets and Liabilities</u>

The Group classifies an asset as current when any one of the following requirements is met. Assets that are not classified as current are non-current assets.

A. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;

B. It holds the asset primarily for the purpose of trading;

C. It expects to realize the asset within twelve months after the reporting period;

D. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies a liability as current when any one of the following requirements is met. Liabilities that are not classified as current are non-current liabilities.

A. It expects to settle the liability in its normal operating cycle;

B. It holds the liability primarily for the purpose of trading;

C. The liability is due to be settled within twelve months after the reporting period;

D. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. 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 and cash equivalents comprise cash, revolving funds, and cash in bank and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Time deposits which meet the above definition and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes should be recognized as cash equivalents. If they do not meet the above definition, time deposits should be recognized as other current and non-current financial assets.

(7) Financial Instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

A. Financial Assets

The Group adopts trade-date accounting to recognize and derecognize financial assets. Financial assets are classified into the following categories: financial assets at fair value through profit or loss, available-for-sale financial assets and receivables.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are comprised of financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss (including those received during the period of initial investment).

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in short term.

If financial assets do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial assets measured at cost on balance sheet and carried at cost net of accumulated impairment losses, if any, as at the reporting date.

(b) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. 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 MPI, 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.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of inactive market for a security.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group use historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management' s judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

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. Changes in the amount of the allowance account are recognized in profit or loss.

(d) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

B. Financial Liabilities and Equity Instrument

(a) Classification and subsequent measurement

The Company classifies the instrument issued as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement 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. The transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Convertible corporate bonds issued by the Group 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 an equity instrument. Convertible corporate bonds are accounted for as follows:

Ⓐ Call options and put options embedded in convertible corporate bonds are recognised 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.

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

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in short term.

If the financial liabilities at fair value through profit or loss do not have quoted prices in an active market and their fair value cannot be reliably measured, then they are classified as financial liabilities measured at cost on balance sheet and carried at cost as at the reporting date.

(c) Other financial liabilities

Financial liabilities not classified as held-for-trading, or designated as at fair value through profit or loss, which comprise of loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, under financial costs of non-operating income and expenses.

(d) Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(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' 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	5–13
Transportation equipment	4–6
Office equipment	3–10
Research equipment	2–13
Other equipment	3–9

(11) Leases

Leases in which the lessee assumes substantially all of the risks and rewards of ownership are classified as finance leases. Other leases are operating leases.

Receivables collected are periodically recognized as rental income during the lease contract.

Under an operating lease, rental income or lease payments are recognized as income or expense, respectively, on a straight-line basis over the lease term.

(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 measures whether impairment occurred in non-financial assets every reporting period, and estimates the recoverable amount. If it is not possible to determine the recoverable amount (fair value less cost to sell and value in use) for the individual asset, then the Group will determine the recoverable amount for the asset's cash-generating unit.

B. For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset' s or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

C. A cash generating unit, or groups of cash-generating units, to which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating unit (group of units), then to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

(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 recognised 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.

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 recognises 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

Employees' bonus and directors' and supervisors' remuneration are recognised as expenses and liabilities, provided that such recognition is required under legal obligation or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders, the differences should be recognised based on the accounting for changes in estimates. The Group calculates the number of shares of employees’ stock bonus based on the fair value per share at the previous day held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(20) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee salary expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards whose related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

(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 dilative 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. CRITICALACCOUNTING 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 December 31, 2015, the carrying amount of accounts receivable was $ 878,072 thousand dollars. (Was deducted allowance for uncollectible accounts, $ 18,041 thousand dollars)

(2) Valuation of inventory

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 December 31, 2015, the carrying amount of accounts receivable was $ 1,636,177 thousand dollars. (Was deducted allowance for uncollectible accounts, $ 225,881 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 December 31, 2015, the Group recognized deferred income tax assets amounting to $59,193 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 December 31, 2015, provisions for discounts and returns amounted to $1,240 thousand dollars.

(5) Estimation of defined benefit obligation

Accrued pension liabilities and the resulting pension expenses under the defined benefit pension plans are calculated using the Projected Unit Credit Method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and long-term average future salary increase. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

As of December 31, 2015, the carrying amount of accrued pension obligations was $20,934 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 December 31, 2015, the Group recognised goodwill, amounting to $45,533 thousand dollars.

