

**Macronix International Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2013 and 2012 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Macronix International Co., Ltd.

We have audited the accompanying consolidated balance sheets of Macronix International Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2013 and 2012, and January 1, 2012 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2013 and 2012, and January 1, 2012, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2012, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Macronix International Co., Ltd. as of and for the years ended December 31, 2013 and 2012 on which we have issued an unqualified report.

March 17, 2014

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, financial performance and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	December 31, 2013		December 31, 2012		January 1, 2012		LIABILITIES AND EQUITY	December 31, 2013		December 31, 2012		January 1, 2012	
	Amount	%	Amount	%	Amount	%		Amount	%	Amount	%	Amount	%
CURRENT ASSETS							CURRENT LIABILITIES						
Cash and cash equivalents (Notes 4, 6 and 30)	\$ 11,978,574	22	\$ 19,096,662	30	\$ 19,727,097	29	Short-term borrowings (Notes 17 and 30)	\$ 566,577	1	\$ 88,406	-	\$ 1,800,488	3
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 30)	1,358	-	6,199	-	-	-	Notes payable and trade payables (Notes 18 and 30)	2,004,696	4	1,834,141	3	2,154,754	3
Notes receivable and trade receivables, net (Notes 4, 10 and 30)	2,822,661	5	2,911,980	5	2,901,450	4	Payables to related parties (Notes 30 and 31)	90,584	-	136,005	-	82,244	-
Receivables from related parties, net (Notes 4, 30 and 31)	458,302	1	427,453	1	918,063	1	Other payables (Notes 19 and 30)	2,226,702	4	2,619,846	4	2,176,649	3
Other receivables (Notes 10 and 30)	147,208	-	106,203	-	121,198	-	Salary and bonus payable (Note 22)	-	-	-	-	530,775	1
Inventories (Notes 4 and 11)	8,795,383	17	6,859,892	11	6,468,003	10	Payable for purchase of equipment (Note 30)	432,797	1	394,986	1	875,833	1
Other financial assets - current (Notes 4, 15, 30 and 32)	-	-	41,106	-	-	-	Current tax liabilities (Notes 4 and 25)	355,427	1	339,661	1	348,966	1
Other current assets (Notes 14 and 16)	534,645	1	479,392	1	475,483	1	Provisions - current (Notes 4 and 20)	143,399	-	94,169	-	88,488	-
							Current portion of long-term borrowings (Notes 17, 30 and 32)	7,656,919	14	5,233,718	8	1,527,718	2
							Other current liabilities	71,689	-	99,347	-	85,504	-
Total current assets	24,738,131	46	29,928,887	48	30,611,294	45	Total current liabilities	13,548,790	25	10,840,279	17	9,671,419	14
NON-CURRENT ASSETS							NON-CURRENT LIABILITIES						
Financial assets at fair value through profit or loss - non-current (Notes 4, 7 and 30)	-	-	-	-	39,357	-	Long-term borrowings (Notes 17, 30 and 32)	10,942,978	20	15,799,897	26	16,078,614	24
Available-for-sale financial assets - non-current (Notes 4, 8 and 30)	951,333	2	888,685	1	879,392	1	Accrued pension liabilities (Notes 4 and 21)	825,606	2	717,793	1	622,566	1
Financial assets measured at cost - non-current (Notes 4, 9 and 30)	114,888	-	97,862	-	154,491	-	Other non-current liabilities	3,087	-	1,694	-	3,766	-
Property, plant and equipment (Notes 4, 12 and 32)	26,728,291	49	29,883,778	48	35,496,832	52	Total non-current liabilities	11,771,671	22	16,519,384	27	16,704,946	25
Intangible assets (Notes 4 and 13)	316,358	1	360,936	1	148,475	-	Total liabilities	25,320,461	47	27,359,663	44	26,376,365	39
Deferred tax assets (Notes 4 and 25)	910,037	2	909,843	2	553,198	1	EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 22)						
Other financial assets - non-current (Notes 4, 15, 30 and 32)	185,715	-	192,921	-	201,741	1	Ordinary shares	35,214,730	65	35,214,623	56	33,847,486	50
Other non-current assets (Notes 14 and 16)	101,506	-	67,776	-	51,042	-	Capital surplus	344,166	-	343,869	-	346,489	-
							Retained earnings						
Total non-current assets	29,308,128	54	32,401,801	52	37,524,528	55	Legal reserve	-	-	2,695,275	4	2,407,003	3
							Unappropriated earnings (accumulated deficit)	(7,178,843)	(13)	(3,528,992)	(5)	4,776,572	7
							Other equity	457,785	1	346,196	1	402,047	1
							Treasury shares	(159,061)	-	(159,061)	-	(159,061)	-
							Equity attributable to owners of the Company	28,678,777	53	34,911,910	56	41,620,536	61
TOTAL	\$ 54,046,259	100	\$ 62,330,688	100	\$ 68,135,822	100	NON-CONTROLLING INTERESTS (Note 22)	47,021	-	59,115	-	138,921	-
							Total equity	28,725,798	53	34,971,025	56	41,759,457	61
							TOTAL	\$ 54,046,259	100	\$ 62,330,688	100	\$ 68,135,822	100

The accompanying notes are an integral part of the consolidated financial statements.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2013		2012	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 23 and 31)	\$ 22,204,420	100	\$ 24,228,738	100
OPERATING COSTS (Notes 11, 21, 24 and 31)	<u>20,253,610</u>	<u>91</u>	<u>21,823,165</u>	<u>90</u>
GROSS PROFIT	<u>1,950,810</u>	<u>9</u>	<u>2,405,573</u>	<u>10</u>
OPERATING EXPENSES (Notes 21, 24 and 31)				
Selling and marketing expenses	1,096,303	5	1,174,486	5
General and administrative expenses	1,758,269	8	1,720,759	7
Research and development expenses	<u>5,452,567</u>	<u>25</u>	<u>4,972,261</u>	<u>21</u>
Total operating expenses	<u>8,307,139</u>	<u>38</u>	<u>7,867,506</u>	<u>33</u>
LOSS FROM OPERATIONS	<u>(6,356,329)</u>	<u>(29)</u>	<u>(5,461,933)</u>	<u>(23)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4 and 24)	209,395	1	291,428	1
Other gains and losses (Note 24)	128,678	1	(105,443)	-
Finance costs (Notes 4 and 24)	<u>(334,896)</u>	<u>(2)</u>	<u>(302,953)</u>	<u>(1)</u>
Total non-operating income and expenses	<u>3,177</u>	<u>-</u>	<u>(116,968)</u>	<u>-</u>
LOSS BEFORE INCOME TAX	(6,353,152)	(29)	(5,578,901)	(23)
INCOME TAX EXPENSE (BENEFIT) (Note 25)	<u>5,087</u>	<u>-</u>	<u>(61,385)</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(6,358,239)</u>	<u>(29)</u>	<u>(5,517,516)</u>	<u>(23)</u>
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translating foreign operations (Notes 4 and 22)	53,790	-	(72,850)	-
Unrealized gain on available-for-sale financial assets (Notes 4 and 22)	<u>57,945</u>	<u>1</u>	<u>16,886</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>111,735</u>	<u>1</u>	<u>(55,964)</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (6,246,504)</u>	<u>(28)</u>	<u>\$ (5,573,480)</u>	<u>(23)</u>

