# MICRO-STAR INTERNATIONAL CO., LTD.
# AND SUBSIDIARIES

## CONSOLIDATED FINANCIAL STATEMENTS AND

## REPORT OF INDEPENDENT ACCOUNTANTS

## DECEMBER 31, 2014 AND 2013

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For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

MICRO-STAR INTERNATIONAL CO., LTD.

Declaration of Consolidated Financial Statements of Affiliated Enterprises

For the year ended December 31, 2014, pursuant to “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises,” the companies that are required to be included in the consolidated financial statements of affiliates, are the same as those included in the consolidated financial statements prepared in conformity with the International Accounting Standards No. 27. In addition, the information required to be disclosed in the combined financial statements of affiliates has all been disclosed in the consolidated financial statements. Consequently, MICRO-STAR INTERNATIONAL CO., LTD. and subsidiaries shall not be required to prepare separate consolidated financial statements of affiliates.

Hereby declare,

MICRO-STAR INTERNATIONAL CO., LTD.

Joseph Hsu, Chairman

March 20, 2015

REPORT OF INDEPENDENT ACCOUNTANTS TRANSLATED FROM CHINESE

PWCR14000289

To the Board of Directors and Shareholders of MICRO-STAR INTERNATIONAL CO., LTD.:

We have audited the accompanying consolidated balance sheets of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries (the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of certain consolidated subsidiaries, which statements reflect total assets of NT$5,123,757 (in thousands) and NT$3,311,461 (in thousands), constituting 11% and 8% of the consolidated total assets as of December 31, 2014 and 2013, respectively, and total operating revenues of NT$14,906,400 (in thousands) and NT$8,978,073 (in thousands), constituting 18% and 12% of the consolidated total operating revenues for the years then ended. Those financial statements and the information disclosed in Note 13 were audited by other independent auditors whose reports thereon have been furnished to us, and our opinion expressed herein is based solely on the reports of the other independent auditors.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Auditors" and generally accepted auditing standards in the Republic of China. Those 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, based on our audits and the report of other independent auditors, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of MICRO-STAR INTERNATIONAL CO., LTD. and its subsidiaries as of December 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in conformity with the "Rules Governing the Preparations of Financial Reports by Securities Issuers" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission.

We have also audited the parent company only financial statements of MICRO-STAR INTERNATIONAL CO., LTD. as of and for the years ended December 31, 2014 and 2013, and have expressed a modified unqualified opinion on those financial statements.

*PricewaterhouseCoopers*

March 20, 2015

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The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.
As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan Dollars)

| | | December 31, 2014 | | December 31, 2013 | |
|---|---|---|---|---|---|
| Assets | Notes | AMOUNT | % | AMOUNT | % |
| **Current assets** | | | | | |
| Cash and cash equivalents | 6(1) | $ 10,002,083 | 22 | $ 10,328,590 | 25 |
| Financial assets at fair value through profit or loss - current | 6(2) | 36,586 | - | - | - |
| Notes receivable, net | | 8,372 | - | 1 | - |
| Accounts receivable, net | 6(3) | 12,562,726 | 27 | 12,086,606 | 29 |
| Other receivables | | 282,901 | 1 | 260,736 | 1 |
| Current income tax assets | 6(22) | 21,207 | - | 3,836 | - |
| Inventories, net | 6(4) | 15,553,209 | 33 | 11,453,060 | 27 |
| Prepayments | 6(5) | 1,282,857 | 3 | 1,326,234 | 3 |
| **Current Assets** | | 39,749,941 | 86 | 35,459,063 | 85 |
| **Non-current assets** | | | | | |
| Financial assets carried at cost - noncurrent | | - | - | 10,000 | - |
| Investments accounted for under equity method | | 479 | - | 433 | - |
| Property, plant and equipment | 6(6) and 8 | 5,848,330 | 13 | 5,583,526 | 13 |
| Investment property - net | 6(7) | 405,364 | 1 | 211,706 | 1 |
| Deferred income tax assets | 6(22) | 250,542 | - | 187,368 | 1 |
| Other non-current assets | 6(8) and 8 | 170,059 | - | 188,558 | - |
| **Non-current assets** | | 6,674,774 | 14 | 6,181,591 | 15 |
| **Total assets** | | $ 46,424,715 | 100 | $ 41,640,654 | 100 |

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MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan Dollars)

| Liabilities and Equity | Notes | December 31, 2014 AMOUNT | % | December 31, 2013 AMOUNT | % |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Short-term borrowings | 6(9) | $ 2,139,056 | 5 | $ 1,200,595 | 3 |
| Financial liabilities at fair value through profit or loss - current | 6(10) | - | - | 3,831 | - |
| Notes payable | | 8 | - | 3,505 | - |
| Accounts payable | | 15,272,310 | 33 | 13,803,209 | 33 |
| Other payables | 6(11) | 2,888,150 | 6 | 2,343,323 | 6 |
| Current income tax liabilities | 6(22) | 386,113 | 1 | 287,760 | 1 |
| Provisions for liabilities - current | 6(14) | 224,816 | - | 221,810 | - |
| Other current liabilities | | 639,600 | 1 | 598,087 | 1 |
| **Current Liabilities** | | 21,550,053 | 46 | 18,462,120 | 44 |
| **Non-current liabilities** | | | | | |
| Long-term borrowings | 8 | 16,413 | - | 18,748 | - |
| Deferred income tax liabilities | 6(22) | 5,634 | - | 4,471 | - |
| Other non-current liabilities | 6(12) | 320,079 | 1 | 217,729 | 1 |
| **Non-current liabilities** | | 342,126 | 1 | 240,948 | 1 |
| **Total Liabilities** | | 21,892,179 | 47 | 18,703,068 | 45 |
| **Equity attributable to owners of parent** | | | | | |
| **Share capital** | | | | | |
| Share capital - common stock | 6(15) | 8,448,562 | 18 | 8,448,562 | 20 |
| **Capital surplus** | 6(13)(16) | | | | |
| Capital surplus | | 2,920,142 | 6 | 2,920,142 | 7 |
| **Retained earnings** | 6(17) | | | | |
| Legal reserve | | 2,723,897 | 6 | 2,526,611 | 6 |
| Special reserve | | 389,482 | 1 | 389,482 | 1 |
| Unappropriated retained earnings | 6(22) | 9,579,139 | 21 | 8,462,643 | 20 |
| **Other equity interest** | | | | | |
| Other equity interest | | 471,314 | 1 | 190,146 | 1 |
| **Equity attributable to owners of the parent** | | 24,532,536 | 53 | 22,937,586 | 55 |
| **Total equity** | | 24,532,536 | 53 | 22,937,586 | 55 |
| **Total liabilities and equity** | | $ 46,424,715 | 100 | $ 41,640,654 | 100 |

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 20, 2015.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(Expressed in thousands of New Taiwan dollars, except earnings per share data.)

| | | For the years ended December 31 | | | |
|---|---|---|---|---|---|
| | | 2014 | | 2013 | |
| | Notes | AMOUNT | % | AMOUNT | % |
| **Sales revenue** | | $ 84,901,773 | 100 | $ 71,879,047 | 100 |
| **Operating costs** | 6(4)(20)(21) | ( 73,387,333) | ( 87) | ( 62,620,507) | ( 87) |
| **Net operating margin** | | 11,514,440 | 13 | 9,258,540 | 13 |
| **Operating expenses** | 6(20)(21) | | | | |
| Selling expenses | | ( 4,412,360) | ( 5) | ( 3,728,810) | ( 5) |
| General & administrative expenses | | ( 773,023) | ( 1) | ( 661,381) | ( 1) |
| Research and development expenses | | ( 2,735,708) | ( 3) | ( 2,491,761) | ( 4) |
| **Total operating expenses** | | ( 7,921,091) | ( 9) | ( 6,881,952) | ( 10) |
| **Operating profit** | | 3,593,349 | 4 | 2,376,588 | 3 |
| **Non-operating income and expenses** | | | | | |
| Other income | 6(7)(18) | 500,265 | 1 | 425,724 | 1 |
| Other gains and losses | 6(2)(10)(19) | ( 469,334) | ( 1) | ( 56,007) | - |
| Finance costs | | ( 47,156) | - | ( 14,344) | - |
| Share of profit/(loss) of associates and joint ventures accounted for under equity method | | 46 | - | ( 1,658) | - |
| **Total non-operating income and expenses** | | ( 16,179) | - | 353,715 | 1 |
| **Profit before income tax** | | 3,577,170 | 4 | 2,730,303 | 4 |
| Income tax expense | 6(22) | ( 563,309) | - | ( 753,611) | ( 1) |
| **Profit for the year from continuing operations** | | 3,013,861 | 4 | 1,976,692 | 3 |
| **Profit for the year** | | $ 3,013,861 | 4 | $ 1,976,692 | 3 |
| **Other comprehensive income** | | | | | |
| Cumulative translation differences of foreign operations | | $ 281,168 | - | $ 372,234 | - |
| Actuarial loss on defined benefit plan | 6(12) | ( 12,490) | - | ( 2,615) | - |
| Income tax relating to the components of other comprehensive income | 6(22) | 2,123 | - | 445 | - |
| **Total other comprehensive income for the year** | | $ 270,801 | - | $ 370,064 | - |
| **Total comprehensive income for the year** | | $ 3,284,662 | 4 | $ 2,346,756 | 3 |
| **Profit attributable to:** | | | | | |
| Owners of the parent | | $ 3,013,861 | 4 | $ 1,972,857 | 3 |
| Non-controlling interests | | $ - | - | $ 3,835 | - |
| **Comprehensive income attributable to:** | | | | | |
| Owners of the parent | | $ 3,284,662 | 4 | $ 2,342,921 | 3 |
| Non-controlling interests | | $ - | - | $ 3,835 | - |
| **Basic earnings per share** | 6(23) | | | | |
| **Total basic earnings per share** | | $ | 3.57 | $ | 2.34 |
| **Total diluted earnings per share** | | $ | 3.53 | $ | 2.31 |

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 20, 2015.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan dollars)

| | | Equity attributable to owners of the parent | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Capital Reserves | | | | Retained Earnings | | | | | | |
| | Notes | Share capital - common stock | Capital surplus, additional paid-in capital | Capital reserve from employee stock warrants | Difference between the price for acquisition or disposal of subsidiaries and carrying amount | Employee stock warrants | Legal reserve | Special reserve | Unappropriated retained earnings | Cumulative translation differences of foreign operations | Total | Non-controlling interest | Total equity |
| Year 2013 | | | | | | | | | | | | | |
| Balance at January 1 | | $ 8,448,562 | $ 3,416,160 | $ 130,592 | $ - | $ 44,460 | $ 2,440,124 | $ 529,802 | $ 6,691,579 | ($ 182,088 ) | $ 21,519,191 | $ 5,780 | $ 21,524,971 |
| Appropriation of 2013 earnings | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 86,487 | - | ( 86,487 ) | - | - | - | - |
| Special reserve | | - | - | - | - | - | - | ( 140,320 ) | 140,320 | - | - | - | - |
| Cash dividends | 6(17) | - | - | - | - | - | - | - | ( 253,456 ) | - | ( 253,456 ) | - | ( 253,456 ) |
| Cash distribution from capital reserve | | - | ( 675,885 ) | - | - | - | - | - | - | - | ( 675,885 ) | - | ( 675,885 ) |
| Profit for the year | | - | - | - | - | - | - | - | 1,972,857 | - | 1,972,857 | 3,835 | 1,976,692 |
| Other comprehensive income for the year | | - | - | - | - | - | - | - | ( 2,170 ) | 372,234 | 370,064 | - | 370,064 |
| Reacquisition of non-controlling interest | | - | - | - | 4,815 | - | - | - | - | - | 4,815 | ( 9,615 ) | ( 4,800 ) |
| Balance at December 31 | | $ 8,448,562 | $ 2,740,275 | $ 130,592 | $ 4,815 | $ 44,460 | $ 2,526,611 | $ 389,482 | $ 8,462,643 | $ 190,146 | $ 22,937,586 | $ - | $ 22,937,586 |
| Year 2014 | | | | | | | | | | | | | |
| Balance at January 1 | | $ 8,448,562 | $ 2,740,275 | $ 130,592 | $ 4,815 | $ 44,460 | $ 2,526,611 | $ 389,482 | $ 8,462,643 | $ 190,146 | $ 22,937,586 | $ - | $ 22,937,586 |
| Appropriation of 2014 earnings | | | | | | | | | | | | | |
| Legal reserve | | - | - | - | - | - | 197,286 | - | ( 197,286 ) | - | - | - | - |
| Cash dividend | 6(17) | - | - | - | - | - | - | - | ( 1,689,712 ) | - | ( 1,689,712 ) | - | ( 1,689,712 ) |
| Profit for the year | | - | - | - | - | - | - | - | 3,013,861 | - | 3,013,861 | - | 3,013,861 |
| Other comprehensive income for the year | | - | - | - | - | - | - | - | ( 10,367 ) | 281,168 | 270,801 | - | 270,801 |
| Balance at December 31 | | $ 8,448,562 | $ 2,740,275 | $ 130,592 | $ 4,815 | $ 44,460 | $ 2,723,897 | $ 389,482 | $ 9,579,139 | $ 471,314 | $ 24,532,536 | $ - | $ 24,532,536 |

Note 1: Directors' remuneration of $12,000 and employees' bonus of $120,000 were deducted from comprehensive income for the year of 2012.
Note 2: Directors' remuneration of $18,000 and employees' bonus of $180,000 were deducted from comprehensive income for the year of 2013.