6. DETAILS OF SIGNIFICANTACCOUNTS

(1) Cash and cash equivalents

	December 31, 2015	December 31, 2014
Cash:		
Cash on hand	$ 3,687	$ 2,570
Cash in banks:		
Checking deposits	10	10
Demand deposits	394,282	647,652
Time deposits	75,814	325,380
Total	$ 473,793	$ 975,612

(2) Notes receivable, net

	December 31, 2015	December 31, 2014
Notes receivable	$ 26,568	$ 44,848
Less: Allowance for doubtful accounts	—	—
Notes receivable, net	$ 26,568	$ 44,848

(3) Accounts receivable, net

	December 31, 2015	December 31, 2014

Accounts receivable	$ 782,647	$ 602,044
Less: Allowance for doubtful accounts	(13,081)	(13,120)
Accounts receivable, net	$ 769,566	$ 588,924

	December 31, 2015	December 31, 2014
Accounts receivable-related parties	$ 82,458	$ 103,824
Less: Allowance for doubtful accounts	(520)	(902)
Accounts receivable-related parties, net	$ 81,938	$ 102,922

	December 31, 2015	December 31, 2014
Overdue receivable	$ 4,441	$ 16,814
Less: Allowance for doubtful accounts	(4,441)	(16,814)
Overdue receivable, net	$ —	$ —

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

	Group provision	Individual provision	Total
At January 1,2015	$ 14,126	$ 16,710	$ 30,836
Provision for impairment	5,700	60	5,760
Reversal of impairment	(776)	—	(776)
Write-offs during the period	(951)	(16,710)	(17,661)
Unwinding of discount and premium	(117)	—	(117)
At December 31,2015	$ 17,982	$ 60	$ 18,042
At January 1,2014	$ 7,157	$ 29,072	$ 36,229
Provision for impairment	10,445	—	10,445
Reversal of impairment	—	(1,750)	(1,750)
Write-offs during the period	(3,625)	(10,612)	(14,237)
Unwinding of discount and premium	149	—	149
At December 31,2014	$ 14,126	$ 16,710	$ 30,836

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

	December 31, 2015		December 31, 2014	
	Total	impairment	Total	impairment
Up to 90 days	$ 781,223	$ -	$ 650,296	$ -
1~90 days	72,742	5,092	77,892	5,452
91 to 180 days	17,780	2,667	6,402	1,017
181 to 360 days	16,490	4,123	8,505	2,031
361 to 720 days	3,438	1,719	4,199	2,100
Over721 days	4,441	4,441	20,236	20,236
Total	$ 896,114	$ 18,042	$ 767,530	$ 30,836

(4) Inventories

	December 31, 2015	December 31, 2014
Raw materials	$ 346,572	$ 373,324
Supplies	67,885	62,175
Work-in-process	289,278	288,719
Semi-finished goods	212,380	155,679
Finished goods	858,149	944,009
Merchandise	70,782	67,921
Materials and supplies in transit	17,012	7,535
Less：Allowance to reduce inventory to market	(225,881)	(187,770)
Inventories, net	$ 1,636,177	$ 1,711,592

A. The detail of cost of goods sold

	2015	2014
Cost of inventories sold	$ 2,164,236	$ 2,159,959
Loss on market price decline inventories (gain from price recovery)	37,979	40,388
Loss on obsolescence of inventory	3,815	56
Other operating costs- employees' bonus	14,738	23,165
Income from sale of scrap and wastes	—	—
Estimated warranty liabilities	(670)	(2,429)
Operating Cost	$ 2,220,098	$ 2,221,139

B. As of December 31, 2015 and December 31, 2014, the inventory were not pledged as collateral.

(5) <u>Financial assets carried at cost</u>

	December 31, 2015	December 31, 2014
Non-current items:		
TAISelec Co.,Ltd	$ —	$ 20,231
Accumulated impairment	—	—
Total	$ —	$ 20,231

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

(6) Investments accounted for using equity method

Names of Investee company	December 31, 2015 Amounts	December 31, 2014 Amounts
MJC Microelectronics Shanghai Co.,Ltd.		
MJC Microelectronics Kunshan Co.,Ltd.	$ 45,190	$ 45,254
Lumitek Corporation	64,012	59,917
Total	3,099	18,681
MJC Microelectronics Shanghai Co.,Ltd.	$ 112,301	$ 123,852

A. The variation during as follow：

	2015	2014
At January 1	$ 123,852	$ 126,332
Capital surplus	(19,306)	-
Investment income under equity method	6,728	(7,433)
Cumulative translation adjustments	(2,012)	3,427
Unrealized Gross Profit	3,039	1,526
At September 30	$ 112,301	$ 123,852

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

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

	December 30, 2015	December 31, 2014
The carrying amount of the Group's individually immaterial associates	$ 112,301	$ 123,852

	2015	**2014**
Profit or loss for the period from continuing operations	$ 6,728	$ (7,433)
Loss for the period from discontinued operations	—	—

Other comprehensive income- net of tax	—	—
Total comprehensive income	$ 6,728	$ (7,433)

C. The investments accounted for using equity method and the Corporation's share of profit and other comprehensive income were based on the associates' audited financial statements for the same reporting period.