(Continued)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2013		2012	
	Amount	%	Amount	%
NET LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$ (6,305,647)	(29)	\$ (5,438,016)	(23)
Non-controlling interests	<u>(52,592)</u>	<u>-</u>	<u>(79,500)</u>	<u>-</u>
	<u>\$ (6,358,239)</u>	<u>(29)</u>	<u>\$ (5,517,516)</u>	<u>(23)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Owner of the Company	\$ (6,194,058)	(28)	\$ (5,493,867)	(23)
Non-controlling interests	<u>(52,446)</u>	<u>-</u>	<u>(79,613)</u>	<u>-</u>
	<u>\$ (6,246,504)</u>	<u>(28)</u>	<u>\$ (5,573,480)</u>	<u>(23)</u>
LOSS PER SHARE (Note 26)				
Basic	<u>\$ (1.79)</u>		<u>\$ (1.55)</u>	
Diluted	<u>\$ (1.79)</u>		<u>\$ (1.55)</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Equity Attributable to Owners of the Company									
	Retained Earnings				Other Equity		Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Legal Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain from Available-for-sale Financial Assets				
BALANCE AT JANUARY 1, 2012	\$ 33,847,486	\$ 346,489	\$ 2,407,003	\$ 4,776,572	\$ (30,048)	\$ 432,095	\$ (159,061)	\$ 41,620,536	\$ 138,921	\$ 41,759,457
APPROPRIATION OF 2011 EARNINGS										
Legal reserve	-	-	288,272	(288,272)	-	-	-	-	-	-
Cash dividends distributed by the Company - NT\$0.38 per share	-	-	-	(1,288,408)	-	-	-	(1,288,408)	-	(1,288,408)
Stock dividends distributed by the Company - NT\$0.38 per share	1,288,408	-	-	(1,288,408)	-	-	-	-	-	-
Net loss for the year ended December 31, 2012	-	-	-	(5,438,016)	-	-	-	(5,438,016)	(79,500)	(5,517,516)
Other comprehensive income (loss) for the year ended December 31, 2012, net of income tax	-	-	-	-	(72,737)	16,886	-	(55,851)	(113)	(55,964)
Total comprehensive income (loss) for the year ended December 31, 2012	-	-	-	(5,438,016)	(72,737)	16,886	-	(5,493,867)	(79,613)	(5,573,480)
Company's dividends received by its subsidiary	-	1,427	-	-	-	-	-	1,427	-	1,427
Difference between the fair value and carrying amount from equity transactions of subsidiaries	-	-	-	(2,460)	-	-	-	(2,460)	2,460	-
Additional non-controlling interest arising on issue of employee share options by subsidiaries	-	-	-	-	-	-	-	-	978	978
Issue of ordinary shares under employee share options	78,729	(4,160)	-	-	-	-	-	74,569	-	74,569
Increase (decrease) in non-controlling interests	-	113	-	-	-	-	-	113	(3,631)	(3,518)
BALANCE AT DECEMBER 31, 2012	35,214,623	343,869	2,695,275	(3,528,992)	(102,785)	448,981	(159,061)	34,911,910	59,115	34,971,025
Legal reserve used to offset accumulated deficit	-	-	(2,695,275)	2,695,275	-	-	-	-	-	-
Net loss for the year ended December 31, 2013	-	-	-	(6,305,647)	-	-	-	(6,305,647)	(52,592)	(6,358,239)
Other comprehensive income for the year ended December 31, 2013, net of income tax	-	-	-	-	53,644	57,945	-	111,589	146	111,735
Total comprehensive income (loss) for the year ended December 31, 2013	-	-	-	(6,305,647)	53,644	57,945	-	(6,194,058)	(52,446)	(6,246,504)
Difference between the fair value and carrying amount from equity transactions of subsidiaries	-	-	-	(39,479)	-	-	-	(39,479)	39,479	-
Additional non-controlling interest arising on issue of employee share options by subsidiaries	-	-	-	-	-	-	-	-	411	411
Issue of ordinary shares under employee share options	107	(13)	-	-	-	-	-	94	-	94
Increase in non-controlling interests	-	310	-	-	-	-	-	310	462	772
BALANCE AT DECEMBER 31, 2013	<u>\$ 35,214,730</u>	<u>\$ 344,166</u>	<u>\$ -</u>	<u>\$ (7,178,843)</u>	<u>\$ (49,141)</u>	<u>\$ 506,926</u>	<u>\$ (159,061)</u>	<u>\$ 28,678,777</u>	<u>\$ 47,021</u>	<u>\$ 28,725,798</u>

The accompanying notes are an integral part of the consolidated financial statements.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (6,353,152)	\$ (5,578,901)
Adjustments for:		
Depreciation expense	7,521,836	7,719,454
Amortization expense	222,073	192,837
Impairment loss recognized on trade receivables	4,127	49,533
Finance costs	334,896	302,953
Interest income	(122,360)	(166,316)
Dividend income	(60,821)	(60,825)
Compensation cost of employee share options	411	978
Loss on disposal of property, plant and equipment	7,923	138,308
Gain on disposal of investments	(2,973)	(1,411)
Impairment loss recognized on financial assets	-	6,583
Impairment loss recognized on non-financial assets	122	-
Loss (gain) on foreign currency exchange	86,271	(164,785)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets held for trading	4,841	(6,199)
Decrease (increase) in notes receivable and trade receivables	136,131	(62,846)
Decrease (increase) in receivables from related parties	(40,385)	462,648
Decrease (increase) in other receivables	(27,788)	23,787
Increase in inventories	(1,935,491)	(391,889)
Increase in other current assets	(54,945)	(4,308)
Increase (decrease) in notes payable and trade payables	170,953	(290,322)
Increase (decrease) in payables to related parties	(50,175)	54,194
Increase (decrease) in other payables	(396,110)	445,338
Increase in provisions	49,230	18,215
Increase (decrease) in other current liabilities	(27,831)	14,081
Increase in accrued pension liabilities	107,813	95,227
Decrease in other operating liabilities	-	(530,775)
Cash generated from (used in) operations	(425,404)	2,265,559
Interest received	124,708	157,524
Dividend received	60,821	60,825
Interest paid	(334,616)	(309,042)
Income tax paid	(5,097)	(304,565)
Net cash generated from (used in) operating activities	(579,588)	1,870,301
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets designated as at fair value through profit or loss	-	38,916
Acquisition of available-for-sale financial assets	-	(150,000)
Proceeds from disposal of available-for-sale financial assets	-	150,229
Acquisition of financial assets measured at cost	(9,538)	-
Proceeds from disposal of financial assets measured at cost	9,538	-
Proceeds from return of capital by financial assets measured at cost	15,928	48,540
Increase in prepayment for investments	-	(29,040)
Payments for property, plant and equipment	(4,318,034)	(2,806,019)