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 20, 2015.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in thousands of New Taiwan Dollars)

| | Notes | 2014 | 2013 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Consolidated profit before tax for the year | | $ 3,577,170 | $ 2,730,303 |
| Adjustments to reconcile consolidated profit before tax to net cash provided by operating activities | | | |
| Income and expenses having no effect on cash flows | | | |
| Depreciation (including investment properties) | | 532,397 | 568,189 |
| Amortization (including long-term prepaid rents) | 6(8)(20) | 9,742 | 9,581 |
| Reversal of provision for bad debts | 6(3) | ( 68,958 ) | ( 7,762 ) |
| Net gains on financial assets and liabilities at fair value through profit or loss | | ( 40,417 ) | ( 11,254 ) |
| Interest expense | | 47,156 | 14,344 |
| Interest income | 6(18) | ( 137,549 ) | ( 63,025 ) |
| Share of (profit) losses of associates and joint ventures accounted for under equity method | | ( 46 ) | 1,658 |
| (Gains) losses from disposal of property, plant and equipment | 6(19) | ( 2,516 ) | 3,949 |
| Impairment loss of financial instruments | | 10,000 | - |
| Losses (gains) from unrealized foreign currency exchange | | 71,248 | ( 22,093 ) |
| Changes in assets/liabilities relating to operating activities | | | |
| Net changes in assets relating to operating activities | | | |
| Financial assets at fair value through profit or loss | | - | 38,836 |
| Notes receivable, net | | ( 8,371 ) | 4,340 |
| Accounts receivable | | ( 407,162 ) | ( 1,880,937 ) |
| Other receivables | | ( 22,236 ) | 183,812 |
| Inventories, net | | ( 4,100,149 ) | ( 1,389,445 ) |
| Prepayments | | 43,377 | 100,144 |
| Other non-current assets | | 9,624 | ( 12,636 ) |
| Net changes in liabilities relating to operating activities | | | |
| Notes payable | | ( 3,497 ) | 3,281 |
| Accounts payable | | 1,469,101 | 2,590,571 |
| Other payables | | 544,320 | 350,055 |
| Provisions for liabilities - current | | 3,006 | 59,059 |
| Other liabilities - current | | 42,455 | 253,222 |
| Pension obligation | | 8,460 | ( 4,394 ) |
| Other liabilities - non-current | | ( 10,334 ) | 1,982 |
| Cash generated from operations | | 1,566,821 | 3,521,780 |
| Interest received | | 137,636 | 64,374 |
| Payment of interest | | ( 46,649 ) | ( 13,134 ) |
| Payment for income tax | | ( 544,338 ) | ( 92,211 ) |
| Net cash provided by operating activities | | 1,113,470 | 3,480,809 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property, plant and equipment | 6(6) | ( 913,871 ) | ( 211,364 ) |
| Proceeds from disposal of property, plant and equipment | | 13,213 | 10,000 |
| Increase in guarantee deposit received | | ( 867 ) | ( 3,893 ) |
| Increase in other non-current assets | | - | ( 1,013 ) |
| Net cash used in investing activities | | ( 901,525 ) | ( 206,270 ) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from redeeming of convertible bonds | | - | ( 707,000 ) |
| Increase in short-term borrowings | | 938,461 | 122,455 |
| Payments of long-term borrowings | | ( 3,277 ) | ( 2,504 ) |
| Increase in guarantee deposit received | | 91,734 | 30,431 |
| Cash dividends paid | 6(17) | ( 1,689,712 ) | ( 253,456 ) |
| Cash distribution from capital reserve | | - | ( 675,885 ) |
| Reacquisition of non-controlling interest | 6(24) | - | ( 4,800 ) |
| Net cash used in financing activities | | ( 662,794 ) | ( 1,490,759 ) |
| Effect of exchange rate | | 124,342 | 203,657 |
| (Decrease) increase in cash and cash equivalents | | ( 326,507 ) | 1,987,437 |
| Cash and cash equivalents at beginning of year | 6(1) | 10,328,590 | 8,341,153 |
| Cash and cash equivalents at end of year | 6(1) | $ 10,002,083 | $ 10,328,590 |

The accompanying notes are an integral part of these consolidated financial statements.
See report of independent accountants dated March 20, 2015.

MICRO-STAR INTERNATIONAL CO., LTD. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT AS OTHERWISE INDICATED)

1. HISTORY AND ORGANIZATION

MICRO-STAR INTERNATIONAL CO., LTD. (the "Company") was incorporated as a company limited by shares under the laws of the Republic of China (R.O.C.) in August 1986 and started its operations in the same year. The Company and its subsidiaries (collectively referred herein as the "Group") are primarily engaged in the manufacture and sale of motherboards and computer hardware. The shares of the Company have been listed on the Taiwan Stock Exchange since October 1998. The Company is the Group's ultimate parent company.

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 March 20, 2015.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

(1) Effect of the adoption of new standards and amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

None.

(2) Effect of new standards and amendments to IFRSs endorsed by the FSC but not yet adopted by the Group

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued on April 3, 2014, commencing 2015, companies with shares listed on the TWSE or traded on the Taiwan GreTai Securities Market or Emerging Stock Market shall adopt the 2013 version of IFRS (not including IFRS 9, 'Financial instruments') as endorsed by the FSC and the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" effective January 1, 2015 (collectively referred herein as the "2013 version of IFRSs") in preparing the consolidated financial statements. The related new standards, interpretations and amendments are 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 |

| 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 |
| Improvements to IFRSs 2010 | January 1, 2011 |
| Improvements to IFRSs 2009 - 2011 | 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 for the following:

A.IAS 19 (revised), ‘Employee benefits’

The revised standard eliminates the corridor approach and requires actuarial gains and losses to be recognised 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 recognised in other comprehensive income. An entity is required to recognise termination benefits at the earlier of when the entity can no longer withdraw an offer of those benefits and when it recognises 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. Based on the Group’s assessment, the above adoption has no impact on the consolidated financial statements of the Group.

B. 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.

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

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Group will disclose additional information about its interests in consolidated entities and unconsolidated entities accordingly.

D. 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. Also, 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.

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 for the year ended December 31, 2014.

(3) <u>IFRSs issued by IASB but not yet endorsed by the FSC</u>

A. 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 (amendments 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 |

| New Standards, Interpretations and Amendments | Effective Date by International Accounting Standards Board |
|---|---|
| Disclosure initiative (amendments to IAS 1) | January 1, 2016 |
| Clarification of acceptable methods of depreciation and amortisation (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 | July 1, 2014 |
| 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 SIGNIFICANT ACCOUNTING POLICIES

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

(1) Compliance statement

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

(2) Basis of preparation

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

a. Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b. Defined benefit liabilities recognised based on the net amount of pension fund assets plus unrecognised past service cost and unrecognised actuarial losses, and less unrecognized actuarial gains and present value of defined benefit obligation.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(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 special purpose entities) over which the Group has the power to govern the financial and operating policies. In general, control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible have been considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

b. Inter-company transactions, balances and unrealized 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. 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 subsidiaries | Main business activities | Ownership(%) 2014/12/31 | Ownership(%) 2013/12/31 | Note |
|---|---|---|---|---|---|
| MICRO-STAR INTERNATIONAL CO., LTD. | MICRO-STAR NETHERLANDS HOLDING B.V. [MSI (HOLDING)] | Investment holding company | 100 | 100 | B |
| 〃 | MSI PACIFIC INTERNATIONAL HOLDING COMPANY LIMITED [MSI (PACIFIC)] | 〃 | 100 | 100 | A |
| 〃 | MSI COMPUTER CORP.[MSI (LA)] | Sales and maintenance of computers, motherboards, and electronic devices | 100 | 100 | B |
| 〃 | MSI COMPUTER JAPAN COMPANY LIMITED [MSI (JAPAN)] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI COMPUTER (AUSTRALIA) PTY. LIMITED [MSI (AUSTRALIA)] | 〃 | 100 | 100 | A |
| 〃 | MICRO-STAR INTERNATIONAL (CAYMAN) HOLDING COMPANY LIMITED [MSI (CAYMAN)] | Investment holding company | 100 | 100 | 〃 |
| 〃 | MYSTAR INVESTMENT HOLDING COMPANY LIMITED [MYSTAR INVESTMENT] | General investment | 100 | 100 | 〃 |
| MSI (HOLDING) | MYSTAR COMPUTER B.V. [MYSTAR] | Sales and maintenance of computers, motherboards, and electronic devices | 100 | 100 | B |

| | | | Ownership(%) | | |
|---|---|---|---|---|---|
| Name of Investor | Name of subsidiaries | Main business activities | 2014/12/31 | 2013/12/31 | Note |
| MSI (HOLDING) | MSI TECHNOLOGY GMBH [MSI (GMBH)] | Sales and maintenance of computers, motherboards, and electronic devices | 100 | 100 | B |
| 〃 | MSI COMPUTER SARL [MSI (SARL)] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI COMPUTER (UK) LIMITED [MSI (UK)] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI POLSKA SP. Z O. O. [MSI (POLSKA)] | 〃 | 99 | 99 | 〃 |
| 〃 | MSI BALKAN LTD. [MSI (BALKAN)] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI COMPUTER EUROPE B.V. [MSI (EUROPE)] | Logistic | 100 | 100 | 〃 |
| 〃 | LLC MSI COMPUTER [MSI (RUSSIA)] | Sales and maintenance of computers, motherboards, and electronic devices | 99 | 99 | 〃 |
| 〃 | MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)] | 〃 | 99 | 99 | 〃 |
| 〃 | MSI ITALY S.R.L [MSI (ITALY)] | 〃 | 100 | 100 | 〃 |
| MSI (EUROPE) | MSI POLSKA SP. Z O. O. [MSI (POLSKA)] | 〃 | 1 | 1 | 〃 |
| 〃 | LLC MSI COMPUTER [MSI (RUSSIA)] | 〃 | 1 | 1 | 〃 |
| 〃 | MSI COMPUTER TECHNOLOGIES LIMITED COMPANY [MSI (TURKEY)] | 〃 | 1 | 1 | 〃 |
| MSI (CAYMAN) | MSI MIAMI CORP. [MSI (MIAMI)] | 〃 | - | 100 | C and D |

| Name of Investor | Name of subsidiaries | Main business activities | Ownership(%) 2014/12/31 | Ownership(%) 2013/12/31 | Note |
| --- | --- | --- | --- | --- | --- |
| MSI (CAYMAN) | MSI COMPUTER DO BRASIL LTDA. [MSI (BRASIL)] | Sales and maintenance of computers, motherboards, and electronic devices | 99 | 99 | A |
| 〃 | MSI TECHNOLOGY MEXICO, S.A. DE C.V. [MSI MEXICO)] | 〃 | 99 | 99 | 〃 |
| 〃 | MSI COMPUTER (CAYMAN) COMPANY LIMITED [MSI COMPUTER (CAYMAN)] | Investment holding company | 100 | 100 | B |
| MSI COMPUTER (CAYMAN) | MSI COMPUTER DO BRASIL LTDA. [MSI (BRASIL)] | Sales and maintenance of computers, motherboards, and electronic devices | 1 | 1 | A |
| 〃 | MSI TECHNOLOGY MEXICO, S.A. DE C.V. [MSI (MEXICO)] | 〃 | 1 | 1 | 〃 |
| MSI (PACIFIC) | MSI KOREA COMPANY LIMITED [MSI (KOREA)] | 〃 | 100 | 100 | B |
| 〃 | STAR INFORMATION HOLDING COMPANY LIMITED [STAR INFORMATION] | Investment holding company | 100 | 100 | A |
| 〃 | MEGA INFORMATION HOLDING COMPANY LIMITED [MEGA INFORMATION] | 〃 | 100 | 100 | 〃 |
| 〃 | MICRO-STAR INTERNATIONAL (B.V.I) HOLDING COMPANY LIMITED [MSI (B.V.I.)] | 〃 | 100 | 100 | 〃 |

| Name of Investor | Name of subsidiaries | Main business activities | Ownership(%) 2014/12/31 | Ownership(%) 2013/12/31 | Note |
|---|---|---|---|---|---|
| MSI (PACIFIC) | MICRO ELECTRONICS HOLDING COMPANY LIMITED [MICRO ELECTRONICS] | Investment holding company | 100 | 100 | A |
| 〃 | MEGA TECHNOLOGY HOLDING COMPANY LIMITED [MEGA TECHNOLOGY] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI ASIA COMPANY LIMITED [MSI ASIA] | 〃 | 100 | 100 | 〃 |
| 〃 | MSI COMPUTER INDIA PVT.LTD. [MSI (INDIA)] | Sales and maintenance of computers, motherboards, and electronic devices | 99 | 99 | 〃 |
| MEGA INFORMATION | SHENZHEN MEGA INFORMATION CO., LTD. [SHENZHEN MEGA INFORMATION] | Testing and maintenance of computers, motherboards, and electronic devices | 100 | 100 | 〃 |
| MICRO ELECTRONICS | MSI ELECTRONICS (KUNGSHAN CO., LTD. [MSI ELECTRONICS (KUNSHAN)] | Sales and manufacture of computers, motherboards, and electronic devices | 100 | 100 | 〃 |
| STAR INFORMATION | MSI COMPUTER TRADING (SHANGHAI) CO., LTD. [MSI (SHANGHAI)] | Sales and maintenance of computers, motherboards, and electronic devices | - | 100 | A and E |
| 〃 | MSI (SHENZHEN) LTD. [MSI SHENZHEN] | 〃 | 100 | 100 | A |
| 〃 | MSI COMPUTER INDIA PVT.LTD. [MSI (INDIA)] | Sales and repair service of computers, motherboards, and electronic parts | 1 | 1 | 〃 |
| MSI (B.V.I.) | MSI COMPUTER (SHENZHEN) CO., LTD. [MSI COMPUTER (SHENZHEN)] | Sales and manufacture of computers, motherboards, and electronic devices | 100 | 100 | 〃 |

| Name of Investor | Name of subsidiaries | Main business activities | Ownership(%) 2014/12/31 | 2013/12/31 | Note |
|---|---|---|---|---|---|
| MEGA TECHNOLOGY | MSI COMPUTER TRADING (SHENZHEN) CO., LTD. [MSI TRADING (SHENZHEN)] | Sales and maintenance of computers, motherboards, and electronic devices | 100 | 100 | A |
| MSI ASIA | MEGA COMPUTER COMPANY LIMITED [MEGA COMPUTER] | Sales of computers, motherboards, and electronic devices | 100 | 100 | B |
| 〃 | MHK INTERNATIONAL CO., LTD. [MSI (MHK)] | 〃 | 100 | 100 | 〃 |
| MYSTAR INVESTMENT | FUNTORO INC. [FUNTORO] | Research & develop,sales and maintenance of automobile electronic devices | 100 | 100 | A |

Note A: These investee companies are included in the consolidated financial statement based on their financial statements which were audited by the Company's independent accountants for the corresponding period.