D. As of December 31, 2015 and December 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	251,817	90,878	498,655	–	19,826	139,657	24,760	47,504	1,073,097
Disposals	(123)	–	(9,112)	–	(4,445)	(5,632)	(67)	–	(19,379)
Reclassifications	–	–	(1,767)	–	–	90	–	–	(1,677)
effect of movements in exchange rate	–	(592)	(7,961)	(55)	(113)	(12)	(573)	–	(9,306)
At December 31, 2015	$763,767	$1,294,595	$1,024,363	$ 4,189	$ 94,639	$559,075	$ 51,336	$52,107	$3,844,071
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	220,594	124,427	215,208	2,814	18,763	27,508	3,864	4,603	617,781
Disposals	–	–	(10,773)	(3,732)	(14,736)	(264)	(5,245)	–	(34,750)
Reclassifications	–	–	40,788	–	588	53,010	1,706	(497)	95,595
effect of movements in exchange rate	–	1,086	4,910	115	254	–	325	–	6,690
At December 31, 2014	$512,073	$1,204,309	$ 544,548	$ 4,244	$ 79,371	$424,972	$ 27,216	$ 4,603	$2,801,336
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	–	35,827	141,132	949	16,659	68,322	5,470	–	268,359
Disposals	–	–	(9,016)	–	(4,236)	(5,604)	(68)	–	(18,924)
effect of movements in exchange rate	–	(245)	(1,337)	(12)	(70)	(12)	(216)	–	(1,892)
At December 31, 2015	$ –	$ 202,323	$ 331,938	$ 1,617	$ 53,737	$273,007	$ 18,480	$ –	$ 881,102
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	–	29,500	41,027	991	13,417	50,672	4,806	–	140,413
Disposals	–	–	(10,419)	(3,466)	(13,212)	(252)	(4,056)	–	(31,405)
Reclassifications	–	–	–	–	–	–	(20)	–	(20)
effect of movements in exchange rate	–	405	387	53	809	–	(605)	–	1,049
At December 31, 2014	$ –	$ 166,741	$ 201,159	$ 680	$ 41,384	$210,301	$ 13,294	$ –	$ 633,559
Book value									
At December 31, 2015	$ 763,767	$1,092,272	$ 692,425	$ 2,572	$ 40,902	$286,068	$ 32,856	$ 52,107	$2,962,969
At December 31, 2014	$ 512,073	$1,037,568	$ 343,389	$ 3,564	$ 37,987	$214,671	$ 13,922	$ 4,603	$2,167,777

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 Company in July 2015 to Non related party purchased land located Taihe segment Zhubei City, the sale of a total of $251,817 thousand dollars for contract dollars. And settled transfer on September 24, 2015, serves the purpose of staff's dormitory.

D. The Company in December 2015 to Non related party purchased land located Taihe segment Zhubed City, the sale of a total of $123 thousand dollars for contract dollars. And settled transfer in December, 2015.

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

F. The Group to Non related party purchased pre-sale housing in 2014, the sale of a total of RMB 1,641,816.

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

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

(8) Intangible assets

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

2015	Goodwill	Software	Total
At January 1	$ 45,533	$ 23,741	$ 69,274
Additions	—	26,809	26,809
Reclassifications	—	1,248	1,248
Amortization	—	(15,860)	(15,860)
Impairment loss	—	—	—
effect of movement in exchange rate	—	(4)	(4)
At December 31	$ 45,533	$ 35,934	$ 81,467

2014	Goodwill	Software	Total
At January 1	$ —	$ 17,977	$ 17,977
Additions	—	16,773	16,773
Reclassifications	—	—	—
Acquisition through business combination	45,533	—	45,533
Amortization	—	(11,014)	(11,014)
Impairment loss	—	—	—
effect of movement in exchange rate	—	5	5

At December 31	$ 45,533	$ 23,741	$ 69,274

B. Details of amortization on intangible assets are as follows:

	2015	2014
Operating costs	$ 16,912	$ 12,112
Operating expenses	30,772	21,768
amortization	$ 47,684	$ 33,880

C. Research and development expenditures are recognized as Operating-Research and development, which represented $819,423 thousand dollars and $728,996 thousand dollars respectively.

D. 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:

(1)Transfer pricing：50,000 thousand dollars。

(2)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	$ 4,467

(3)Goodwill

Transfer pricing	$ 50,000

Fair value of net assets		4,467
Goodwill	$	45,533

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 December 31, 2015.