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (In Thousands of New Taiwan Dollars)

	2013	2012
Proceeds from disposal of property, plant and equipment	\$ 3,766	\$ 57,978
Increase in refundable deposits	(419)	(2,025)
Decrease in refundable deposits	805	3,286
Payments for intangible assets	(177,199)	(418,968)
Decrease (increase) in other financial assets	46,020	(83,711)
Decrease (increase) in other non-current assets	<u>(63,197)</u>	<u>25,860</u>
Net cash used in investing activities	<u>(4,492,330)</u>	<u>(3,164,954)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	1,724,911	624,730
Repayments of short-term borrowings	(1,214,336)	(2,251,433)
Proceeds from long-term borrowings	2,800,000	6,200,000
Repayments of long-term borrowings	(5,233,718)	(2,772,717)
Proceeds from guarantee deposits received	220	3,354
Refund of guarantee deposits	-	(4,848)
Increase (decrease) in other non-current liabilities	823	(510)
Cash dividends	-	(1,286,981)
Proceeds from exercise of employee stock options	94	74,569
Increase (decrease) in non-controlling interests	<u>772</u>	<u>(3,518)</u>
Net cash generated from (used in) financing activities	<u>(1,921,234)</u>	<u>582,646</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(124,936)</u>	<u>81,572</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,118,088)	(630,435)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>19,096,662</u>	<u>19,727,097</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 11,978,574</u>	<u>\$ 19,096,662</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Macronix International Co., Ltd. (the “Company”) was incorporated in the Republic of China (“ROC”) on December 9, 1989 and commenced business in December 1989. The Company operates principally as a designer, manufacturer and supplier of integrated circuits and memory chips. The Company also performs design, research and development, consultation and trade of relevant products.

The Company’s shares have been listed on the Taiwan Stock Exchange (TSE) since March 15, 1995. The Company listed a portion of its shares on the NASDAQ Stock Market in the form of American Depositary Shares (ADSs) in May 1996 but delisted on October 29, 2007.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors on March 17, 2014.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. New, amended and revised standards and interpretations (the “New IFRSs”) in issue but not yet effective

The Company and its subsidiaries (the “Group”) have not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) issued by the IASB. On January 28, 2014, the Financial Supervisory Commission (FSC) announced the framework for the adoption of updated IFRSs version in the ROC. Under this framework, starting January 1, 2015, the previous version of IFRSs endorsed by the FSC (the 2010 IFRSs version) currently applied by companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market will be replaced by the updated IFRSs without IFRS 9 (the 2013 IFRSs version). However, as of the date that the consolidated financial statements were authorized for issue, the FSC has not endorsed the following new, amended and revised standards and interpretations issued by the IASB (the “New IFRSs”) included in the 2013 IFRSs version. Furthermore, the FSC has not announced the effective date for the following New IFRSs that are not included in the 2013 IFRSs version.

	Effective Date Announced by IASB (Note 1)
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The New IFRSs included in the 2013 IFRSs version not yet endorsed by the FSC	
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Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1,
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	2010, as appropriate
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Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods
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	ending on or after June 30,
	2009

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	Effective Date Announced by IASB (Note 1)
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 “Limited Exemption from Comparative IFRS 7 Disclosures for First-Time Adopters”	July 1, 2010
Amendment to IFRS 1 “Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters”	July 1, 2011
Amendment to IFRS 1 “Government Loans”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”	January 1, 2013
Amendment to IFRS 7 “Disclosure - Transfer of Financial Assets”	July 1, 2011
IFRS 10 “Consolidated Financial Statements”	January 1, 2013
IFRS 11 “Joint Arrangements”	January 1, 2013
IFRS 12 “Disclosure of Interests in Other Entities”	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance”	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 “Investment Entities”	January 1, 2014
IFRS 13 “Fair Value Measurement”	January 1, 2013
Amendment to IAS 1 “Presentation of Other Comprehensive Income”	July 1, 2012
Amendment to IAS 12 “Deferred tax: Recovery of Underlying Assets”	January 1, 2012
IAS 19 (Revised 2011) “Employee Benefits”	January 1, 2013
IAS 27 (Revised 2011) “Separate Financial Statements”	January 1, 2013
IAS 28 (Revised 2011) “Investments in Associates and Joint Ventures”	January 1, 2013
Amendment to IAS 32 “Offsetting Financial Assets and Financial Liabilities”	January 1, 2014
IFRIC 20 “Stripping Costs in Production Phase of a Surface Mine”	January 1, 2013
<u>The New IFRSs not included in the 2013 IFRSs version</u>	
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
IFRS 9 “Financial Instruments”	Effective date not determined
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	Effective date not determined
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after the respective effective dates.

Note 2: The amendment to IFRS 2 applies to share-based payment transactions for which the grant date is on or after 1 July 2014; the amendment to IFRS 3 applies to business combinations for which the acquisition date is on or after 1 July 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

- b. Significant impending changes in accounting policy that would result from future adoption of new and revised Standards, Amendments and Interpretations in issue but not yet effective

Except for the following, the impending initial application of the above New IFRSs, whenever applied, would not have any material impact on the Group's accounting policies:

1) IFRS 9 "Financial Instruments"

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Specifically, financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other financial assets are measured at their fair values at the end of reporting period. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

Effective date

The mandatory effective date of IFRS 9, which was previously set at January 1, 2015, was removed and will be reconsidered once the standard is complete with a new impairment model and finalization of any limited amendments to classification and measurement.

2) New and revised standards on consolidation, joint arrangement, and associates and disclosure

IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Group considers whether it has control over other entities for consolidation. The Group has control over an investee if and only if it has i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

3) IFRS 13 "Fair Value Measurement"

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

4) Amendments to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendments to IAS 1 require items of other comprehensive income to be grouped into those that (1) will not be reclassified subsequently to profit or loss; and (2) will be reclassified subsequently to profit or loss when specific conditions are met. Income taxes on related items of other comprehensive income are grouped on the same basis. Previously, there were no such requirements.

5) Revision to IAS 19 “Employee Benefits”

Revision in 2011

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset.

In addition, revised IAS 19 changes the definition of short-term employee benefits. The revised definition is “employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service”. The Group’s unused annual leave, which can be carried forward within 36 months after the end of the annual period in which the employee renders service and which is currently classified as short-term employee benefits, will be classified as other long-term employee benefits under revised IAS 19. Related defined benefit obligation of such other long-term benefit is calculated using the Projected Unit Credit Method. However, this change does not affect unused annual leave to be presented as a current liability in the consolidated balance sheet.

6) Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made some consequential amendments to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amount is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Group is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

7) New issued IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Group accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.

8) Annual Improvement to IFRSs 2010-2012 Cycle

Several standards including IFRS 2 “Share-Based Payment”, IFRS 3 “Business Combinations” and IFRS 8 “Operating Segments” were amended in this annual improvement.

The amended IFRS 2 changes the definitions of “vesting condition” and “market condition” and adds definitions for “performance condition” and “service condition”. The amendment clarifies that a performance target can be based on the operations (i.e. a non-market condition) of the Group or another entity in the same group or the market price of the equity instruments of the Group or another entity in the same group (i.e. a market condition); that a performance target can relate either to the performance of the Group as a whole or to some part of it (e.g. a division); and that the period for achieving a performance condition must not extend beyond the end of the related service period. In addition, a share market index target is not a performance condition because it not only reflects the performance of the Group, but also of other entities outside the Group.

IFRS 3 was amended to clarify that contingent consideration should be measured at fair value, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39. Changes in fair value should be recognized in profit or loss.

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

IAS 24 was amended to clarify that a management entity providing key management personnel services to the Group is a related party of the Group. Consequently, the Group is required to disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

9) Annual Improvement to IFRSs 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 “Investment Property” were amended in this annual improvement.

IFRS 3 was amended to clarify that IFRS 3 does not apply to the accounting for the formation of all types of joint arrangements in the financial statements of the joint arrangement itself.

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

- c. Significant impending changes in accounting policy resulted from the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers in issue but not yet effective

On December 30, 2013, FSC announced the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers. One of the main amendments is to permit fair value model for subsequent measurement of investment properties. This amendment is effective for annual periods beginning on or after January 1, 2014.

The amendment requires that the fair value of an investment property be measured using the income approach, except for undeveloped lands in respect of which are measured using a Land Development Analysis. If the investment property is measured using the income approach, the cash flows are determined by reference to any existing lease, local rents, or market rents for similar comparable subjects, adjusted to exclude those extreme lease subjects, plus the present value of property value at the end of the analysis period, if any. The discount rate is determined by applying a risk premium approach, and is to be no less than the floating rate for the 2-year time savings deposits of Chunghwa Post Co., Ltd plus 0.75% and any asset-specific risk premium. The amendment requires disclosures in addition to those required by IAS 40, including significant lease terms, cash flows, discount rate, etc.

- d. The impact of the application of the above New IFRSs and the Regulations on the Group's financial position and operating results is as follows:

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continually assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

On May 14, 2009, the FSC announced the "Framework for the Adoption of IFRSs by the Companies in the ROC." In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRS, IAS, IFRIC and SIC (the "IFRSs") endorsed by the FSC.

The Group's consolidated financial statements for the years ended December 31, 2013 is its first IFRS consolidated financial statements. The date of transition to IFRSs was January 1, 2012. Refer to Note 37 for the impact of IFRS conversion on the Group's consolidated financial statements.

- a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, or other regulations and IFRSs as endorsed by the FSC.

- b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The opening consolidated balance sheets as of the date of transition to IFRSs were prepared in accordance with IFRS 1 “First-time Adoption of International Financial Reporting Standards”. The applicable IFRSs have been applied retrospectively by the Group except for some aspects where IFRS 1 prohibits retrospective application or grants optional exemptions to this general principle. For the exemptions that the Group elected, refer to Note 37.

c. Classification of current and non-current assets and liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized within twelve months after the reporting period, unless the asset is to be used for an exchange or to settle a liability, or otherwise remains restricted, at more than twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that do not have an unconditional right to defer settlement for at least twelve months after the reporting period. Liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries). When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group’s ownership interests in existing subsidiaries

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

2) Subsidiary included in consolidated financial statements

As of December 31, 2013, the Company has direct and indirect majority ownership in the following subsidiaries: Run Hong Investment, Ltd. (“Run Hong”), Hui Ying Investment, Ltd. (“Hui Ying”), Magic Pixel Inc. (“MPI”), Mxtran Inc. (“Mxtran”), Infomax Communication Co., Ltd. (“INFOMAX”), MoDioTek Co., Ltd. (“MoDioTek”), Macronix America Inc. (“MXA”), Macronix (BVI) Co., Ltd. (“MXBVI”), Magic Pixel Inc. (“MPI Samoa”), Magic Pixel Holding Company Limited (“MPI HK”), Magic Pixel (Shen Zhen) Co., Ltd. (“MPI SZ”), Mxtran Holding (Samoa) Co., Ltd. (“Mxtran Samoa”), Mxtran (H.K.) Holding Co., Limited (“Mxtran HK”), Maxtran Technology Co., Ltd. (“Maxtran Beijing”), Infomax Holding Co., Ltd. (“Infomax Samoa”), Infomax Holding Company Limited (“Infomax HK”), Infomax Communication (Suzhou) Co., Ltd. (“Infomax SU”), Mosatek Co., Ltd. (“Mosatek Samoa”), Mosatek (HK) Company Limited (“Mosatek HK”), Modiotek (Suzhou) Co., Ltd. (“Modiotek SU”), New Trend Technology Inc. (“NTTI”), Macronix (Asia) Limited (“MX Asia”), Macronix Pte. Ltd. (“MPL”), Macronix Europe NV. (“MXE”),

Macronix (Hong Kong) Co., Ltd. (“MXHK”) and Macronix Microelectronics (Suzhou) Co., Ltd. (“MXm”).