Note B: These investee companies are included in the consolidated financial statement based on their financial statements which were audited by other independent accountants for the corresponding period.

Note C: The prior years financial statements of these investee companies were audited by other independent accountants.

Note D: The investee company was liquidated in September 2014.

Note E: The investee company was liquidated in April 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 currency translation

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

A. Foreign currency transactions and balances

a. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

b. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss.

c. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

d. All foreign exchange gains and losses are presented in the statement of comprehensive income within 'other gains and losses'.

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:

i. Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

ii. Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

iii. All resulting exchange differences are recognised in other comprehensive income.

b. 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 when 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.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

a. Assets arising from operating activities that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

b. Assets held mainly for trading purposes;

c. Assets that are expected to be realized within twelve months from the balance sheet date;

d. Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to pay off liabilities more than twelve months after the balance sheet date.

The group classifies assets that do not meet the above criteria as non-current.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

a. Liabilities that are expected to be paid off within the normal operating cycle;

b. Liabilities arising mainly from trading activities;

c. Liabilities that are to be paid off within twelve months from the balance sheet date;

d. Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The group classifies liabilities that do not meet the above criteria as non-current.

(6) Cash equivalents

Cash equivalents refer to short-term highly liquid investments that readily convert to known amount of cash and subject to an insignificant effect of value of changes in rate. Time deposits and money market fund that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

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

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

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

(8) Loans and receivables

Accounts receivable are receivables originated by the entity. They are created by the entity by selling goods or providing services to customers in the ordinary course of business. However, short-term accounts receivable without bearing interest are subsequently measured at initial invoice amount less provision for impairment as effect of discounting is immaterial.

(9) Impairment of financial assets

A. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

   a. Significant financial difficulty of the issuer or debtor;
   b. A breach of contract, such as a default or delinquency in interest or principal payments;
   c. The Group, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;
   d. It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
   e. The disappearance of an active market for that financial asset because of financial difficulties;
   f. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;
   g. Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment may not be recovered; or
   h. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

   a. Financial assets measured at amortised cost

      The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate, and is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost that would have been at the date of reversal had the impairment loss not been recognised previously. Impairment loss is recognised and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

b. Financial assets measured at cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at current market return rate of similar financial asset, and is recognised in profit or loss. Impairment loss recognised for this category shall not be reversed subsequently. Impairment loss is recognised by adjusting the carrying amount of the asset through the use of an impairment allowance account.

(10) Lease (lessor)

Based on the terms of a lease contract, a lease is classified as an operating lease if the lessee does not assumes substantially all the risks and rewards incidental to ownership of the leased asset. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(11) 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-process comprises raw materials, other direct costs and related production overheads. 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.

(12) Investments accounted for using the equity method / associates

A. 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 percent 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.

B. The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognized in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

C. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(13) Property, plant and equipment

A. Property, plant and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalised.

B. Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

C. 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. 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.

D. 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:

| | | |
|---|---|---|
| Buildings | | 20~55 years |
| Machinery and equipment | | 3~10 years |
| Other properties | (include transportation equipment, office equipment, and leasehold improvements) | 2~10 years |

(14) Lease (lessee)

Based on the terms of a lease contract, a lease is classified as an operating lease if the lessee does not assumes substantially all the risks and rewards incidental to ownership of the leased asset. Lease income from an operating lease (net of any incentives given to the lessee) is recognised in profit or loss on a straight-line basis over the lease term.

(15) Investment property

An investment property is stated initially at its cost and measured subsequently using the cost model. Except for land, investment property is depreciated on a straight-line basis over its estimated useful life of 20 years.

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Except for goodwill, when the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

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

(18) Notes and accounts payable

Notes and accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are recognized initially at fair value. However, short-term accounts payable without bearing interest are subsequently measured at initial invoice amount as effect of discounting is immaterial.

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

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

a. Hybrid (combined) contracts; or

b. Eliminating or significantly reducing a measurement or recognition inconsistency; or

c. Being managed and their performance which is evaluated on a fair value basis, in accordance with a documented risk management policy.

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

(20) Provisions

Provisions (including warranties and contingent liabilities from business combinations, etc.) are recognised when the Group has 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. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the balance sheet date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognised as interest expense. Provisions are not recognised for future operating losses.

(21) Employee benefits

A. Short-term employee benefits

Sort-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees before twelve months after the end of the annual reporting 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 recognised 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 plan

i. 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, together with adjustments for unrecognised past service costs. 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 government bonds (at the balance sheet date).

ii. Actuarial gains and losses arising on defined benefit plans are recognized in profit or loss using the 'corridor' method in the period in which they arise.

iii. Past service costs are recognised immediately in profit or loss if vested immediately; if not, the past service costs are amortised on a straight-line basis over the vesting period.

C. 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 at their stockholders' meeting subsequently, 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 of the stockholders' meeting held in the year following the financial reporting year, and after taking into account the effects of ex-rights and ex-dividends.

(22) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognized as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-market vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments that are expected to vest under the non-market vesting conditions at each balance sheet date. And ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(23) Income tax

A. The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or items recognised directly in equity, in which cases the tax is recognised 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 income tax is recognised, 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 income 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 income tax is provided on temporary differences arising on investments in subsidiaries, 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

D. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred income 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 recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred income 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 realise the asset and settle the liability simultaneously.

F. A deferred tax asset shall be recognised for the carryforward of unused tax credits resulting from research and development expenditures, it is possible that future taxable profit will be available against which the unused tax credits can be utilised.

(24) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

(25) Dividends

Dividends are recorded in the Company’s financial statements in the period in which they are approved by the Company’s shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(26) Revenue recognition

A. The Group manufactures and sells motherboards, graphic cards, a variety of computer hardware, and electronic components. Revenue is measured at the fair value of the consideration received or receivable net of value-added tax, returns and rebates 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. The Group offers customers right of return for defective products. The Group estimates such discounts and returns based on historical experience. Provisions for such liabilities are recorded when the sales are recognised.

(27) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

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

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

(1) Critical judgements in applying the Group’s accounting policies

Investment property

The Group uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation.

(2) Critical accounting estimates and assumptions

A. Realisability of deferred income tax assets

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Assessment of the realisability of deferred income tax assets involves critical accounting judgements and estimates of the management, including the assumptions of expected future sales revenue growth rate and profit rate, tax exempt duration, available tax credits, tax planning, etc. Any variations in global economic environment, industrial environment, and laws and regulations might cause material adjustments to deferred income tax assets.

As of December 31, 2014, the Group recognised deferred income tax assets amounting to $250,542.

B. Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates. Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

As of December 31, 2014, the carrying amount of inventories was $15,553,209.

C. Calculation of accrued pension obligations

When calculating the present value of defined pension obligations, the Group must apply judgements and estimates to determine the actuarial assumptions on balance sheet date, including discount rates and expected rate of return on plan assets. Any changes in these assumptions could significantly impact the carrying amount of defined pension obligations.

As of December 31, 2014, the carrying amount of accrued pension obligations was $135,319. If the discount rate changes by 1%, the Group's pension obligation will decrease or increase by $43,634 or $51,949, respectively.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Cash on hand and petty cash (revolving funds) | $ 5,710 | $ 4,568 |
| Checking accounts and demand deposits | 6,582,335 | 5,866,753 |
| Time deposits | 3,414,038 | 4,457,269 |
| | $ 10,002,083 | $ 10,328,590 |

A. The Group transacts with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Group's maximum exposure to credit risk at balance sheet date is the carrying amount of all cash and cash equivalents.

B. The Group has no cash and cash equivalents pledged to others.

(2) Financial assets at fair value through profit or loss - Current

| Items | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Financial assets held for trading | | |
| Non-hedging derivatives - | | |
| Forward exchange agreement | $ 36,586 | $ - |

A. The Group recognised net gain of $101,053 and $13,622 on financial assets held for trading for the years ended December 31, 2014 and 2013, respectively.

B. The non-hedging derivative instruments transaction and contract information are as follows:

| | December 31, 2014 | | |
|---|---|---|---|
| Derivative Instruments | Contract Amount Notional Principal (In thousands) | | Contract period |
| Forward foreign exchange contracts | USD | 30,000 | 2014.12.31~2015.01.22 |
| | AUD | 3,000 | 2014.10.28~2015.02.02 |
| | GBP | 3,000 | 2014.10.28~2015.02.17 |
| | EUR | 24,000 | 2014.10.17~2015.03.24 |

| Derivative Instruments | December 31, 2013 Contract Amount Notional Principal (In thousands) | | Contract period |
|---|---|---|---|
| Forward foreign exchange contracts | EUR | 12,000 | 2013.11.22~2014.02.26 |
| | GBP | 600 | 2013.12.23~2014.01.22 |

The Group entered into forward foreign exchange contracts to hedge exchange risk. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(3) Accounts receivable

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Accounts receivable | $ 12,615,410 | $ 12,208,248 |
| Less: Allowance for doubtful accounts | ( 52,684) | ( 121,642) |
| | $ 12,562,726 | $ 12,086,606 |

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

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| 1 - 75 days | $ 1,248,905 | $ 1,058,780 |

The above ageing analysis was based on past due date.

B. Movement analysis of financial assets that were impaired is as follows:

| Group provision | 2014 | 2013 |
|---|---|---|
| At January 1 | $ 121,642 | $ 129,404 |
| Reversal of impairment | ( 68,958) | ( 7,762) |
| At December 31 | $ 52,684 | $ 121,642 |

C. After evaluating customers' financial position and payment history, all accounts receivable are considered high credit quality. There were no past due accounts nor impairment of account value.

D. The maximum exposure to credit risk at December 31, 2014 and 2013 was the carrying amount of accounts receivable.

E. The Group does not hold any collateral as security.

(4) Inventories

| | December 31, 2014 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw material | $ 5,196,539 | ($ 119,644) | $ 5,076,895 |
| Work-in-process | 708,605 | ( 1,081) | 707,524 |
| Finished goods | 10,002,856 | ( 234,066) | 9,768,790 |
| | $ 15,908,000 | ($ 354,791) | $ 15,553,209 |

| | December 31, 2013 | | |
|---|---|---|---|
| | Cost | Allowance for valuation loss | Book value |
| Raw material | $ 4,558,760 | ($ 103,197) | $ 4,455,563 |
| Work-in-process | 921,749 | ( 401) | 921,348 |
| Finished goods | 6,257,411 | ( 181,262) | 6,076,149 |
| | $ 11,737,920 | ($ 284,860) | $ 11,453,060 |

The cost of inventories recognised as expense for the years ended December 31, 2014 and 2013 are as follows:

| | 2014 | 2013 |
|---|---|---|
| Cost of inventories recognised as expense | $ 73,387,333 | $ 62,620,507 |
| Losses (gains) on decline or reversal in market value | 27,180 | ( 16,815) |

The Group reversed previous inventory write-downs and accounted for as reduction of cost of goods sold because inventories that were previously written down were sold in 2013.