(9) **Short-term loans**

	December 31, 2015			December 31, 2014		
Nature	Amounts		Interest rates	Amounts		Interest rates
Credit loan	$	4,217	5.31% ~5.60%	$	4,384	5.60%
Secured borrowings		550,000	1.18%		—	
Total	$	554,217		$	4,384	

(10) **Other payables**

	December 31, 2015		December 31, 2014	
Accrued expenses	$	405,819	$	458,523
Salaries payable (including Bonuses payable)		29,189		48,242
Short-term employee benefits		33,884		15,199
Dividend payable		—		—
Others		10,218		17,663
Total	$	479,110	$	539,627

(11) **Provisions**

	Warranty	
At January 1, 2015	$	4,856
Provision made/(Payment)		(3,616)
At December 31, 2015	$	1,240

	Warranty	
At January 1, 2014	$	9,645
Provision made/(Payment)		(4,789)
At December 31, 2014	$	4,856

Current	$	1, 240	Current	$	4, 856
Non-current		－	Non-current		－
At December 31, 2015	$	1, 240	At December 31, 2014	$	4, 856

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**

	December 31, 2015	December 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	(21, 267)	(32, 638)
Corporate bonds-payable, net	$ 579, 433	$ 574, 962
Current	$ 579, 433	$ -
Non-current	-	574, 962
Total	$ 579, 433	$ 574, 962
Embedded derivative-Financial (Assets) liability	$ 1, 682	$ (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：

a. Issue Amount：$700,000 thousand dollars.

b. The bonds have maturity of three years. (November 18, 2014~November 18, 2017)

c. Interest：0%

d. Conversion period ：The date after one month of the bonds issue to the maturity date

e. 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.

Since August 7, 2015, the price of conversion was became NT$93.4 per share.

f. A bondholder may request the company to redeem the bonds after two years from the issue date.

g. As stipulated in the contract, the company reserves the right to redeem the convertible bonds from the holders.

B. Till December 31, 2015 and 2014, the convertible bonds transferred to common stock were $99,300 thousand dollars and 92,400 thousand dollars (issue 993 thousand shares and 924 thousand shares), and the company recognized $88,540 thousand dollars and 82,350 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 $(2,285) thousand dollars and $1,782 thousand dollars as of December 30, 2015 and 2014.

D. The effective interest rate of the third convertible bonds is 1.9183%, total interest expenses amounted to $11,032 and $1,515 thousand dollars in 2015 and 2014.

(13) **Long-term Loans**

Lender	Nature	Amount	Period	December 31, 2015
Land Bank –East Shichu Branch	Secured bank borrowings	$ 201,100	2015.09.30~2020.09.30	$ 201,100
Land Bank –East Shichu Branch	Secured bank borrowings	$ 163,000	2009.03.02~2022.03.02	58,296
Less: Long-term Loans payable-current portion				(9,328)
Long-term Loans, net				$ 250,068
Interest rates for long-term loans				1.49 %~1.53 %

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

(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.

Based on the Act, a total of NT$51,495 million were contributed by the Company for the years ended December 31, 2015.

b.The amounts recognized in the balance sheet are determined as follows:

	December 31, 2015	December 31, 2014
Present value of funded obligations	$ 77,509	$ 67,321
Fair value of plan assets	(51,495)	(46,387)
Net defined benefit liability	$ 26,014	$ 20,934

c. Changes in present value of funded obligations are as follows:

	2015	2014
Present value of funded obligations		
At January 1	$ 67,321	$ 61,573
Current service cost	161	209
Interest expense	1,359	1,474
Actuarial profit and loss		
Actuarial loss (gain) arising from changes in financial assumptions	2,624	(1,218)
Actuarial loss (gain) arising from experience adjustments	6,044	5,283
At December 31	$ 77,509	$ 67,321

d. Changes in fair value of plan assets are as follows:

	2015	2014
Fair value of plan assets		
At January 1	$ 46,387	$ 41,614
Interest income	967	827
Return on plan assets	260	149
Employer contributions	3,881	3,797
Payment of benefit obligation	–	–
At December 31	$ 51,495	$ 46,387

e. Amounts of expenses recognized in comprehensive income statements are as follows:

	2015	2014
Current service cost	$ 161	$ 209
Interest expense	1,359	1,474
Interest (income)	(967)	(827)
Current pension costs	$ 553	$ 856

f. Employee pension fund is deposited under a trust administered by the Bank of

Taiwan. The overall expected rate of return on assets is determined based on historical trend and analysts' expectations on the assets' returns in the market over the obligation period. Furthermore, the utilization of the fund is determined by the labor pension fund supervisory committee, which also guarantees the minimum earnings to be no less than the earnings attainable from interest rates offered by local banks for two-year time deposits.

g. The principal actuarial assumptions used were as follows:

	2015	2014
Discount rate	1.80%	2.00%
Future salary increases	2.25%~2.75%	2.25%~2.75%

The weighted-average durations of the defined benefit obligation are 17~20 years as of December 31, 2015.

h. Sensitivity analysis

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

i. If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	Discount rate		Future salary increase rate	
	increases by 0.25%	decreases by 0.25%	increases by 1%	decreases by 1%
December 31,2015				
Decrease (increase) in defined benefit obligation	(4.05%) ~ (4.24%)	4.25% ~4.46%	17.90% ~19.04%	(15.11%) ~ (15.79%)
Decrease (increase) in defined benefit obligation	$ (3,265)	$ 3,434	$ 14,632	$ (12,163)
December 31,2014				
Decrease (increase) in defined benefit obligation	(4.32%) ~(4.33)	4.55% ~4.56%	19.48% ~19.67%	(16.22%) ~ (16.25%)
Decrease (increase) in defined benefit obligation	$ (2,935)	$ 3,096	$ 13,341	$ (11,020)

The sensitivity analysis above are based on a change in a significant assumption (for example: change in discount rate or future salary), keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. There was no change in the methods and assumptions used in preparing the sensitivity analysis compared to the previous period.

j. Expected contributions to the defined benefit pension plans of the Group for the next annual reporting period as at December 31, 2015 is $3,890 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 six-month periods ended December 31, 2015 and 2014 were $46,944 thousand dollars and $40,682 thousand dollars.

(15) **EQUITY**

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

	2015	2014
At January 1	79,536,392	76,612,392
Employee stock options exercised	-	2,000,000
Convertible Bonds Transferred To Common Stock	69,000	924,000
Purchase of Treasury stock	(600,000)	-
At December 31	79,005,392	79,536,392

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:

	December 31, 2015	December 31, 2014
Additional paid-in capital	$ 210,163	$ 210,163
From convertible bonds	569,216	563,025
Treasury Stock Transactions	44,073	44,073
Donations	1	1
From share of changes in equities of subsidiaries and associates	–	19,306
Other	19,858	19,858
Option	28,261	28,586
Total	$ 871,572	$ 885,012

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. Because LUMITED CORPORATION dismissed on February 28, 2015, it is $0 dollars to close the components of capital surplus.

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.

In accordance with the ROC Company Act amended in May 2015, the recipients of dividends and bonuses arising from earning distributions are limited to shareholders and do not include employees. The Board of Directors proposed amendments to MPI's Articles of Incorporation on November 11, 2015, which will be approved at the annual shareholders' meeting.

According to MPI's Articles of Incorporation, current year's earnings, if any, shall be distributed in the following order:

a. Payment of all taxes and dues;
b. Offset prior years' operation losses;
c. Appropriate 10% of the remaining amount after deducting items (a) and (b) as a legal reserve;
d. Appropriate or reverse special reserve in accordance with relevant laws or regulations, and
e. The distribution of the remaining portion, if any, will be recommended by the Board of Directors and resolved in the stockholders' meeting.

D. Legal reserve

According to the ROC Company Act, a company shall first set aside 10% of its income after taxes as legal reserve until it equals the paid-in capital. After offsetting any deficit, the legal reserve may be transferred to capital and distributed as stock dividends or distributed as cash dividends for the amount in excess of 25% of the paid-in capital pursuant to a resolution adopted by the shareholders' meeting.

E. Special reserve

Following a company's adoption of the TIFRS for the preparation of its financial reports, when distributing distributable earnings, it shall set aside to special reserve based on the difference between the amount already set aside and the total debit balance of other shareholders' equity. For any subsequent reversal of other net deductions from shareholders' equity, the amount reversed may be distributed.

F. The 2014 and 2013 earnings appropriations approved by the annual general shareholders' meeting ("MPI") on June 12, 2015 and June 17, 2014, respectively, were as follows:

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For Fiscal Year 2014	For Fiscal Year 2013	For Fiscal Year 2014	For Fiscal Year 2013
Cash dividends to shareholders	$ 318,422	$ 4	$ 165,086	$ 2.1

G. Please refer to Note 6(20) for information on the employees' compensation and remuneration to directors.

H. Treasury stock

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

	Year ended December 31, 2015			
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending shares
To be reissued to employees	—	600,000	—	600,000

	Year ended December 31, 2014			
Reason for reacquisition	Beginning shares	Additions	Disposal	Ending 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, 2015, the shares bought back as treasury stock amounted to $34,454 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：

		2014 Treasury stock transferred to employees
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

	2015	2014
Gains (losses) on disposal of property, plant and equipment	$ (78)	$ 840
Gains (losses) on disposal of investments	5,706	—
Net gains (losses) on financial liabilities at fair value through profit or loss	(2,285)	1,782
Net currency exchange gains (losses)	17,149	31,323
Others	(914)	(2,713)
Total	$ 19,578	$ 31,232

Please refer to Note 6(5) for information on Gains on disposal of investments.