Investor	Investee	Main Business	% of Ownership			Remark
			December 31, 2013	December 31, 2012	January 1, 2012	
The Company	MXB Inc. (“MXB”)	Sales and marketing	-	-	50.00	Note 1
The Company	Run Hong	Investment company	100.00	100.00	100.00	-
The Company	Hui Ying	Investment company	100.00	100.00	100.00	-
The Company and Run Hong	MPI	Fabless multimedia system on chip	83.11	77.38	77.38	-
The Company and Run Hong	Mxtran	Combi-SIM IC and the related service	94.15	93.14	93.14	-
The Company and Run Hong	INFOMAX	Baseband chip, analog baseband chip, and power management chip	99.02	97.34	97.68	-
The Company, Run Hong and Hui Ying	MoDioTek	Mobile audio platform and smart remote controller	84.16	80.86	80.86	-
The Company and Run Hong	MaxRise Inc. (“MaxRise”)	IC design, research, development, design, manufacturing and sales of digital TV receivable chips	-	-	84.69	Note 2
The Company	MXA	Sales and marketing	100.00	100.00	100.00	-
The Company	MXBVI	Investment company	100.00	100.00	100.00	-
MPI	MPI Samoa	Investment company	100.00	100.00	100.00	-
MPI Samoa	MPI HK	Investment company	100.00	100.00	100.00	-
MPI HK	MPI SZ	Sales and technical support of fabless multimedia system on chip	100.00	100.00	100.00	-
Mxtran	Mxtran Samoa	Investment company	100.00	100.00	100.00	-
Mxtran Samoa	Mxtran HK	Investment company	100.00	100.00	100.00	-
Mxtran HK	Maxtran Beijing	Technical support of Combi-SIM IC	100.00	100.00	100.00	-
INFOMAX	Infomax Samoa	Investment company	100.00	100.00	100.00	-
Infomax Samoa	Infomax HK	Investment company	100.00	100.00	100.00	-
Infomax HK	Infomax SU	Software, rendering and technical service	100.00	100.00	100.00	-
MoDioTek	Mosatek Samoa	Investment company	100.00	100.00	100.00	-
Mosatek Samoa	Mosatek HK	Investment company	100.00	100.00	100.00	-
Mosatek HK	Modiotek SU	Sales and technical support of mobile audio platform and smart remote controller	100.00	100.00	100.00	-
MXBVI	NTTI	IC design	100.00	100.00	100.00	-
MXBVI	MX Asia	Investment company	100.00	100.00	100.00	-
MXBVI	MPL	After-sales service	100.00	100.00	100.00	-
MXBVI	MXE	After-sales service	100.00	100.00	100.00	-
MXBVI	MXHK	Sales and marketing	100.00	100.00	100.00	-
MXHK	MXm	Development of integrated circuit system and software	100.00	100.00	100.00	-

Note 1: MXB was in the process of liquidation in 2011 and completed the liquidation in 2012.

Note 2: MaxRise merged with INFOMAX through share swap in December 2012, and INFOMAX continues to exist. MaxRise’s revenues and expenses before the merger were included in the consolidated financial statements of 2012.

e. Business combinations

The Group does not apply the acquisition method to account for business combinations involving entities under common control. The consolidated financial statements were prepared on the basis that using the book value of the company which is eliminate after stock exchanges combination. Book value of the company should be evaluated including losses.

f. Foreign currencies

The functional currency of the Company is New Taiwan dollars. In preparing the financial statements of each individual group entity, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognized in other comprehensive income and accumulated in equity attributed to the owners of the Company and non-controlling interests as appropriate.

g. Cash equivalents

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

h. Inventories

Inventories consist of raw materials, supplies, finished goods, merchandise and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted - average cost on the balance sheet date.

i. Property, plant, and equipment

Property, plant and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss.

Freehold land is not depreciated.

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization. Amortization is recognized on a straight-line basis. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

3) Derecognition of intangible assets

Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

When an impairment loss is subsequently reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

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

Financial assets and liabilities are initially measured at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1) Measurement category

Financial assets are classified into the following categories: Financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. The categories of financial assets held by the Group

are financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables.

a) Financial assets at fair value through profit or loss

Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

i. Financial asset is classified as held for trading if:

- i) It has been acquired principally for the purpose of selling it in the near term; or
- ii) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- iii) It is a derivative that is neither classified as a financial guarantee contract nor designated and effective as a hedging instrument.

ii. A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

In addition, if a contract contains one or more embedded derivatives, the entire combined contract asset or liability can be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend received on the financial asset. Fair value is determined in the manner described in Note 30.

b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets carried at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

c) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including cash and cash equivalent, trade receivables, other receivables and long-term receivables) are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

2) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables and other receivables, assets are assessed for impairment on a collective basis even if they were assessed as not impaired individually.

For financial assets carried at amortized cost, the amount of the impairment loss is 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.

For financial assets measured at amortized cost, 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 was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- a) Significant financial difficulty of the issuer or counterparty; or
- b) Breach of contract, such as a default or delinquency in interest or principal payments; or
- c) It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- d) The disappearance of an active market for that financial asset because of financial difficulties.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period. In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

3) Derecognition of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method, less any impairment.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is held for trading.

a) A financial liability is classified as held for trading if:

- i. It has been acquired principally for the purpose of repurchasing it in the near term; or
- ii. On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- iii. It is a derivative that is neither classified as a financial guarantee contract nor designated and effective as a hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 30.

2) Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

m. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

n. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Sales returns are recognized at the time of sale provided the seller can reliably estimate future returns and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Specifically, sales of goods are recognized when goods are delivered and title has passed.

2) Rendering of services

Service income is recognized when services are provided.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined by the contractual rates as labor hours and direct expenses are incurred.

3) Royalties

Royalty revenue is recognized on an accrual basis in accordance with the substance of the relevant agreement provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Royalty arrangements that are based on production, sales and other measures are recognized by reference to the underlying arrangement.

4) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

o. Leasing

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

1) The Group as lessor

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

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents arising under operating leases are recognized as an expense in the year in which they are incurred.

p. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the year in which they are incurred other than stated above.

q. Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses that exceed 10% of the greater of the present value of the Group's defined benefit obligation and the fair value of plan assets as at the end of the prior year are amortized over the expected average remaining working lives of the participating employees. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognized in the consolidated balance sheets represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the unrecognized past service cost and actuarial losses, plus the present value of available refunds and reductions in future contributions to the plan.

r. Share-based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee share options. The fair value determined at the grant date of the equity-settled share-based payments is recognized as an expense in full at the grant date when the share options granted vest immediately.

At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the capital surplus - employee share options.

The above accounting policy only applies to the equity instruments granted after November 7, 2002 and also vested after January 1, 2012. For the other rest equity instruments, equity-settled share-based payments are not recognized as an expense.

s. Treasury stock

The parent company's stock held by subsidiaries is reclassified to treasury stock from investment accounted for using equity method and recognized with the original investment cost. Cash dividends earned by subsidiaries are write-off with investment income and adjust capital surplus-treasury stock transaction.

t. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for purchases of machinery, equipment and technology, and research and development expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the year which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

a. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

b. Write-down of inventory

Net realizable value of inventory is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The estimation of net realizable value was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

c. Fair value of financial instruments

As described in Note 30, the Group's management uses its judgment in selecting an appropriate valuation technique for financial instruments that do not have quoted market price in an active market. Valuation techniques commonly used by market practitioners are applied. For derivative financial instruments, assumptions were based on quoted market rates adjusted for specific features of the instruments. The estimation of fair value of listed equity instruments traded in emerging market and unlisted equity instruments was based on the analysis in relation to the financial position and the operation results of investees, recent transaction prices, prices of same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, valuation multiples of comparable entities, excluding assumptions not based on unobservable market prices or rates. As of December 31, 2013 and 2012, and January 1, 2012, the carrying amount of these equity instruments was NT\$951,333 thousand, NT\$888,685 thousand, and NT\$879,392 thousand, respectively. Note 30 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Group's management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

d. Useful lives of property, plant and equipment

As described in Note 4, the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

e. Impairment of tangible and intangible assets

In the process of evaluating the potential impairment of tangible and intangible assets, the Group is required to make subjective judgments in determining the independent cash flows, useful lives, expected future revenue and expenses related to the specific asset groups with the consideration of the nature of semiconductor industry. Any changes in these estimates based on changed economic conditions or business strategies could result in significant impairment charges in future periods.