(5) Prepayments

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Overpaid tax for offsetting the future tax payble | $ 599,325 | $ 602,726 |
| Office supplies | 439,157 | 465,951 |
| Prepayment for goods | 45,960 | 71,916 |
| Others | 198,415 | 185,641 |
| | $ 1,282,857 | $ 1,326,234 |

(6) Property, plant and equipment

| | Land | Buildings | Machineries | Others | Total |
|---|---|---|---|---|---|
| At January 1, 2014 | | | | | |
| Cost | $ 1,478,148 | $ 6,339,302 | $ 4,814,988 | $ 1,785,494 | $ 14,417,932 |
| Accumulated depreciation and impairment | - | ( 2,859,021) | ( 4,513,013) | ( 1,462,372) | ( 8,834,406) |
| | $ 1,478,148 | $ 3,480,281 | $ 301,975 | $ 323,122 | $ 5,583,526 |
| 2014 | | | | | |
| Opening net book amount | $ 1,478,148 | $ 3,480,281 | $ 301,975 | $ 323,122 | $ 5,583,526 |
| Additions | - | 29,412 | 714,531 | 169,928 | 913,871 |
| Reclassifications | - | ( 219,436) | ( 9,952) | 9,952 | ( 219,436) |
| Disposals | - | - | ( 2,687) | ( 8,010) | ( 10,697) |
| Depreciation charge | - | ( 243,784) | ( 158,175) | ( 98,971) | ( 500,930) |
| Net exchange differences | ( 2,086) | 71,459 | 5,667 | 6,956 | 81,996 |
| Closing net book amount | $ 1,476,062 | $ 3,117,932 | $ 851,359 | $ 402,977 | $ 5,848,330 |
| At December 31, 2014 | | | | | |
| Cost | $ 1,476,062 | $ 6,092,477 | $ 5,354,729 | $ 1,899,948 | $ 14,823,216 |
| Accumulated depreciation and impairment | - | ( 2,974,545) | ( 4,503,370) | ( 1,496,971) | ( 8,974,886) |
| | $ 1,476,062 | $ 3,117,932 | $ 851,359 | $ 402,977 | $ 5,848,330 |

| | Land | Buildings | Machineries | Other | Total |
|---|---|---|---|---|---|
| At January 1, 2013 | | | | | |
| Cost | $ 1,471,092 | $ 6,231,053 | $ 4,627,908 | $ 1,701,568 | $ 14,031,621 |
| Accumulated depreciation and impairment | - | ( 2,566,927) | ( 4,278,062) | ( 1,348,617) | ( 8,193,606) |
| | $ 1,471,092 | $ 3,664,126 | $ 349,846 | $ 352,951 | $ 5,838,015 |
| 2013 | | | | | |
| Opening net book amount | $ 1,471,092 | $ 3,664,126 | $ 349,846 | $ 352,951 | $ 5,838,015 |
| Additions | - | 4,733 | 135,101 | 71,530 | 211,364 |
| Reclassifications | - | ( 72,532) | 2,567 | 191 | ( 69,774) |
| Disposals | - | ( 3,993) | ( 1,161) | ( 8,795) | ( 13,949) |
| Depreciation charge | - | ( 253,564) | ( 191,177) | ( 107,840) | ( 552,581) |
| Net exchange differences | 7,056 | 141,511 | 6,799 | 15,085 | 170,451 |
| Closing net book amount | $ 1,478,148 | $ 3,480,281 | $ 301,975 | $ 323,122 | $ 5,583,526 |
| At December 31, 2013 | | | | | |
| Cost | $ 1,478,148 | $ 6,339,302 | $ 4,814,988 | $ 1,785,494 | $ 14,417,932 |
| Accumulated depreciation and impairment | - | ( 2,859,021) | ( 4,513,013) | ( 1,462,372) | ( 8,834,406) |
| | $ 1,478,148 | $ 3,480,281 | $ 301,975 | $ 323,122 | $ 5,583,526 |

Information about the property, plant and equipment that were pledged to others as collaterals is provided in Note (8).

(7) Investment property

| | | Buildings |
|---|---|---|
| January 1, 2014 | | |
| Cost | $ | 419,096 |
| Accumulated depreciation | ( | 207,390) |
| | $ | 211,706 |
| 2014 | | |
| Opening net book amount | $ | 211,706 |
| Reclassifications | | 218,615 |
| Depreciation charge | ( | 31,467) |
| Net exchange differences | | 6,510 |
| Closing net book amount | $ | 405,364 |
| December 31, 2014 | | |
| Cost | $ | 864,229 |
| Accumulated depreciation | ( | 458,865) |
| | $ | 405,364 |

| | | Buildings |
|---|---|---|
| January 1, 2013 | | |
| Cost | $ | 248,118 |
| Accumulated depreciation | ( | 101,282) |
| | $ | 146,836 |
| 2013 | | |
| Opening net book amount | $ | 146,836 |
| Reclassifications | | 72,532 |
| Depreciation charge | ( | 15,608) |
| Net exchange differences | | 7,946 |
| Closing net book amount | $ | 211,706 |
| December 31, 2013 | | |
| Cost | $ | 419,096 |
| Accumulated depreciation | ( | 207,390) |
| | $ | 211,706 |

A. Rental income from the lease of the investment and direct operating expenses arising from the investment property:

| | 2014 | 2013 |
|---|---|---|
| Rental income from the lease of the investment property | $ 60,869 | $ 39,304 |
| Direct operating expenses arising from the investment property | $ 35,592 | $ 15,939 |

B. The fair value of the investment property held by the Group as at December 31, 2014 and 2013 was $1,133,216 and $557,463, respectively, which was revalued based on current market price.

(8) Long-term prepaid rents (shown as ‘Other non-current assets’)

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Land use right | $ 133,654 | $ 138,679 |

A subsidiary of the Group signed a land use right contract with the Ministry of Land and Resources of the People's Republic of China for the use of the land at Kunshan City and Shenzhen City with a term of 50 years. The Group recognized rental expenses of $9,696 and $9,519 for the years ended December 31, 2014 and 2013, respectively.

(9) Short-term borrowings

| Type of borrowings | December 31, 2014 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Bank overdraft | $ 2,139,056 | 0.62%～2.03% | None |

| Type of borrowings | December 31, 2013 | Interest rate range | Collateral |
|---|---|---|---|
| Bank borrowings | | | |
| Bank overdraft | $ 1,200,595 | 0.94%～2.06% | None |

(10) Financial liabilities at fair value through profit or loss - current

| Items | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Financial liabilities held for trading | | |
| Non-hedging derivatives | | |
| -Forward exchange contract | $ - | $ 3,831 |

Note: For the non-hedging derivative instrument transaction and contract information, please refer to Note 6 (2).

The Company issued its second domestic unsecured convertible bonds as resolved by the Board of Directors on November 5, 2007. The issuance of convertible bonds by the Company amounting to $3,000,000 was recognized under “financial liabilities designated as at fair value through profit or loss on initial recognition” due to their hybrid instrument feature. The Company has redeemed the outstanding bond at face value on April 25, 2013 (maturity date). The Company recognised loss on valuation of convertible bonds amounting to $6,363 for the year ended December 31, 2013. The terms of the domestic unsecured convertible bonds issued by the Company are as follows:

A. Principal amount: $3,000,000

B. Issuance price: $100 per bond

C. Coupon rate: 0%

D. Issue period: 5 years (April 25, 2008 ~ April 25, 2013)

E. Conversion period: October 26, 2008 ~ April 15, 2013

F. Conversion right: The bonds are convertible into the Company's common shares at the conversion price in effect on the conversion date.

G. Conversion price and adjustments:

   a. The initial conversion price at issuance of the bonds is NT $31.4 (in dollars) per share.

   b. The conversion price will be adjusted based on the terms of the convertible bonds. As of April 25, 2013, none of the bonds were converted to common stocks. The conversion price was adjusted to NT $19 (in dollars) per share, as approved by the Board of Directors on July 25, 2012.

   c. The conversion price is subject to adjustment based on the prescribed formula upon the occurrence of certain events, including increase in number of the issued and outstanding common shares ( including cash capital increased through issuance of new common stock or private placement, retained earnings capitalized, capital reserve capitalized, employees' bonus capitalized, issuance of new common stock due to business combination or acquisition of other company's shares, shares split, cash infusion for issuance of global depository receipts, etc.), conversion of bonds at a price lower than market price per share, or issuance of various securities with conversion option of common stock or stock warrants through private placement, or common shares decrease not owing to capital decrease from treasury stock cancellation.

   d. The conversion price could be reset on the later date of ex-rights date or ex-dividends date every year from 2008 to 2012. In case of no dividends distribution, the conversion price reset date shall be August 15 in that year; if it is a holiday, it shall be extended to the following trading day. The conversion price will be adjusted and reset at one of the simple arithmetic average closing prices of the common shares for 1, 3 or 5 consecutive trading days prior to the conversion price reset date multiplied by the conversion premium rate of 110%~130%. The adjusted conversion price shall not be higher than the conversion price before reset and not be less than 80% of the conversion price at issuance of the bonds.

H. Call option:

   The Company may redeem the outstanding bonds at face value within 30 trading days after the following event: the closing prices of the shares are 50% higher than the conversion price for 30 consecutive trading days. The Company may also redeem the outstanding bonds at face value by cash any time after the following event: the amount of the outstanding bonds is less than 10% of the initial issuance amount of convertible bonds. The redemption conditions above are valued from the day after six months of bond issuance to 40 days prior to the maturity date of the bonds.

I. Put option:

The Company should redeem such bonds after April 25, 2011 at face value upon the request of the bondholders.

J. Rights and obligations after conversion

The new shares issued in conversion have rights and obligations identical to other issued and outstanding common shares.

(11) Other payables

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Accrued salary and bonus | $ 945,899 | $ 849,285 |
| Accrued freight | 365,967 | 353,698 |
| Directors' and supervisors' remuneration and employees' bonus | 291,500 | 198,000 |
| Other accrued expenses | 1,284,784 | 942,340 |
| | $ 2,888,150 | $ 2,343,323 |

(12) Pensions

A.

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 1 month prior to retirement. The Company contributes monthly an amount equal to 2% of the employees’ monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

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

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Present value of funded obligations | $ 368,091 | $ 343,382 |
| Fair value of plan assets | ( 232,772) | ( 216,523) |
| Net liability in the balance sheet | $ 135,319 | $ 126,859 |

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

| | 2014 | 2013 |
|---|---|---|
| Present value of funded obligations | | |
| At January 1 | $ 343,382 | $ 331,588 |
| Current service cost | 4,680 | 4,718 |
| Interest expense | 6,868 | 4,974 |
| Actuarial profit and loss | 13,161 | 2,102 |
| At December 31 | $ 368,091 | $ 343,382 |

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

| | 2014 | 2013 |
|---|---|---|
| Fair value of plan assets | | |
| At January 1 | $ 216,523 | $ 202,950 |
| Expected return on plan assets | 4,330 | 3,044 |
| Actuarial profit and loss | 672 | ( 513) |
| Employer contributions | 11,247 | 11,042 |
| At December 31 | $ 232,772 | $ 216,523 |

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

| | 2014 | 2013 |
|---|---|---|
| Current service cost | $ 4,680 | $ 4,718 |
| Interest cost | 6,867 | 4,974 |
| Expected return on plan assets | ( 4,330) | ( 3,044) |
| Current pension costs | $ 7,217 | $ 6,648 |

Details of cost and expenses recognised in comprehensive income statements are as follows:

| | 2014 | 2013 |
|---|---|---|
| Cost of sales | $ 655 | $ 603 |
| Selling expenses | 1,424 | 1,358 |
| General and administrative expenses | 1,086 | 995 |
| Research and development expenses | 4,052 | 3,692 |
| | $ 7,217 | $ 6,648 |

f. Amounts recognised under other comprehensive income are as follows:

| | 2014 | 2013 |
|---|---|---|
| Recognition for current period | $ 12,490 | $ 2,615 |
| Accumulated amount | $ 38,645 | $ 26,155 |

g. The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2014 and 2013 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

The Company recognized return on pension plan assets of $5,002 and $2,531 for the years ended December 31, 2014 and 2013, respectively.

h. The principal actuarial assumptions used were as follows:

| | 2014 | 2013 |
|---|---|---|
| Discount rate | 2.00% | 2.00% |
| Future salary increases | 2.75% | 2.75% |
| Expected return on plan assets | 2.00% | 2.00% |

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience in each territory.

i. Historical information of experience adjustments was as follows:

| | 2014 | 2013 | 2012 |
|---|---|---|---|
| Present value of defined benefit obligation | ($ 368,091) | ($ 343,382) | ($ 331,588) |
| Fair value of plan assets | 232,772 | 216,523 | 202,950 |
| Deficit in the plan | ($ 135,319) | ($ 126,859) | ($ 128,638) |
| Experience adjustments on plan liabilities | $ 10,217 | $ 12,288 | $ 7,332 |
| Experience adjustments on plan assets | $ 672 | ($ 513) | ($ 1,690) |

j. Expected contributions to the defined benefit pension plans of the Group within one year from December 31, 2014 amounts to $11,247.

B.

a. 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.

b. The Company's mainland subsidiaries, MSI Computer (Shenzen) Co., Ltd. and MSI Electronics (Kungshan) Co., Ltd., have a 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 certain percentage of employees' monthly salaries and wages. The contribution percentage for the years ended December 31, 2014 and 2013 was 13~14%/20% and 13~14%/20%, respectively. Other than the monthly contributions, the Group has no further obligations.

c. The Company's foreign subsidiaries, MSI Computer (Australia) PTY. Limited and Micro-Star Netherlands Holding B.V., have a defined contribution plan. The Company's foreign subsidiaries contribute monthly an amount based on 9.25%、1%~29% and 9%~9.25%、1%~29% of the employees' monthly salaries and wages for the years ended December 31, 2014 and 2013, respectively, to the employees' individual pension account at the local governmental pension bureau. Other than the monthly contributions, the Group has no further obligations.

d. The pension costs under defined contribution pension plans of the Group for the years ended December 31, 2014 and 2013 were $324,321 and $250,418, respectively.

(13) Share-based compensation expenses

A. In accordance with the resolution adopted by the Board of Directors, the Company made the first issuance of employee stock options on March 22, 2007. The existing period of the Company's employee stock option plan is 6 years. The employee may exercise the stock options in installments 2 years after the stock options are granted.