B. Finance costs

	2015	2014
Interest expense		
Bank borrowings	$ 4,054	$ 3,001
The convertible bonds issued in 2014	11,032	1,515
subtotal	15,086	4,516
Less: capitalisation of qualifying assets	(1,689)	(1,278)
Total	$ 13,397	$ 3,238

(18) Income Tax

A. Income tax expense：

	2015	2014
Current tax:		
Current tax on profits for the period	$ 86,634	$ 90,350
Adjustments in respect of prior years	(193)	111
Total current tax	86,441	90,461
Deferred tax:		
Origination and reversal of temporary differences	(21,068)	(8,376)
Impact of change in tax rate	—	—
Total deferred tax	(21,068)	(8,376)
Income tax expense	$ 65,373	$ 82,085

B. The Group recognized Income tax expenses in other comprehensive income are 0 in 2015 and 2014.

C. Reconciliation between income tax expense and accounting profit

	2015	2014
Tax calculated based on profit before tax and statutory tax rate	$ 359,514	$ 599,383
Income tax expense at the statutory rate (17%)	$ 61,117	$ 101,895
Effect from differences of the group's applicable tax rates	16,647	(1,521)
Effects from items disallowed by tax regulation	21,417	14,801
Deferred income tax(benefit) expense	(21,068)	(8,376)
Not recognized as deferred tax assets	15	14
Tax-exempt income	(24,178)	(54,393)
Foreign Tax Credit	(706)	(1,761)
Effect from investment tax credit	(21,027)	(16,936)
Additional 10% tax on undistributed earnings	16,014	9,641
Effect from Alternative Minimum Tax	17,335	38,610
Prior year income tax (over) underestimate	(193)	111
Total	$ 65,373	$ 82,085

D. Amounts of deferred tax assets or liabilities as a result of temporary difference and investment tax credit are as follows:

a. Amounts of deferred tax assets or liabilities as a result of temporary difference, loss carryforward and investment tax credit are as follows:

	2015				
	Balance, Beginning of Year	Recognized in profit or loss	Recognized in other comprehensive income	exchange	Balance, End of Year
Deferred income tax assets					
Temporary differences:					
Unrealized loss on inventories	$ 31,922	$ 6,294			$ 38,216
Unrealized exchange losses	446	(170)			276
Unrealized estimated warranty liabilities	826	(615)			211
Bad debt expenses	2,666	(2,414)			252
Unrealized profit from intercompany transactions	5,672	14,372			20,044
Temporary differences-Depreciation	13	–			13
Investment tax credit	208	(27)			181
Net operating loss carryforward	–	–			–
Total	$ 41,753	$ 17,440			$ 59,193
Deferred income tax liabilities					
Temporary differences:					
Unrealized exchange gains	$ (3,059)	$ 1,840			$ (1,219)
Unrealized investment gain	(8,471)	2,327			(6,144)
Unrecognized pension expenses	(3,777)	(539)			(4,316)
Total	$ (15,307)	$ 3,628			$(11,679)

	2014				
	Balance, Beginning of Year	Recognized in profit or loss	Recognized in other comprehensive income	exchange	Balance, End of Year
Deferred income tax assets					
Temporary differences:					
Unrealized loss on inventories	$ 25,055	$ 6,867			$ 31,922
Unrealized exchange losses	225	221			446
Unrealized estimated warranty liabilities	1,640	(814)			826
Bad debt expenses	4,686	(2,020)			2,666
Unrealized profit from intercompany transactions	1,400	4,272			5,672
Temporary differences-Depreciation	14	(1)			13
Investment tax credit	223	(15)			208
Investment tax credit	81	(81)			–
Net operating loss carryforward	–	–			–
Total	$ 33,324	$ 8,429			$ 41,753
Deferred income tax liabilities					
Temporary differences:					
Unrealized exchange gains	$ (414)	$ (2,645)			$ (3,059)
Unrealized investment gain	(11,548)	3,077			(8,471)
Unrecognized pension expenses	(3,292)	(485)			(3,777)
Total	$ (15,254)	$ (53)			$(15,307)

b. Unrecognized deferred tax assets

	December 31, 2015	December 31, 2014
Net operating loss carryforward	$ 6,445	$ 6,445
Investment tax credit	-	-
Unrecognized deferred tax assets	$ 6,445	$ 6,445

As of December 31, 2015, the Group had not recognized the prior years' loss carry-forwards as deferred tax assets. The expiry years are as follows:

Remaining Creditable Amount	Expiry Year
$ 139	2016
75	2017
71	2018
110	2019
71	2020
15,152	2021
11,872	2022
10,243	2023
87	2024
92	2025
$ 37,912	

As of December 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	$ 74,980	$ —	$ 21,027	$ —	2015
	$ 74,980	$ —	$ 21,027	$ —	

c. Unrecognized deferred tax liabilities

	December 31, 2015	December 31, 2014
Taxable temporary differences	$ -	$ -
Unrecognized deferred tax liabilities	$ -	$ -

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

	Year
MPI Corporation	2013
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

F. Double taxation:

	December 31, 2015	December 31, 2014
Balance in deductible tax accounts	$ 203,331	$ 172,375

	2015 (Expected)	2014 (Actual)
Deduction percentage of earnings appropriation	16.13 %	14.70 %

Respectively; however, effective from January 1, 2015, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio according to the revised Article 66 - 6 of the Income Tax Law.

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

	Jan.1~Dec. 31, 2015	Jan.1~Dec. 31, 2014
Basic EPS	After-tax	After-tax
Net Income (Numerator)(Thousands)	$ 294,820	$ 517,636
Shares (Denominator)(Thousands)	79,429	78,234
Earnings Per Share (Dollars)	$ 3.71	$ 6.62
Diluted EPS		
Net Income (Numerator)(Thousands)	$ 294,820	$ 517,636
Shares (Denominator)(Thousands)	86,330	84,722
Earnings Per Share (Dollars)	$ 3.42	$ 6.11

(20) Employee benefits, depreciation, and amortization are summarized as follows

Function / Nature	2015			2014		
	Operation cost	Operation expense	Total	Operation cost	Operation expense	Total
Employee benefit expense						
Wages and salaries	621,349	635,716	1,257,065	561,324	671,688	1,233,012
Labor and health	40,739	44,524	85,263	36,149	41,466	77,615
insurance expense	21,363	26,134	47,497	18,141	23,397	41,538
Other personnel expense	41,818	26,188	68,006	78,549	25,578	104,127
Depreciation	203,605	64,754	268,359	70,477	69,936	140,413
Amortization	16,912	30,772	47,684	12,112	21,768	33,880

A. Under the Company Act as amended in May 2015, the Company's Articles of Incorporation should stipulate a fixed amount or ratio of annual profit to be distributed as profit sharing bonus to employees.

B. A resolution was passed at a Board of Directors meeting of the Company held on November 11, 2015 to amend the Articles of Incorporation of the Company. According to the amend Articles of Incorporation of the Company, 5%~15% of profit of the current year is distributable as employees' compensation and 1%~3% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered (if any). The Company may, by a resolution adopted by a majority vote at a meeting of Board of Directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation in the form of shares or in cash; And in addition thereto a report of such distribution is submitted to the shareholders' meeting. The Articles of Incorporation are to be amended in the shareholders' meeting in 2016.

C. For the year ended December 31, 2015 and 2014, employees remuneration (bonus) was accrued at $28,640 and $48,242 thousand dollars, respectively, and directors's and supervisors' remuneration was accrued at $7,160 and $12,061 thousand dollars, respectively. The aforementioned amounts were recognized is salary expenses.

D. The Board of Directors of MPI held on March 23, 2016 approved the profit sharing bonus to employees and compensation to directors thousand in cash for payment in 2015. There is no significant difference between the aforementioned approved amounts and the amounts charged against earnings of 2015.

E. The amounts of employees' bonus and directors' and supervisors' remuneration of 2014 are $49,168 thousand dollars and $11,240 thousand dollars, respectively, are recognized as operating costs or operating expenses for 2014. The difference amounts from $105 thousand dollars approved by the stockholders subsequently are recognized as gain or loss in 2015.

F. The amounts of employees' bonus and directors' and supervisors' remuneration of 2013 are $23,306 thousand dollars and $5,827 thousand dollars, respectively, are recognized as operating costs or operating expenses for 2013. The difference amounts from $(5,955) thousand dollars approved by the stockholders subsequently are recognized as gain or loss in 2014.

G. The information about the appropriations of earnings resolved by the board of directors' meeting and shareholders' meeting is available at the Market Observation Post System website.