For the years ended December 31, 2013 and 2012, the Group did not have impairment loss.

f. Income taxes

As of December 31, 2013 and 2012, and January 1, 2012, the carrying amount of deferred tax assets in relation to unused tax losses was NT\$4,890,555 thousand, NT\$4,435,207 thousand, and NT\$4,075,919 thousand, respectively. As of December 31, 2013 and 2012, and January 1, 2012, no deferred tax asset has been recognized on tax losses of NT\$3,980,518 thousand, NT\$3,525,364 thousand and NT\$3,522,721 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

g. Recognition and measurement of defined benefit plans

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

h. Revenue recognition

The Group recognizes revenue when the conditions described in Note 4 are satisfied. The Group also records a provision for estimated future returns and other allowances in the same year the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and the Group periodically reviews the adequacy of the percentage used.

As of December 31, 2013 and 2012, and January 1, 2012, the Group recognized provisions for estimated sales returns and other allowances of NT\$72,055 thousand, NT\$23,596 thousand, and NT\$24,521 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012	January 1, 2012
Cash on hand	\$ 547	\$ 610	\$ 863
Checking accounts and demand deposits	2,220,438	1,292,609	3,201,151
Cash equivalent			
Time deposits	9,757,589	17,803,443	16,275,083
Repurchase agreements collateralized by bonds	<u>-</u>	<u>-</u>	<u>250,000</u>
	<u>\$ 11,978,574</u>	<u>\$ 19,096,662</u>	<u>\$ 19,727,097</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets held for trading</u>			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts (a)	\$ 1,358	\$ 6,199	\$ -
<u>Financial assets designated as at FVTPL</u>			
Foreign publicly-traded convertible bonds (b)	-	-	39,357
Financial assets at FVTPL	<u>\$ 1,358</u>	<u>\$ 6,199</u>	<u>\$ 39,357</u>
Current	\$ 1,358	\$ 6,199	\$ -
Non-current	-	-	39,357
	<u>\$ 1,358</u>	<u>\$ 6,199</u>	<u>\$ 39,357</u>

- a. At the end of the reporting period, outstanding foreign exchange forward contracts not under hedge accounting were as follows:

Contract	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2013</u>			
Sell	USD/NTD	2014.01	USD6,000/NTD179,924
<u>December 31, 2012</u>			
Sell	JPY/NTD	2013.01	JPY400,000/NTD141,800
Sell	USD/NTD	2013.01	USD10,000/NTD290,456

The Group entered into foreign exchange forward contracts during 2013 and 2012 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

- b. The foreign publicly-traded convertible bonds with annual rate of 5% were matured and the amounts of principal and interest were received on January 12, 2012.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Domestic investments</u>			
Listed shares	\$ 815,226	\$ 725,526	\$ 678,663
<u>Foreign investments</u>			
Listed shares	<u>136,107</u>	<u>163,159</u>	<u>200,729</u>
Available-for-sale financial assets	<u>\$ 951,333</u>	<u>\$ 888,685</u>	<u>\$ 879,392</u>
Non-current	<u>\$ 951,333</u>	<u>\$ 888,685</u>	<u>\$ 879,392</u>

9. FINANCIAL ASSETS MEASURED AT COST

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic unlisted common shares	\$ 82,698	\$ 91,473	\$ 117,556
Overseas unlisted common shares	<u>32,190</u>	<u>6,389</u>	<u>36,935</u>
	<u>\$ 114,888</u>	<u>\$ 97,862</u>	<u>\$ 154,491</u>
Non-current	<u>\$ 114,888</u>	<u>\$ 97,862</u>	<u>\$ 154,491</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 114,888</u>	<u>\$ 97,862</u>	<u>\$ 154,491</u>

Management believed that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured due to the significant range of reasonable fair value estimates, therefore, they were measured at cost less impairment at the end of the reporting period.

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes receivable</u>			
Operating	<u>\$ 1,205</u>	<u>\$ 1,077</u>	<u>\$ 6,486</u>
<u>Trade receivables</u>			
Trade receivables	2,823,432	2,910,921	2,894,982
Less: Allowance for impairment loss	<u>1,976</u>	<u>18</u>	<u>18</u>
	<u>2,821,456</u>	<u>2,910,903</u>	<u>2,894,964</u>
	<u>\$ 2,822,661</u>	<u>\$ 2,911,980</u>	<u>\$ 2,901,450</u>

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Other receivables</u>			
Tax receivable	\$ 128,165	\$ 89,485	\$ 94,744
Others	<u>19,043</u>	<u>16,718</u>	<u>26,454</u>
	<u>\$ 147,208</u>	<u>\$ 106,203</u>	<u>\$ 121,198</u> (Concluded)

a. Trade Receivables

The average credit period for sales of goods was 60 days. In determining the recoverability of a trade receivable, the Group evaluates each customer's credibility and financial position and considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

Of the trade receivables balance (see aging analysis below) that are past due at the end of the reporting period, the Group had not recognized an allowance for impaired notes receivable and trade receivables for NT\$196,043 thousand, NT\$226,243 thousand and NT\$44,161 thousand as of December 31, 2013 and 2012 and January 1, 2012, respectively, because there had not been a significant change in credit quality and the amounts were still considered recoverable.

Age of receivables that were past due but not impaired was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Neither past due nor impaired	\$ 2,625,053	\$ 2,684,660	\$ 2,850,803
Past due but not impaired			
Less than 60days	27,835	144,178	44,161
61-120 days	36	66,014	-
Over 121days	<u>168,532</u>	<u>16,051</u>	<u>-</u>
	<u>\$ 2,821,456</u>	<u>\$ 2,910,903</u>	<u>\$ 2,894,964</u>

Above analysis was based on the past due date.

As of December 31, 2013, the Group did not hold collateral for most of the receivables.

Movements in the allowance for impairment loss recognized on trade receivables were as follows:

	For the Year Ended December 31	
	2013	2012
Balance at January 1	\$ 18	\$ 18
Add: Impairment losses recognized on receivables	1,976	-
Less: Amounts written off as uncollectible	<u>(18)</u>	<u>-</u>
Balance at December 31	<u>\$ 1,976</u>	<u>\$ 18</u>

b. Notes Receivable and other receivables

No allowance for impairment loss of notes receivable and other receivables was recognized since the notes receivable and other receivables of the Group were not past due and no uncertainty of recoverability was assessed.