B. No compensation cost was recognized under the stock-based employee compensation plan for the years ended December 31, 2014 and 2013.

C. Details of the share-based payment arrangements are as follows:

| | For the years ended December 31, | | | |
|---|---|---|---|---|
| | 2014 | | 2013 | |
| | No. of shares (in thousands) | Weighted-average exercise price (in dollars) | No. of shares (in thousands) | Weighted-average exercise (in dollars) |
| Options outstanding at beginning of year | - | $ - | 12,142 | $ 20.75 |
| Distribution of stock dividends / adjustments for number of shares granted for one unit of option | - | - | - | - |
| Options exercised | - | - | - | - |
| Options forfeited | - | - | ( 12,142) | 20.75 |
| Options outstanding at end of year | - | - | - | - |
| Options exercisable at end of year | - | | - | |
| Options authorized but not granted at end of year | - | | - | |

D. As of December 31, 2013, the range of exercise prices of stock options outstanding was $20.75 (in dollars); the weighted-average remaining contractual period was 0 year.

E. The Company estimates the fair value of stock options using the Black-Scholes option-pricing model. Relevant information is as follows:

| | First issuance on 2007 |
|---|---|
| Dividend rate | 0% |
| Expected price volatility | 45.25% |
| Risk-free interest rate | 2.45% |
| Expected option life | 6 years |
| Fair value per unit | $ 13.67 |

(14) Provisions for liabilities

| Warranty | 2014 | 2013 |
|---|---|---|
| At January 1 | $ 221,810 | $ 162,751 |
| Additional provisions | 536,552 | 536,851 |
| Used during the period | ( 533,842) | ( 478,170) |
| Exchange differences | 296 | 378 |
| At December 31 | $ 224,816 | $ 221,810 |

Analysis of total provisions:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Current | $ 224,816 | $ 221,810 |

The Group gives warranties on computer components and personal computers sold. Provision for warranty is estimated based on historical warranty data.

(15) Share capital

A. As of December 31, 2014, the Company's authorized capital was $15,000,000 (including 80,000 thousand shares reserved for employee stock options and 150,000 thousand shares reserved for convertible bonds issued by the Company), and the paid-in capital was $8,448,562 with a par value of $10 (in dollars) per share. All proceeds from shares issued have been collected.

B. As of December 31, 2014, 10,724 thousand shares of common stock had been issued by the Company due to the exercise of employee stock options. Capital reserve increase from exercise in excess of par value on the issuance of common stock amounted to $44,460.

(16) 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 capitalised 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. For information on additional paid-in capital related to stock warrants, please refer to Note 6 (15).

(17) Retained earnings

A. Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 10% of the remaining amount shall be set aside as legal reserve and special reserve pursuant to relevant laws. Bonus distributed to the employees and remuneration paid to directors and supervisors cannot exceed 10~12% and 1%, respectively, of the total distributed amount, which is 5~90% of the remaining net income plus unappropriated retained earnings at the beginning of the year. Appropriation of the remainder to the stockholders shall be proposed by the Board of Directors and resolved by the stockholders.

B. The Company allocates stockholders' bonus in the form of both stock and cash dividends. The amount of cash dividend should not be less than 10% of the total stockholders' bonus. While the cash dividend is less than NT$0.5 (in dollars) per share, such dividend can be distributed in the form of cash or stock dividend. The Board of Directors is authorized to determine the proportion between cash dividend and stock dividend distributed based on the financial status and capital budget of the Company.

C. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-in capital.

D.

a. In accordance with the regulations, the Company shall set aside special reserve from the debit balance on other equity items at the balance sheet date before distributing earnings. When debit balance on other equity items is reversed subsequently, the reversed amount could be included in the distributable earnings.

b. The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa-Zi Letter No. 1010012865, dated April 6, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

E. For the years ended December 31, 2014 and 2013, employees' bonus was accrued at $265,000 and $180,000, respectively; directors' and supervisors' remuneration was accrued at $26,500 and $18,000, respectively. Employees' bonus and directors' and supervisors' remuneration of 2013 as resolved by the stockholders were in agreement with those amounts recognised in the 2013 financial statements. Information on the appropriation of employees' bonus and directors' and supervisors' remuneration as resolved by the Board of Directors and approved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

F. The Company recognised dividends distributed to stockholders amounting to $1,689,712 ($2 (in dollars) per share) and $253,456 ($0.3 (in dollars) per share) for the years ended December 31, 2014 and 2013, respectively and the appropriation of 2013 and 2012 earnings had been resolved at the stockholders' meeting on June 17, 2014 and June 18, 2013, respectively.

(18) Other income

| | 2014 | 2013 |
|---|---|---|
| Interest income | $ 137,549 | $ 63,025 |
| Rental income | 60,869 | 39,304 |
| Others | 301,847 | 323,395 |
| Total | $ 500,265 | $ 425,724 |

(19) Other gains and losses

| | 2014 | 2013 |
|---|---|---|
| Net losses on financial liabilities at fair value through profit or loss | $ - | ($ 6,363) |
| Net gains on financial assets at fair value through profit or loss | 101,053 | 13,622 |
| Net currency exchange losses | ( 506,484) | ( 9,709) |
| Gains (losses) on disposal of property, plant and equipment | 2,516 | ( 3,949) |
| Others | ( 66,419) | ( 49,608) |
| Total | ($ 469,334) | ($ 56,007) |

(20) Expenses by nature

| By function / By nature | 2014 | | | 2013 | | |
|---|---|---|---|---|---|---|
| | Operating costs | Operating expense | Total | Operating costs | Operating expense | Total |
| Employee benefit expense | $ 2,418,499 | $ 3,967,712 | $ 6,386,211 | $ 2,036,393 | $ 3,505,068 | $ 5,541,461 |
| Depreciation charges on property, plant and equipment | 339,996 | 160,934 | 500,930 | 372,348 | 180,233 | 552,581 |
| Amortized charges | 8,312 | 1,430 | 9,742 | 8,783 | 798 | 9,581 |

(21) Employee benefit expense

| | 2014 | 2013 |
|---|---|---|
| Wages and salaries | $ 5,597,262 | $ 4,867,930 |
| Labor and health insurance fees | 258,874 | 233,013 |
| Pension costs | 331,538 | 257,066 |
| Other personnel expenses | 198,537 | 183,452 |
| | $ 6,386,211 | $ 5,541,461 |

(22) Income tax

A. Income tax expense

a. Components of income tax expense:

| | 2014 | 2013 |
|---|---|---|
| Current tax: | | |
| Current tax on profits for the period | $ 613,937 | $ 337,337 |
| Adjustments in respect of prior years | 9,260 | 49,304 |
| Total current tax | 623,197 | 386,641 |
| Deferred tax: | | |
| Origination and reversal of temporary differences | ( 59,888) | 366,970 |
| Income tax expense | $ 563,309 | $ 753,611 |

b. The income tax (charge)/credit relating to components of other comprehensive income is as follows:

| | 2014 | 2013 |
|---|---|---|
| Actuarial gains/losses on defined benefit obligations | $ 2,123 | $ 445 |

c. The income tax charged/(credited) to equity during the period is as follows: None.

B. Reconciliation between income tax expense and accounting profit

| | 2014 | 2013 |
|---|---|---|
| Tax calculated based on profit before tax and statutory tax rate | $ 698,923 | $ 527,209 |
| Effects from items disallowed by tax regulation | ( 68,597) | ( 94,004) |
| Effect from investment tax credit | ( 90,440) | 218,609 |
| Prior year income tax underestimation | 9,260 | 49,304 |
| Additional 10% tax on undistributed earnings | 14,163 | 52,493 |
| Income tax expense | $ 563,309 | $ 753,611 |

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

| | 2014 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in equity | December 31 |
| Temporary differences: | | | | | |
| -Deferred tax assets: | | | | | |
| Loss on inventory | $ 49,191 | $ 13,969 | $ - | $ - | $ 63,160 |
| Unrealized gross profit | 34,041 | 52,314 | - | - | 86,355 |
| Adjustment to unused paid annual leave | 4,702 | 616 | - | - | 5,318 |
| Actuarial gains and losses of pension plan | 7,255 | - | 2,123 | - | 9,378 |
| Unrealised exchange gain | ( 4,471) | 48,459 | - | - | 43,988 |
| Others | 91,528 | ( 49,185) | - | - | 42,343 |
| Subtotal | 182,246 | 66,173 | 2,123 | - | 250,542 |
| -Deferred tax liabilities: | | | | | |
| Unrealised gains (losses) on forward exchange contract | 651 | ( 6,285) | - | - | ( 5,634) |
| Total | $ 182,897 | $ 59,888 | $ 2,123 | $ - | $ 244,908 |

| | 2013 | | | | |
|---|---|---|---|---|---|
| | January 1 | Recognised in profit or loss | Recognised in other comprehensive income | Recognised in equity | December 31 |
| Temporary differences: | | | | | |
| -Deferred tax assets: | | | | | |
| Loss on inventory | $ 53,626 | ($ 4,435) | $ - | $ - | $ 49,191 |
| Unrealised gains (losses) on forward exchange contract | 1,449 | ( 798) | - | - | 651 |
| Unrealized gross profit | 26,056 | 7,985 | - | - | 34,041 |
| Adjustment to unused paid annual leave | 11,171 | ( 6,469) | - | - | 4,702 |
| Actuarial gains and losses of pension plan | 6,810 | - | 445 | - | 7,255 |
| Others | 82,780 | 8,748 | - | - | 91,528 |
| Investment tax credit | 378,426 | ( 378,426) | - | - | - |
| Subtotal | 560,318 | ( 373,395) | 445 | - | 187,368 |
| -Deferred tax liabilities: | | | | | |
| Unrealised exchange gain | ( 10,896) | 6,425 | - | - | ( 4,471) |
| Total | $ 549,422 | ($ 366,970) | $ 445 | $ - | $ 182,897 |

D. The Company's income tax returns through 2012 have been assessed and approved by the Tax Authority.

E. Unappropriated retained earnings:

| | December 31, 2014 | December 31, 2013 |
|---|---|---|
| Earnings generated in and before 1997 | $ 108,787 | $ 108,787 |
| Earnings generated in and after 1998 | 9,470,352 | 8,353,856 |
| | $ 9,579,139 | $ 8,462,643 |

F. As of December 31, 2014 and 2013 the balance of the imputation tax credit account was $1,116,479 and $954,157, respectively. The creditable tax rate was 14.30% for 2013 and is estimated to be 11.78% for 2014.

(23) Earnings per share

| | 2014 | | |
|---|---|---|---|
| | Amount after tax | Retroactively adjusted weighted-average outstanding ordinary shares (in thousands) | Earnings per share (in NT dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 3,013,861 | 844,856 | $ 3.57 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 3,013,861 | 844,856 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employee bonus | - | 10,041 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 3,013,861 | 854,897 | $ 3.53 |

| | 2013 | | |
|---|---|---|---|
| | Amount after tax | Retroactively adjusted weighted-average outstanding ordinary shares (in thousands) | Earnings per share (in NT dollars) |
| Basic earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 1,972,857 | 844,856 | $ 2.34 |
| Diluted earnings per share | | | |
| Profit attributable to ordinary shareholders of the parent | $ 1,972,857 | 844,856 | |
| Assumed conversion of all dilutive potential ordinary shares | | | |
| Employee bonus | - | 10,876 | |
| Profit attributable to ordinary shareholders of the parent plus assumed conversion of all dilutive potential ordinary shares | $ 1,972,857 | 855,732 | $ 2.31 |

As the employee stock option had a reverse dilutive effect, it is not included in the computation of diluted earnings per share for 2013.

(24) Transactions with non-controlling interest

A. Acquisition of additional equity interest in a subsidiary

On September 25, 2013, Mystar Investment Holding Company Limited, a subsidiary of the Group, acquired an additional 4.8% shares of its subsidiary—Funtoro Inc., at total cash consideration of $4,800. The carrying amount of non-controlling interest in Funtoro Inc. was $9,615 at the acquisition date. This transaction resulted in a decrease in the non-controlling interest by $9,615 and an increase in the equity attributable to owners of the parent by $4,815. The effect of changes in ownership interests in Mystar Investment Holding Company Limited on the equity attributable to owners of the parent for the year ended December 31, 2013 is shown below:

| | For the year ended December 31, 2013 |
|---|---|
| Carrying amount of non-controlling interest acquired | $ 9,615 |
| Consideration paid to non-controlling interest | ( 4,800) |
| Capital surplus<br>- difference between proceeds on acquisition of or disposal of equity interest in a subsidiary and its carrying amount | $ 4,815 |

B. The Group did not conduct any transaction with non-controlling interest during 2014.

7. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

None.

(2) Key management compensation

| | 2014 | 2013 |
|---|---|---|
| Salaries and other short-term employee benefits | $ 221,541 | $ 170,999 |

8. PLEDGED ASSETS

The Company’s assets pledged as collateral are as follows:

| | Book value | | |
|---|---|---|---|
| Pledged asset | 2014 | 2013 | Purpose |
| Shown under " Other non-current assets" - Other financial assets | $ 6,349 | $ 7,733 | Performance security guarantee |
| Property, plant and equipment | 142,474 | 137,511 | For guarantee of long-term loans |
| | $ 148,823 | $ 145,244 | |

9. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNISED CONTRACT COMMITMENTS

(1) Contingencies：None.

(2) Commitments：None.

10. SIGNIFICANT DISASTER LOSS

None.

11. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET DATE

None.

12. OTHERS

(1) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(2) Financial instrument

A. Fair value information of financial instruments

Except for those listed in the table below, the carrying amounts of the Group's financial instruments not measured at fair value (including notes receivable, accounts receivable, other receivables, short-term loans, notes payable, accounts payable, other payables and guarantee deposit received) are approximate to their fair values. The fair value information of financial instruments measured at fair value is provided in Note 12(3):

| | December 31, 2014 | |
|---|---|---|
| | Book value | Fair value |
| Financial liabilities: | | |
| Long-term borrowings (including current portion) | $ 19,866 | $ 19,866 |

| | December 31, 2013 | |
|---|---|---|
| | Book value | Fair value |
| Financial liabilities: | | |
| Long-term borrowings (including current portion) | $ 21,930 | $ 21,930 |

B. Financial risk management policies

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas and matters, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

C. Significant financial risks and degrees of financial risks

(a) Market risk

Foreign exchange risk

i. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

ii. Management has set up a policy to require group companies to manage their foreign exchange risk against their functional currency.

iii. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

iv. The Group's businesses involve some non-functional currency operations. The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

| | December 31, 2014 | | |
|---|---|---|---|
| (Foreign currency: functional currency) | Foreign Currency (In Thousands) | Exchange rate | Book Value (NTD) |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | $ 349,984 | 31.6500 | $ 11,076,994 |
| EUR: NTD | 25,607 | 38.4700 | 985,101 |
| RMB: NTD | 168,363 | 5.1015 | 858,904 |
| RUB: NTD | 1,420,876 | 0.5626 | 799,385 |
| JPY: NTD | 1,577,343 | 0.2646 | 417,365 |
| USD: EUR | 7,719 | 0.8227 | 244,306 |
| USD: RMB | 7,542 | 6.2040 | 238,704 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 472,993 | 31.6500 | 14,970,228 |
| USD: RMB | 22,051 | 6.2040 | 697,914 |
| JPY: NTD | 1,513,300 | 0.2646 | 400,419 |

| | December 31, 2013 | | |
|---|---|---|---|
| (Foreign currency: functional currency) | Foreign Currency (In Thousands) | Exchange rate | Book Value (NTD) |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | $ 449,457 | 29.8050 | $ 13,396,066 |
| RUB: NTD | 160,152 | 0.9107 | 145,850 |
| USD: RMB | 28,772 | 6.0543 | 857,549 |
| EUR: NTD | 11,242 | 41.0900 | 461,934 |
| USD: EUR | 10,116 | 0.7254 | 301,507 |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 369,073 | 29.8050 | 11,000,221 |
| USD: RMB | 40,048 | 6.0543 | 1,193,631 |

v. Analysis of foreign currency market risk arising from significant foreign exchange variation:

| | 2014 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss (before tax) | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 110,770 | $ - |
| EUR: NTD | 1% | 9,851 | - |
| RMB: NTD | 1% | 8,589 | - |
| RUB: NTD | 1% | 7,994 | - |
| JPY: NTD | 1% | 4,174 | - |
| USD: EUR | 1% | 2,443 | - |
| USD: RMB | 1% | 2,387 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 149,702 | - |
| USD: RMB | 1% | 6,979 | - |
| JPY: NTD | 1% | 4,004 | - |

| | 2013 | | |
|---|---|---|---|
| | Sensitivity analysis | | |
| | Degree of variation | Effect on profit or loss (before tax) | Effect on other comprehensive income |
| Financial assets | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 133,961 | $ - |
| RUB: NTD | 1% | 1,459 | - |
| USD: RMB | 1% | 8,575 | - |
| EUR: NTD | 1% | 4,619 | - |
| USD: EUR | 1% | 3,015 | - |
| Financial liabilities | | | |
| Monetary items | | | |
| USD: NTD | 1% | $ 110,002 | - |
| USD: RMB | 1% | 11,936 | - |

Interest rate risk

i. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash and cash equivalents held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. For 2014 and 2013, the Group borrowings are issued at variable rate denominated in US dollars.

ii. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

iii. At December 31, 2014 and 2013, if interest rates on USD-denominated borrowings had been 1% higher/lower with all other variables held constant, post-tax profit for the years ended December 31, 2014 and 2013 would have been $21,589 and $12,225 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

i. Credit risk refers to the risk of financial loss to the Group arising from default by the clients or counterparties of financial instruments on the contract obligations. According to the Group's credit policy, each local entity in the Group is responsible for managing and analysing the credit risk for each of their new clients before standard payment and delivery terms and conditions are offered. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables.

ii. No credit limits were exceeded during the reporting periods, and management does not expect any significant losses from non-performance by these counterparties.

iii. For the credit quality information of financial assets that are neither past due nor impaired, please refer to Note 6 (3).

iv. The individual analysis of financial assets that had been impaired is provided in the statement for each type of financial asset in Note 6 (3).

(c) Liquidity risk

i. Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group treasury. Group treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities.

ii. The table below analyses the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

| Non-derivative financial liabilities:<br>December 31, 2014 | Less than 1 year | Between 1 to 2 years | Between 2 to 3 years | Over 3 years |
|---|---|---|---|---|
| Short-term borrowings | $ 2,139,056 | $ - | $ - | $ - |
| Short-term notes and bills payable | 8 | - | - | - |
| Accounts payable | 15,272,310 | - | - | - |
| Other payables | 2,888,150 | - | - | - |
| Long-term borrowings (including current portion) | 3,878 | 16,519 | - | - |
| Other financial liabilities | 320 | 25,960 | - | 154,342 |

| Non-derivative financial liabilities:<br>December 31, 2013 | Less than 1 year | Between 1 to 2 years | Between 2 to 3 years | Over 3 years |
|---|---|---|---|---|
| Short-term borrowings | $ 1,200,595 | $ - | $ - | $ - |
| Short-term notes and bills payable | 3,505 | - | - | - |
| Accounts payable | 13,803,209 | - | - | - |
| Other payables | 2,343,323 | - | - | - |
| Long-term borrowings (including current portion) | 3,654 | - | 19,338 | - |
| Other financial liabilities | 320 | 581 | 303 | 87,684 |

Derivative financial liabilities

For the years ended December 31, 2014 and 2013, the derivative financial liabilities are foreign exchange contracts that mature within 1 year.

iii. The Group does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

(3) Fair value estimation

A. The table below analyses financial instruments measured at fair value, by valuation method.

The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets and liabilities that are measured at fair value at December 31, 2014 and 2013:

| December 31, 2014 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial assets: | | | | |
| Financial assets at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 36,586 | $ - | $ 36,586 |

| December 31, 2013 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Financial liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| -Forward exchange contract | $ - | $ 3,831 | $ - | $ 3,831 |

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

a. Quoted market prices or dealer quotes for similar instruments.

b. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

c. The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

d. Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F. All of the resulting fair value estimates are included in level 2 except for certain forward foreign exchange contracts.

G. There were no changes in level 3 instruments as at December 31, 2014 and 2013.

## 13. SUPPLEMENTARY DISCLOSURES

The financial information disclosed regarding the investee companies are prepared according to financial statements audited by the auditor or other auditors. The transaction between related companies are offset when preparing consolidated financial statements.

### (1) Significant transactions information

A. Loans to others:

| No. (Note 1) | Creditor | Borrower | General ledger account | Is a related party | Maximum outstanding balance during the year ended December 31, 2014 | Balance at December 31, 2014 | Actual amount drawn down | Interest rate | Nature of loan | Amount of transactions with the borrower | Reason for shortterm financing | Allowance for doubtful accounts | Collateral | | Limit on loans granted to a single party (Note 2) | Ceiling on total loans granted (Note 3) | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | | Item | Value | | | |
| 1 | MSI (GMBH) | MSI (HOLDING) | Other receivable - related parties | Yes | $ 57,705 | $ 38,470 | $ 38,470 | 0.30% | Short-term financing. | $ - | Utilisation of idle cash to increase capital gains | $ - | N/A | $ - | $ 1,226,627 | $ 4,906,507 | |

Note 1: Limit on loans granted to a single party cannot exceed 100% of the Company’s equity, at most 5% of the Company’s equity.

Note 2: Ceiling on total loans granted cannot exceed 100% of the Company’s equity, at most 20% of the Company’s equity.

B. Provision of endorsements and guarantees to others: None.

C. Holding of marketable securities at the end of the period (not including subsidiaries, associates and joint ventures):

| Securities held by | Marketable securities | Relationship with the securities issuer | General ledger account | As of December 31, 2014 | | | | | | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Number of shares | Currency | Book value | Ownership (%) | Currency | Fair value | |
| MYSTAR INVESTMENT | MACS TECHNOLOGY INC. | Investment accounted for under cost method | Financial assets carried at cost-non-current | 2,250,000 | NTD | $ - | 15.00 | NTD | $ - | - |
| MYSTAR INVESTMENT | ACCESSTEK INC. | Investment accounted for under cost method | Financial assets carried at cost-non-current | 294,250 | NTD | - | 9.09 | NTD | - | - |
| MYSTAR INVESTMENT | PROCOM ELECTRONICS CO., | Investment accounted for under cost method | Financial assets carried at cost-non-current | 1,100,235 | NTD | - | 3.68 | NTD | - | - |

D. Acquisition or sale of the same security with the accumulated cost exceeding NT$300 million or 20% of the Company’s paid-in capital: None.

E. Acquisition of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

F. Disposal of real estate reaching NT$300 million or 20% of paid-in capital or more: None.

G. Purchases or sales of goods from or to related parties reaching NT$100 million or 20% of paid-in capital or more:

| Transaction company | Name of the counter party | Relationship with the counter party | Description of the transaction (NTD$ in thousands) | | | | Description and reasons of difference in transaction terms compared to third party transactions | | Accounts or notes receivable (payable) (NTD$ in thousands) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Purchases/(Sales) | Amount | % of total purchase (sale) | Credit terms | Unit price | Credit terms | Balance | % of total accounts or notes receivable/(payable) | Footnote |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Sales | ($ 10,293,441) | ( 12) | 80~100 days | Insignificant difference | Note 1 | $ 1,964,052 | 13 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to subsidiary | Sales | ( 3,458,534) | ( 4) | 40~70 days | Insignificant difference | Note 1 | 529,903 | 4 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to subsidiary | Sales | ( 2,429,333) | ( 3) | 40~70 days | Insignificant difference | Note 1 | 265,197 | 2 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI(PACIFIC) | Parent company to subsidiary | Sales | ( 1,938,092) | ( 2) | 40~70 days | Insignificant difference | Note 1 | 214,605 | 1 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (KOREA) | Parent company to subsidiary | Sales | ( 1,392,319) | ( 2) | 50~70 days | Insignificant difference | Note 1 | 61,983 | - | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | FUNTORO | Parent company to subsidiary | Sales | ( 351,151) | ( 0) | 40~70 days | Insignificant difference | Note 1 | ( 5,980) | - | - |
| MEGA COMPUTER | MSI TRADING (SHENZHEN) | Affiliated company | Sales | ( 2,808,011) | ( 80) | 40~70 days | Insignificant difference | Note 1 | 372,181 | 49 | - |
| MEGA COMPUTER | MSI (SHENZHEN) | Affiliated company | Sales | ( 704,481) | ( 20) | 40~70 days | Insignificant difference | Note 1 | 394,406 | 51 | - |
| MSI COMPUTER (SHENZHEN) | MSI TRADING (SHENZHEN) | Affiliated company | Sales | ( 1,852,030) | ( 36) | 40~70 days | Insignificant difference | Note 1 | 249,627 | 9 | - |
| MSI(PACIFIC) | MSI COMPUTER (SHENZHEN) | Subsidiary to subsidiary | Processing overhead | 3,290,035 | 71 | Note 2 | Insignificant difference | Note 2 | ( 2,587,242) | ( 65) | - |
| MSI(PACIFIC) | MSI ELECTRONICS (KUNSHAN) | Subsidiary to subsidiary | Processing overhead | 1,115,057 | 24 | Note 2 | Insignificant difference | Note 2 | ( 992,423) | ( 25) | - |
| MSI(PACIFIC) | MICRO-STAR INTERNATIONAL CO., LTD. | Subsidiary to parent | Revenue from processing | ( 4,608,681) | ( 100) | Note 2 | Insignificant difference | Note 2 | 3,659,305 | 100 | - |

Note 1: The credit terms to third parties are approximately 30 to 120 days.

Note 2: Credit terms depend on the financial condition of the paying firm.

Note 3: Balances after elimination in conformity with regulations.