(21) **Supplemental cash flow information**

A. Investing activities with partial cash payments

	2015	2014

Purchase of fixed assets	$ 1,073,097	$ 746,591
Add: opening balance of payable on equipment	141,920	16,983
Less: ending balance of payable on equipment	(127,068)	(141,920)
Less: acquisition through business combination	−	(1,535)
Cash paid during the period	$ 1,087,949	$ 620,119

B.Financing activities with no cash flow effects

	2015	2014
Convertible bonds being converted to capital stocks	$ 690	$ 9,240

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

Related parties	2015	2014
Sales of goods:		
Associates	$ 45,436	$ 104,490
One director of the Company	559,295	480,645
Sales of services:：		
One director of the Company	64,778	39,108
Total	$ 669,509	$ 624,243

b. Purchasing

Related parties	2015	2014
Associates	$ 31,034	$ 36,078
One director of the Company	62,211	27,796
Total	$ 93,245	$ 63,874

c. Receivables from related parties:

Item	Related parties	December 31, 2015	December 31, 2014
Accounts receivable	Associates	$ 18,633	$ 12,668
Accounts receivable	One director of the Company	63,825	91,156
Total		$ 82,458	$ 103,824

d. Payables to related parties:

Item	Related parties	December 31, 2015	December 31, 2014
Accounts payable	Associates	$ 82	$ 2,308
Accounts payable	One director of the Company	2,910	5,716
Other payables	Associates	−	295
Other payables	One director of the Company	6,667	13,561
Total		$ 9,659	$ 21,880

f. Property, plant, and equipment transactions

(a) Assets purchased from related parties:

Related parties	Nature	2015	2014
One director of the Company	Machinery equipment	$ 203	$ －
Associates	Other equipment	130	－
Associates	Land	－	220,594
Associates	Building	－	91,624
Total		$ 333	$ 312,218

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

f. Loans to related parties

2014：None.

2013：None.

g. Purchases of services

Related parties	2015	2014
Selling expense - Commission expense：		
Associates	$ 3,482	$ 1,937
One director of the Company	1,981	4,452
Selling expense -Royalty		
One director of the Company	42,776	42,021
Total	$ 48,239	$ 48,410

h. Others

① Payment on behalf of others

Related parties	December 31, 2015	December 31, 2014
One director of the Company	$ 583	$ 1,817
Associates	－	92
Total	$ 583	$ 1,909

② Sales revenue received in advance

Related parties	December 31, 2015	December 31, 2014
Associates	$ 23	$ 23
One director of the Company	688	209
Total	$ 711	$ 232

③ Receipts under custody

Related parties	December 31, 2015	December 31, 2014
One director of the Company	$ 5,800	$ 3,387

④ Temporary receipts

Related parties	December 31, 2015	December 31, 2014
One director of the Company	$ －	$ 116

⑤ Manufacturing overhead

Related parties	Nature	2015	2014
Associates	Manufacturing Overhead-outsourced	$ 5,380	$ 2,818
Associates	Others	$ 665	$ 385
One director of the Company	Others	$ 4	$ 37

⑥ Selling expense

Related parties	Nature	2015	2014
Associates	Stationery	$ 1	$ －
One director of the Company	repair and maintenance	$ 4	$ －
One director of the Company	Others	$ 1,440	$ 377

⑦ General & administrative expense

Related parties	Nature	2015	2014
Associates	Others	$ 232	$ －
Associates	Consulting	$ 685	$ 1,464

⑧ Research and development expense

Related parties	Nature	2015	2014
One director of the Company	Others	$ －	$ 33
Associates	Stationery	$ 4	$ －
Associates	Others	$ 1,089	$ －
Associates	Others	$ 535	$ －
Associates	Others	$ 220	$ －

⑨ Rental income

Related parties	2015	2014
Associates	$ 1,314	$ 2,839

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 dollars per month（excluded VAT）； Since February 1, 2015, NT $ 185 thousand dollars per month (excluded VAT)； Since March 1, 2015, NT $ 162 thousand dollars per(excluded VAT)； Since April 1,2015, NT $ 105 thousand dollars per(excluded VAT)； Since June 1,2015, NT $ 67 thousand dollars per(excluded VAT)； Since July 1,2015 NT $ 61 thousand dollars per(excluded VAT)； To count for actual parking space per month.

⑩ Other revenue

Related parties	2015	2014
One director of the Company	$ 6,504	$ —
Associates	$ 1,476	$ 5,797

i. <u>Key management compensation</u>

	2015	2014
Salaries and other short-term employee	$ 13,857	$ 11,866
Termination benefits	—	—
Post-employment benefits	—	—
Other long-term benefits	—	—
Share-based payments	—	—
Total	$ 13,857	$ 11,866

8、<u>Pledged Assets</u>

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:

	December 31, 2015	December 31, 2014
Land	$ 699,538	$ 447,844
Buildings	937,299	963,761
Pledged time deposit	8,968	8,935
Total	$ 1,645,805	$ 1,420,540

9. <u>Commitments and Contingencies</u>

(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 December 31, 2015 and 2014, the Group have opened and unused letters of credit：

None.

10. Significant Disaster Loss

None.

11. Significant After The End Of The Financial Perorting Period

None.