11. INVENTORIES

	December 31, 2013	December 31, 2012	January 1, 2012
Finished goods and merchandise	\$ 1,129,321	\$ 1,004,290	\$ 1,045,265
Work in progress	7,345,579	5,511,200	5,002,956
Raw materials	<u>320,483</u>	<u>344,402</u>	<u>419,782</u>
	<u>\$ 8,795,383</u>	<u>\$ 6,859,892</u>	<u>\$ 6,468,003</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2012 was NT\$20,253,610 thousand and NT\$21,823,165 thousand, respectively. The cost of inventories recognized as cost of goods sold for the year ended December 31, 2013 and 2012 included inventory write-downs of NT\$955,016 thousand and NT\$1,119,832 thousand, respectively.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Buildings	Machinery Equipment	Research and Development Equipment	Transportation Equipment	Leasehold Improvements	Miscellaneous Equipment	Advance Payments and Construction in Progress	Total
Cost									
Balance at January 1, 2012	\$ 1,264,367	\$ 21,717,424	\$ 75,224,281	\$ 2,381,513	\$ 28,192	\$ 26,553	\$ 1,096,751	\$ 6,097,550	\$ 107,836,631
Additions	-	506,117	2,631,479	3,697,683	10,970	22,979	78,909	2,325,172	
Disposals	-	(4,431)	(913,463)	(55,730)	(6,932)	(2,754)	(28,100)	-	(1,011,410)
Effect of foreign currency exchange differences	(27,180)	(9,142)	-	(891)	(75)	(1,884)	(3,275)	(108)	(42,555)
Reclassification	-	-	(29,063)	14,948	-	-	(1,318)	-	(15,433)
Balance at December 31, 2012	<u>\$ 1,237,187</u>	<u>\$ 22,209,968</u>	<u>\$ 76,913,234</u>	<u>\$ 6,037,523</u>	<u>\$ 32,155</u>	<u>\$ 44,894</u>	<u>\$ 1,142,967</u>	<u>\$ 1,474,477</u>	<u>\$ 109,092,405</u>
Accumulated depreciation and impairment									
Balance at January 1, 2012	\$ (376,166)	\$ (14,287,420)	\$ (55,390,754)	\$ (1,326,924)	\$ (19,501)	\$ (21,079)	\$ (917,325)	\$ -	\$ (72,339,799)
Disposals	-	4,431	719,530	54,623	6,441	2,722	27,377	-	815,124
Depreciation expense	-	(1,225,770)	(5,693,773)	(694,593)	(3,605)	(3,986)	(97,727)	-	(7,719,454)
Effect of foreign currency exchange differences	15,345	585	-	386	67	1,315	2,396	-	20,094
Reclassification	-	-	43,884	(29,769)	-	-	1,293	-	15,408
Balance at December 31, 2012	<u>\$ (360,821)</u>	<u>\$ (15,508,174)</u>	<u>\$ (60,321,113)</u>	<u>\$ (1,996,277)</u>	<u>\$ (16,598)</u>	<u>\$ (21,658)</u>	<u>\$ (983,986)</u>	<u>\$ -</u>	<u>\$ (79,208,627)</u>
Carrying amounts at January 1, 2012	<u>\$ 888,201</u>	<u>\$ 7,430,004</u>	<u>\$ 19,833,527</u>	<u>\$ 1,054,589</u>	<u>\$ 8,691</u>	<u>\$ 4,844</u>	<u>\$ 179,426</u>	<u>\$ 6,097,550</u>	<u>\$ 35,496,832</u>
Carrying amounts at December 31, 2012	<u>\$ 876,366</u>	<u>\$ 6,701,794</u>	<u>\$ 16,592,121</u>	<u>\$ 4,041,246</u>	<u>\$ 15,557</u>	<u>\$ 23,236</u>	<u>\$ 158,981</u>	<u>\$ 1,474,477</u>	<u>\$ 29,883,778</u>
Cost									
Balance at January 1, 2013	\$ 1,237,187	\$ 22,209,968	\$ 76,913,234	\$ 6,037,523	\$ 32,155	\$ 44,894	\$ 1,142,967	\$ 1,474,477	\$ 109,092,405
Additions	-	467,987	1,607,742	390,621	-	254	75,005	1,814,236	4,335,845
Disposals	-	(6,385)	(217,066)	(65,076)	(1,427)	-	(19,119)	-	(309,073)
Effect of foreign currency exchange differences	16,836	13,281	-	1,387	88	348	2,983	407	35,330
Reclassification	-	(100)	135,504	(135,404)	-	-	-	-	-
Balance at December 31, 2013	<u>\$ 1,254,023</u>	<u>\$ 22,684,751</u>	<u>\$ 78,439,414</u>	<u>\$ 6,279,051</u>	<u>\$ 30,816</u>	<u>\$ 45,496</u>	<u>\$ 1,201,836</u>	<u>\$ 3,289,120</u>	<u>\$ 113,174,507</u>
Accumulated depreciation and impairment									
Balance at January 1, 2013	\$ (360,821)	\$ (15,508,174)	\$ (60,321,113)	\$ (1,996,277)	\$ (16,598)	\$ (21,658)	\$ (983,986)	\$ -	\$ (79,208,627)
Disposals	-	6,385	206,101	65,057	737	-	19,104	-	297,384
Impairment loss	(122)	-	-	-	-	-	-	-	(122)
Depreciation expense	-	(1,218,299)	(5,320,776)	(878,085)	(3,892)	(5,322)	(95,462)	-	(7,521,836)
Effect of foreign currency exchange differences	(9,506)	(1,262)	-	(745)	(78)	452	(1,876)	-	(13,015)
Reclassification	-	3	(29,863)	29,860	-	-	-	-	-
Balance at December 31, 2013	<u>\$ (370,449)</u>	<u>\$ (16,721,347)</u>	<u>\$ (65,465,651)</u>	<u>\$ (2,780,190)</u>	<u>\$ (19,831)</u>	<u>\$ (26,528)</u>	<u>\$ (1,062,220)</u>	<u>\$ -</u>	<u>\$ (86,446,216)</u>
Carrying amounts at December 31, 2013	<u>\$ 883,574</u>	<u>\$ 5,963,404</u>	<u>\$ 12,973,763</u>	<u>\$ 3,448,861</u>	<u>\$ 10,985</u>	<u>\$ 18,968</u>	<u>\$ 139,616</u>	<u>\$ 3,289,120</u>	<u>\$ 26,728,291</u>

The Group recognized an impairment loss of NT\$122 thousand, which was recognized in other gains and losses.

The carrying amount of the freehold land in the U.S.A. which is unutilized by the Group as of December 31, 2013 and 2012, and January 1, 2012 was US\$9,579 thousand, US\$9,583 thousand and US\$9,583 thousand, respectively.