H. Receivables from related parties reaching NT$100 million or 20% of paid-in capital or more:

| Creditor | Counterparty | Relationship with the counterparty | Balance as of December 31, 2014 | Turnover rate | Overdue receivables | | Amount collected subsequent to the balance sheet date | Allowance for doubtful accounts |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount | Action taken | | |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | $ 1,964,052 | 6.70 | $ - | - | $ 1,526,070 | $ - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to subsidiary | 529,903 | 15.28 | - | - | 262,477 | |
| MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to subsidiary | 265,197 | 7.61 | - | - | 265,197 | - |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI(PACIFIC) | Parent company to subsidiary | 214,605 | 6.75 | - | - | 214,605 | - |
| MSI(PACIFIC) (Note) | MICRO-STAR INTERNATIONAL CO., LTD. | Subsidiary to parent | 3,659,305 | 1.27 | - | - | 1,283,192 | - |
| MSI COMPUTER (SHENZHEN) (Note) | MSI(PACIFIC) | Subsidiary to subsidiary | 2,587,242 | 1.81 | - | - | 763,166 | - |
| MSI ELECTRONICS (KUNSHAN) (Note) | MSI(PACIFIC) | Subsidiary to subsidiary | 992,423 | 1.54 | - | - | 509,065 | - |
| MICRO ELECTRONICS | MSI(PACIFIC) | Subsidiary to subsidiary | 241,482 | 0.39 | - | - | - | - |
| MSI(B.V.I.) | MSI(PACIFIC) | Subsidiary to subsidiary | 122,413 | 0.48 | - | - | - | - |
| MEGA COMPUTER | MSI TRADING (SHENZHEN) | Affiliated company | 372,181 | 10.85 | - | - | 170,653 | - |
| MEGA COMPUTER | MSI (SHENZHEN) | Affiliated company | 394,406 | 3.57 | - | - | 89,218 | - |
| MSI COMPUTER (SHENZHEN) | MSI TRADING (SHENZHEN) | Affiliated company | 249,627 | 5.52 | - | - | - | - |

Note: Processing overhead receivable.

I. Derivative financial instruments undertaken during the year ended December 31, 2014: Please refer to Notes 6(2) and 12(2).

## J. Significant inter-company transactions during the year ended December 31, 2014:

Individual transaction not exceeding NT$10,000 is not disclosed.

| Number (Note 3) | Company name | Counterparty | Relationship | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | General ledger account | Amount (Note 1) | Transaction terms | Percentage of consolidated total operating revenues or total assets |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Sales | $ 10,293,441 | Note 2 | 12.12% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to subsidiary | Sales | 3,458,534 | Note 2 | 4.07% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to subsidiary | Sales | 2,429,333 | Note 2 | 2.86% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Parent company to subsidiary | Sales | 1,938,092 | Note 2 | 2.28% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (KOREA) | Parent company to subsidiary | Sales | 1,392,319 | Note 2 | 1.64% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | FUNTORO | Parent company to subsidiary | Sales | 351,151 | Note 2 | 0.41% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (JAPAN) | Parent company to subsidiary | Sales | 97,325 | Note 2 | 0.11% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (RUSSIA) | Parent company to subsidiary | Sales | 25,855 | Note 2 | 0.03% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Accounts receivable | 1,964,052 | Note 2 | 4.23% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to subsidiary | Accounts receivable | 529,903 | Note 2 | 1.14% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to subsidiary | Accounts receivable | 265,197 | Note 2 | 0.57% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Parent company to subsidiary | Accounts receivable | 214,605 | Note 2 | 0.46% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (KOREA) | Parent company to subsidiary | Accounts receivable | 61,983 | Note 2 | 0.13% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (JAPAN) | Parent company to subsidiary | Accounts receivable | 19,038 | Note 2 | 0.04% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Parent company to subsidiary | Accrued expenses payable | 3,659,305 | Note 3 | 7.88% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Parent company to subsidiary | Processing cost | 4,387,515 | Note 3 | 5.17% |

Note 1: Balances after elimination in conformity with regulations.

Note 2: Sales price and terms were approximately the same as those to third parties. Terms for third parties were 30 to 120 days.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

| Number (Note 1) | Company name | Counterparty | Relationship | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | General ledger account | Amount (Note 1) | Transaction terms | Percentage of consolidated total operating revenues or total assets |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Operating expense | $ 169,164 | Note 3 | 0.20% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (EUROPE) | Parent company to subsidiary | Operating expense | 149,666 | Note 3 | 0.18% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to subsidiary | Operating expense | 148,141 | Note 3 | 0.17% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (MHK) | Parent company to subsidiary | Operating expense | 103,598 | Note 3 | 0.12% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Parent company to subsidiary | Operating expense | 93,769 | Note 3 | 0.11% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (POLSKA) | Parent company to subsidiary | Operating expense | 86,921 | Note 3 | 0.10% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (RUSSIA) | Parent company to subsidiary | Operating expense | 76,364 | Note 3 | 0.09% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (SARL) | Parent company to subsidiary | Operating expense | 64,526 | Note 3 | 0.08% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (JAPAN) | Parent company to subsidiary | Operating expense | 46,038 | Note 3 | 0.05% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to subsidiary | Operating expense | 50,135 | Note 3 | 0.06% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (KOREA) | Parent company to subsidiary | Operating expense | 31,783 | Note 3 | 0.04% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (GMBH) | Parent company to subsidiary | Operating expense | 23,063 | Note 3 | 0.03% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (UK) | Parent company to subsidiary | Operating expense | 19,498 | Note 3 | 0.02% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (AUSTRALIA) | Parent company to subsidiary | Operating expense | 16,204 | Note 3 | 0.02% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (ITALY) | Parent company to subsidiary | Operating expense | 16,028 | Note 3 | 0.02% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (NL) | Parent company to subsidiary | Operating expense | 14,577 | Note 3 | 0.02% |

Note 1: Balances after elimination in conformity with regulations.
Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

| Number (Note 3) | Company name | Counterparty | Relationship | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | General ledger account | Amount (Note 1) | Transaction terms | Percentage of consolidated total operating revenues or total assets |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (GMBH) | Parent company to subsidiary | Accrued expenses payable | $ 36,118 | Note 3 | 0.08% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR | Parent company to subsidiary | Accrued expenses payable | 16,628 | Note 3 | 0.04% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (POLSKA) | Parent company to subsidiary | Accrued expenses payable | 16,164 | Note 3 | 0.03% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (RUSSIA) | Parent company to subsidiary | Accrued expenses payable | 15,359 | Note 3 | 0.03% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Parent company to subsidiary | Accrued expenses payable | 14,212 | Note 3 | 0.03% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | Parent company to subsidiary | Accrued expenses payable | 13,873 | Note 3 | 0.03% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MSI (SARL) | Parent company to subsidiary | Accrued expenses payable | 12,756 | Note 3 | 0.03% |
| 0 | MICRO-STAR INTERNATIONAL CO., LTD. | MEGA COMPUTER | Parent company to subsidiary | Accrued expenses payable | 12,107 | Note 3 | 0.03% |
| 1 | MSI (PACIFIC) | MSI COMPUTER (SHENZHEN) | Subsidiary to subsidiary | Accrued expenses payable | 2,587,242 | Note 3 | 5.57% |
| 1 | MSI (PACIFIC) | MSI ELECTRONICS (KUNSHAN) | Subsidiary to subsidiary | Accrued expenses payable | 992,423 | Note 3 | 2.14% |
| 1 | MSI (PACIFIC) | MICRO ELECTRONICS | Subsidiary to subsidiary | Accrued expenses payable | 241,482 | Note 3 | 0.52% |
| 1 | MSI (PACIFIC) | MSI (B.V.I) | Subsidiary to subsidiary | Accrued expenses payable | 122,413 | Note 3 | 0.26% |
| 1 | MSI (PACIFIC) | SHENZHEN MEGA INFORMATION | Subsidiary to subsidiary | Accrued expenses payable | 10,993 | Note 3 | 0.02% |
| 1 | MSI (PACIFIC) | MSI COMPUTER (SHENZHEN) | Subsidiary to subsidiary | Processing overhead | 3,290,035 | Note 3 | 3.88% |
| 1 | MSI (PACIFIC) | MSI ELECTRONICS (KUNSHAN) | Subsidiary to subsidiary | Processing overhead | 1,115,057 | Note 3 | 1.31% |

Note 1: Balances after elimination in conformity with regulations.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

| Number (Note 3) | Company name | Counterparty | Relationship (Note 2) | Transaction | | | |
|---|---|---|---|---|---|---|---|
| | | | | General ledger account | Amount (Note 1) | Transaction terms | Percentage of consolidated total |
| 1 | MSI (PACIFIC) | SHENZHEN MEGA INFORMATION | Subsidiary to subsidiary | Processing overhead | $ 70,460 | Note 3 | 0.08% |
| 1 | MSI (PACIFIC) | MICRO ELECTRONICS | Subsidiary to subsidiary | Processing overhead | 69,288 | Note 3 | 0.08% |
| 1 | MSI (PACIFIC) | MSI (B.V.I) | Subsidiary to subsidiary | Processing overhead | 63,841 | Note 3 | 0.08% |
| 2 | MEGA COMPUTER | MSI TRADING (SHENZHEN) | Subsidiary to subsidiary | Sales | 2,808,011 | Note 2 | 3.31% |
| 2 | MEGA COMPUTER | MSI TRADING (SHENZHEN) | Subsidiary to subsidiary | Accounts receivable | 372,181 | Note 2 | 0.80% |
| 2 | MEGA COMPUTER | MSI (SHENZHEN) | Subsidiary to subsidiary | Sales | 704,481 | Note 2 | 0.83% |
| 2 | MEGA COMPUTER | MSI (SHENZHEN) | Subsidiary to subsidiary | Accounts receivable | 394,406 | Note 2 | 0.85% |
| 2 | MSI COMPUTER (SHENZHEN) | MSI TRADING (SHENZHEN) | Affliated companies | Sales | 1,852,030 | Note 2 | 2.18% |
| 2 | MSI COMPUTER (SHENZHEN) | MSI TRADING (SHENZHEN) | Affliated companies | Accounts receivable | 249,627 | Note 2 | 0.54% |

Note 1: Balances after elimination in conformity with regulations.

Note 2: Sales price and terms were approximately the same as those to third parties. Terms for third parties were 30 to 120 days.

Note 3: Processing overhead was determined based on the quantities, contract amount and delivery time.

(2) Information on investees (not including investees in Mainland China)

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2014 | | | Net profit (loss) of the investee for the year ended December 31, 2014 | Investment income (loss) recognised by the Company for the year ended December 31, 2014 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at December 31, 2014 | Balance as at December 31, 2013 | Number of shares | Ownership (%) | Book value | | | |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (LA) | U.S.A. | Sales and maintenance of computers, motherboard, and electronic components | $ 258,468 | $ 258,468 | 575,458 | 100.00 | $ 11,494 | $ 23,865 | $ 23,865 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (AUSTRALIA) | Australia | Sales and maintenance of computers, motherboard, and electronic components | 57,420 | 57,420 | 221,836 | 100.00 | 6,250 | 1,410 | 1,410 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (JAPAN) | Japan | Sales and maintenance of computers, motherboard, and electronic components | 20,411 | 20,411 | 1,400 | 100.00 | 9,030 | ( 2,096) | ( 2,096) | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (PACIFIC) | Cayman Islands | Holding company | 3,089,627 | 3,089,627 | 82,204,118 | 100.00 | 7,166,467 | 353,000 | 318,000 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (HOLDING) | Netherlands | Holding company | 264,153 | 264,153 | 14,000 | 100.00 | 821,663 | 56,419 | 56,419 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MSI (CAYMAN) | Cayman Islands | Holding company | 167,883 | 167,883 | 5,238,000 | 100.00 | 284,978 | 17,909 | 17,909 | Direct subsidiary |
| MICRO-STAR INTERNATIONAL CO., LTD. | MYSTAR INVESTMENT | Taiwan | General investment | 307,000 | 307,000 | 15,000,000 | 100.00 | 217,944 | ( 11,978) | ( 11,978) | Direct subsidiary |
| MYSTAR INVESTMENT | SPECTRUM RESEARCH & TESTING LAB.,INC | Taiwan | Electromagnetic interference and telecommunication testing and consultation services | 24,000 | 24,000 | 1,251,600 | 27.69 | 479 | 166 | - | Investments accounted for under equity method |
| MYSTAR INVESTMENT | FUNTORO | Taiwan | Research and develop, sales, and maintenance of automobile electronic devices | 147,600 | 147,600 | 15,000,000 | 100.00 | 161,812 | 2,967 | - | Indirect subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2014 | | | Net profit (loss) of the investee for the year ended December 31, 2014 | Investment income (loss) recognised by the Company for the year ended December 31, 2014 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at December 31, 2014 | Balance as at December 31, 2013 | Number of shares | Ownership (%) | Book value | | | |
| MSI (CAYMAN) | MSI (MEXICO) | Mexico | Sales and maintenance of computers, motherboard, and electronic components | 31,720 | 31,720 | 12,157,000 | 99.00 | ( 8,007) | 32,457 | - | Indirect subsidiary |
| MSI (CAYMAN) | MSI (BRASIL) | Brazil | Sales and maintenance of computers, motherboard, and electronic components | 6,471 | 6,471 | - | 99.00 | ( 237,090) | ( 6,213) | - | Indirect subsidiary |
| MSI (CAYMAN) | MSI COMPUTER (CAYMAN) | Cayman Island | Holding company | 99,093 | 99,093 | 50,000 | 100.00 | 132,614 | 273 | - | Indirect subsidiary |
| MSI COMPUTER (CAYMAN) | MSI (MEXICO) | Mexico | Sales and maintenance of computers, motherboard, and electronic components | 320 | 320 | 123,000 | 1.00 | 317 | 32,457 | - | Indirect subsidiary |
| MSI COMPUTER (CAYMAN) | MSI (BRASIL) | Brazil | Sales and maintenance of computers, motherboard, and electronic components | 65 | 65 | - | 1.00 | 63 | ( 6,213) | - | Indirect subsidiary |
| MSI (PACIFIC) | MSI (KOREA) | South Korea | Sales and maintenance of computers, motherboard, and electronic components | 24,374 | 24,374 | 80,000 | 100.00 | 156,952 | 9,364 | - | Indirect subsidiary |
| MSI (PACIFIC) | MSI (INDIA) | India | Sales and maintenance of computers, motherboard, and electronic components | 409 | 409 | - | 99.00 | 95 | ( 121) | - | Indirect subsidiary |
| MSI (PACIFIC) | MSI (B.V.I.) | British Virgin Islands | Holding company | 2,213,781 | 2,213,781 | 61,465,071 | 100.00 | 4,190,587 | 149,012 | - | Indirect subsidiary |
| MSI (PACIFIC) | MICRO ELECTRONICS | British Virgin Islands | Holding company | 1,839,423 | 1,839,423 | 54,315,472 | 100.00 | 2,863,944 | 176,530 | - | Indirect subsidiary |
| MSI (PACIFIC) | STAR INFORMATION | British Virgin Islands | Holding company | 144,721 | 120,533 | 4,502,601 | 100.00 | 17,502 | ( 27,002) | - | Indirect subsidiary |
| MSI (PACIFIC) | MEGA TECHNOLOGY | British Virgin Islands | Holding company | 91,296 | 91,296 | 3,000,000 | 100.00 | 4,937 | 40,185 | - | Indirect subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2014 | | | Net profit (loss) of the investee for the year ended December 31, 2014 | Investment income (loss) recognised by the Company for the year ended December 31, 2014 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at December 31, 2014 | Balance as at December 31, 2013 | Number of shares | Ownership (%) | Book value | | | |
| MSI (PACIFIC) | MEGA INFORMATION | British Virgin Islands | Holding company | $ 23,940 | $ 23,940 | 700,000 | 100.00 | $ 22,313 | $ 61 | $ - | Indirect subsidiary |
| MSI (PACIFIC) | MSI ASIA | British Virgin Islands | Holding company | - | - | 2 | 100.00 | 4,748 | 5,455 | - | Indirect subsidiary |
| MSI (HOLDING) | MYSTAR | Netherlands | Sales and maintenance of computers, motherboard, and electronic components | 127,683 | 127,683 | - | 100.00 | 203,814 | 44,108 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (RUSSIA) | Russia | Sales and maintenance of computers, motherboard, and electronic components | 68,258 | 68,258 | - | 99.00 | 34,508 | 9,184 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (GMBH) | Germany | Sales and maintenance of computers, motherboard, and electronic components | 123,283 | 123,283 | - | 100.00 | 67,323 | 121 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (POLSKA) | Poland | Sales and maintenance of computers, motherboard, and electronic components | 46,077 | 92,155 | - | 99.00 | 30,353 | 2,296 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (SARL) | France | Sales and maintenance of computers, motherboard, and electronic components | 26,646 | 26,646 | - | 100.00 | 41,778 | 7,372 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (UK) | Britain | Sales and maintenance of computers, motherboard, and electronic components | 37,226 | 37,226 | - | 100.00 | 12,503 | 282 | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (TURKEY) | Turkey | Sales and maintenance of computers, motherboard, and electronic components | 3,229 | 3,229 | - | 99.00 | ( 192) | - | - | Indirect subsidiary |
| MSI (HOLDING) | MSI (ITALY) | Italy | Sales and maintenance of computers, motherboard, and electronic components | 2,153 | 2,153 | - | 100.00 | 115 | ( 201) | - | Indirect subsidiary |

| Investor | Investee | Location | Main business activities | Initial investment amount | | Shares held as at December 31, 2014 | | | Net profit (loss) of the investee for the year ended December 31, 2014 | Investment income (loss) recognised by the Company for the year ended December 31, 2014 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Balance as at December 31, 2014 | Balance as at December 31, 2013 | Number of shares | Ownership (%) | Book value | | | |
| MSI (HOLDING) | MSI (BALKAN) | Serbia | Sales and maintenance of computers, motherboard, and electronic components | $ 940 | $ 940 | - | 100.00 | $ 308 | $ 121 | $ - | Indirect subsidiary |
| MSI (HOLDING) | MSI (EUROPE) | Netherlands | Logistic | 37,620 | 37,620 | - | 100.00 | 41,124 | 1,370 | - | Indirect subsidiary |
| MSI (EUROPE) | MSI (RUSSIA) | Russia | Sales and maintenance of computers, motherboard, and electronic components | 689 | 689 | - | 1.00 | 616 | 9,184 | - | Indirect subsidiary |
| MSI (EUROPE) | MSI (POLSKA) | Poland | Sales and maintenance of computers, motherboard, and electronic components | 467 | 933 | - | 1.00 | 192 | 2,296 | - | Indirect subsidiary |
| MSI (EUROPE) | MSI (TURKEY) | Turkey | Sales and maintenance of computers, motherboard, and electronic components | 33 | 33 | - | 1.00 | 38 | - | - | Indirect subsidiary |
| STAR INFORMATI ON | MSI (INDIA) | India | Sales and maintenance of computers, motherboard, and electronic components | - | - | - | 1.00 | - | - | - | Indirect subsidiary |
| MSI ASIA | MEGA COMPUTER | Hong Kong | Sales of computers, motherboard, and electronic components | - | - | 1 | 100.00 | 4,020 | 1,970 | - | Indirect subsidiary |
| MSI ASIA | MSI (MHK) | Hong Kong | Sales of computers, motherboard, and electronic components | - | - | 1 | 100.00 | 728 | 3,485 | - | Indirect subsidiary |

Note: The table is presented in New Taiwan Dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=31.65NTD; 1EUR=38.47NTD and average rate with 1USD=30.3055NTD; 1EUR=40.2816NTD on December 31, 2014.

(3) Information on investments in Mainland China

A. Basic information

| Investee in Mainland China | Main business activities | Paid-in capital | Investment method | Accumulated amount of remittance from Taiwan to Mainland China as of January 1, 2014 | Amount remitted from Taiwan to Mainland China/Amount remitted back to Taiwan for the year ended December 31, 2014 | | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014 | Net income of investee as of December 31, 2014 | Ownership held by the Company (direct or indirect) | Investment income (loss) recognised by the Company for the year ended December 31, 2014 (Note 2) | Book value of investments in Mainland China as of December 31, 2014 | Accumulated amount of investment income remitted back to Taiwan as of December 31, 2014 | Footnote |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Remitted to Mainland China | Remitted back to Taiwan | | | | | | | |
| MSI COMPUTER (SHENZHEN) | Sales and manufacture of computers, motherboard, and electronic components | $ 1,726,857 | Note 1 | $ 1,726,857 | $ - | $ - | $ 1,726,857 | $ 85,007 | 100.00 | $ 85,007 | $ 3,320,433 | $ - | - |
| MSI ELECTRONICS (KUNSHAN) | Sales and manufacture of computers, motherboard, and electronic components | 1,772,675 | Note 1 | 1,772,675 | - | - | 1,772,675 | 97,008 | 100.00 | 97,008 | 1,853,108 | - | - |
| SHENZHEN MEGA INFORMATION | Sales and maintenance of computers, motherboard, and electronic components | 23,940 | Note 1 | 23,940 | - | - | 23,940 | 61 | 100.00 | 61 | 22,313 | - | - |
| MSI (SHANGHAI) | Sales and maintenance of computers, motherboard, and electronic components | 97,777 | Note 1 | - | - | - | - | ( 30) | 100.00 | ( 30) | - | - | Note 3 |
| MSI TRADING (SHENZHEN) | Sales and maintenance of computers, motherboard, and electronic components | 91,296 | Note 1 | - | - | - | - | 40,185 | 100.00 | 40,185 | 4,937 | - | Note 4 |
| MSI (SHENZHEN) | Sales and maintenance of computers, motherboard, and electronic components | 30,092 | Note 1 | - | - | - | - | ( 26,972) | 100.00 | ( 26,972) | 3,735 | - | Note 5 |

| Company name | Accumulated amount of remittance from Taiwan to Mainland China as of December 31, 2014 | Investment amount approved by the Investment Commission of the Ministry of Economic Affairs (MOEA) | Ceiling on investments in Mainland China imposed by the Investment Commission of MOEA (Note 5) |
|---|---|---|---|
| MICRO-STAR INTERNATIONAL CO., LTD. | $ 3,602,547 | $ 3,821,712 | $ 14,719,522 |

Note 1: The investments were made indirectly through 100% owned subsidiary of the Company.

Note 2: Evaluated based on audited financial statements of the investee companies.

Note 3: The amount of US $3,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI (SHANGHAI). The company was liquidated in April 2014, and USD$112,099.51 was remitted.

Note 4: The amount of US $3,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI TRADING (SHENZHEN).

Note 5: The amount of US $1,000 thousand was remitted by the Company's subsidiary, MSI (Pacific), to MSI COMPUTER (SHENZHEN).

Note 6: In pursuance of Shen-Zi Letter No.09704604680 from the Ministry of Economic Affairs dated August 29, 2008. The amended "Regulations for examination of investments and technical cooperation in Mainland Area" sets the limitation for investments in mainland China to be higher of net book value or 60% of consolidated net book value.

Note7: The table is presented in New Taiwan Dollars. Except for the initial investment amount is valued at historical exchange rate, the others are valued with exchange rate 1USD=31.65NTD and average rate with 1USD=30.3055NTD on December 31, 2014.

## B. Significant transactions conducted with investees in Mainland China directly or indirectly through other companies in the third areas.

i.Purchases and purchase percentage in comparison to the accounts payable ending balance: None.

ii.Sales and sales percentage in comparison to the notes/accounts receivable ending balance:

| | | Transaction | | | Notes/accounts receivable | | |
|---|---|---|---|---|---|---|---|
| Sales | Counterparty | Sales amount | Percentage of total sales | Credit term | Balance as of December 31, 2014 | Percentage of total notes/accounts receivable | Unrealized gain (loss) |
| MEGA COMPUTER | MSI TRADING (SHENZHEN) | $ 2,808,011 | 80 | 40~70 days | $ 372,181 | 49 | $ - |
| MEGA COMPUTER | MSI (SHENZHEN) | 704,481 | 20 | 40~70 days | 394,406 | 51 | $ - |

iii.Amount of property transactions and relevant profit and loss: None.

iv.Amount and purpose of endorsement and guarantee: None.

v.Maximum amount of lending/borrowing, ending balance, interest rate and total amount of interest paid for the period: None.

vi.Other transactions that have significant impact to current period profit/loss or financial status, such as provision or acceptance of services: please refer to Note 13(1)G. Also refer to the notes on related party transactions.

14. SEGMENT INFORMATION

(1) General information and measurement of segment information

The Company's operating segment profit (loss) is measured by the operating income (loss), which is used as a basis in assessing the performance of operating segments. Furthermore, the accounting policies used by the operating segments are not significantly different from the summary of significant accounting policies stated in Note 2. In accordance with IFRS No. 8, "Operating Segments," the Company's reportable operating segments are as follows:

A. Computer and peripherals business group: Mainly engages in development and sale of mother boards, graphic cards, notebooks, and computer peripherals.

B. General administration and other departments: mainly engages in development and sale of automobile electronic components and in charge of general administration department expenses.

(2) Information about segment profit or loss, assets and liabilities:

The revenue and segment information provided to the chief operating decision-maker for the reportable segments is as follows:

A. For the year ended December 31, 2014

| | Computer and peripherals segment | General administration and other segments | Total |
|---|---|---|---|
| Total segment revenue | $ 84,181,924 | $ 719,849 | $ 84,901,773 |
| Operating income (loss) | $ 4,370,593 | ($ 777,244) | $ 3,593,349 |
| Other non-operating expense | | | ( 16,179) |
| Profit before tax | | | $ 3,577,170 |
| Segment assets (note) | $ - | $ - | $ - |

B. For the year ended December 31, 2013

| | Computer and peripherals segment | General administration and other segments | Total |
|---|---|---|---|
| Total segment revenue | $ 71,202,294 | $ 676,753 | $ 71,879,047 |
| Operating income (loss) | $ 2,716,342 | ($ 339,754) | $ 2,376,588 |
| Other non-operating revenue | | | 353,715 |
| Profit before tax | | | $ 2,730,303 |
| Segment assets (note) | $ - | $ - | $ - |

Note: As the amounts of consolidated entities' assets are not provided to the chief operating decision-maker, such items were not disclosed.

The above revenue was derived from the transactions with external customers. The above amounts are provided to the chief operating decision-maker for allocating resources and assessing performance of operating segments.

(3) Information on products and services

Revenue from external customers was derived from the sales of computer and peripherals and related components. Details of revenue are as follows:

| | | 2014 | | 2013 |
|---|---|---|---|---|
| Computer and peripherals sale revenue | $ | 84,901,773 | $ | 71,879,047 |

(4) Geographical information

Geographical information for the years ended December 31, 2014 and 2013 is as follows:

| | 2014 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|
| | | Sales | | Non-current assets | | Sales | | Non-current assets |
| Asia | $ | 43,435,751 | $ | 6,042,051 | $ | 42,971,727 | $ | 5,558,040 |
| Europe | | 25,053,301 | | 348,947 | | 17,038,210 | | 390,065 |
| America | | 14,814,759 | | 1,125 | | 10,503,677 | | 1,767 |
| Others | | 1,597,962 | | - | | 1,365,433 | | 8 |
| Total | $ | 84,901,773 | $ | 6,392,123 | $ | 71,879,047 | $ | 5,949,880 |

(5) Major customer information

The Group has no individual customer whose sales amount accounts for more than 10% of net operating revenue in the consolidated statement of comprehensive income.