The above items of property, plant and equipment were depreciated on a straight-line basis over the following estimated useful life of the asset:

Buildings	
Main buildings	6-40 years
Electronic equipment	11-20 years
Facility equipment	1-11 years
Landscape engineering	20 years
Machinery equipment	1-9 years
Research and development equipment	2-6 years
Transportation equipment	5-6 years
Leasehold improvements	3-16 years
Miscellaneous equipment	2-16 years

Refer to note 32 for the carrying amount of property, plant and equipment that had been pledged by the Group to secure long-term bank loans granted to the Group.

13. INTANGIBLE ASSETS

	Software	Licenses	Mask	Others	Total
<u>Cost</u>					
Balance at January 1, 2012	\$ 163,866	\$ 220,451	\$ 161,324	\$ 23,166	\$ 568,807
Additions	373,696	20,274	22,633	2,713	419,316
Disposals	(56,737)	(168,980)	(161,324)	(16,178)	(403,219)
Reclassification	27	(13,406)	-	(514)	(13,893)
Effect of foreign currency exchange differences	(494)	-	-	(2)	(496)
Balance at December 31, 2012	<u>\$ 480,358</u>	<u>\$ 58,339</u>	<u>\$ 22,633</u>	<u>\$ 9,185</u>	<u>\$ 570,515</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2012	\$ (87,174)	\$ (172,129)	\$ (139,569)	\$ (21,460)	\$ (420,332)
Amortization expense	(127,239)	(28,902)	(34,745)	(1,951)	(192,837)
Disposals	56,737	168,980	161,324	16,178	403,219
Reclassification	(2)	-	-	-	(2)
Effect of foreign currency exchange differences	373	-	-	-	373
Balance at December 31, 2012	<u>\$ (157,305)</u>	<u>\$ (32,051)</u>	<u>\$ (12,990)</u>	<u>\$ (7,233)</u>	<u>\$ (209,579)</u>
Carrying amounts at January 1, 2012	<u>\$ 76,692</u>	<u>\$ 48,322</u>	<u>\$ 21,755</u>	<u>\$ 1,706</u>	<u>\$ 148,475</u>
Carrying amounts at December 31, 2012	<u>\$ 323,053</u>	<u>\$ 26,288</u>	<u>\$ 9,643</u>	<u>\$ 1,952</u>	<u>\$ 360,936</u>

(Continued)

	Software	Licenses	Mask	Others	Total
<u>Cost</u>					
Balance at January 1, 2013	\$ 480,358	\$ 58,339	\$ 22,633	\$ 9,185	\$ 570,515
Additions	157,207	1,593	7,889	10,510	177,199
Disposals	(58,923)	(21,781)	(22,494)	(8,150)	(111,348)
Effect of foreign currency exchange differences	<u>770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>770</u>
Balance at December 31, 2013	<u>\$ 579,412</u>	<u>\$ 38,151</u>	<u>\$ 8,028</u>	<u>\$ 11,545</u>	<u>\$ 637,136</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2013	\$ (157,305)	\$ (32,051)	\$ (12,990)	\$ (7,233)	\$ (209,579)
Amortization expense	(190,793)	(16,510)	(11,361)	(3,409)	(222,073)
Disposals	58,923	21,781	22,494	8,150	111,348
Effect of foreign currency exchange differences	<u>(474)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(474)</u>
Balance at December 31, 2013	<u>\$ (289,649)</u>	<u>\$ (26,780)</u>	<u>\$ (1,857)</u>	<u>\$ (2,492)</u>	<u>\$ (320,778)</u>
Carrying amounts at December 31, 2013	<u>\$ 289,763</u>	<u>\$ 11,371</u>	<u>\$ 6,171</u>	<u>\$ 9,053</u>	<u>\$ 316,358</u>

(Concluded)

The above items of other intangible assets were amortized on a straight-line basis over the following estimated useful life of the asset:

Software	1-6 years
Licenses	3 years
Mask	1-3 years
Others	1-3 years

14. PREPAYMENTS FOR LEASE

	December 31, 2013	December 31, 2012	January 1, 2012
Current asset (included in other current assets)	\$ 553	\$ 523	\$ 543
Non-current asset (included in other non-current assets)	<u>23,230</u>	<u>22,477</u>	<u>23,920</u>
	<u>\$ 23,783</u>	<u>\$ 23,000</u>	<u>\$ 24,463</u>

As of December 31, 2013 and 2012, and January 1, 2012, prepaid lease payments include land use rights with carrying amounts of NT\$23,783 thousand, NT\$23,000 thousand, and NT\$24,463 thousand, respectively, which are located in Mainland China. The Group has obtained the land use right certificates.

15. OTHER FINANCIAL ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Restricted time deposits	\$ 168,077	\$ 211,282	\$ 187,182
Refundable deposits	12,526	12,667	14,559
Long-term receivables	<u>5,112</u>	<u>10,078</u>	<u>-</u>
	<u>\$ 185,715</u>	<u>\$ 234,027</u>	<u>\$ 201,741</u>
Current	\$ -	\$ 41,106	\$ -
Non-current	<u>185,715</u>	<u>192,921</u>	<u>201,741</u>
	<u>\$ 185,715</u>	<u>\$ 234,027</u>	<u>\$ 201,741</u>

16. OTHER ASSETS

	December 31, 2013	December 31, 2012	January 1, 2012
Spare parts	\$ 340,707	\$ 308,755	\$ 326,961
Prepayments	169,747	176,997	135,140
Prepayments for lease	23,783	23,000	24,463
Offset against business tax payable	24,998	20,085	17,043
Others	<u>76,916</u>	<u>18,331</u>	<u>22,918</u>
	<u>\$ 636,151</u>	<u>\$ 547,168</u>	<u>\$ 526,525</u>
Current	\$ 534,645	\$ 479,392	\$ 475,483
Non-current	<u>101,506</u>	<u>67,776</u>	<u>51,042</u>
	<u>\$ 636,151</u>	<u>\$ 547,168</u>	<u>\$ 526,525</u>

Other assets-others are the commitment fee of the syndicated loans and the drawdown fee of long-term bank loans, which are amortized monthly over five and three years respectively.

17. BORROWINGS

a. Short-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Unsecured borrowings</u>			
Letter of credit loan	<u>\$ 566,577</u>	<u>\$ 88,406</u>	<u>\$ 1,800,488</u>

The range of effective interest rate on the letter of credit loans was 0.76%-0.88%, 0.86%-1.06%, and 0.84%-2.09% per annum as of December 31, 2013 and 2012, and January 1, 2012, respectively.

b. Long-term borrowings

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Secured borrowings</u>			
Bank loans	\$ 12,756,564	\$ 14,366,948	\$ 13,556,332
<u>Unsecured borrowings</u>			
Bank loans	5,843,333	6,666,667	4,050,000
	18,599,897	21,033,615	17,606,332
Less: Current portion	7,656,919	5,233,718	1,527,718
Long-term borrowings: Non-current	<u>\$ 10,942,978</u>	<u>\$ 15,799,897</u>	<u>\$ 16,078,614</u>

	Maturity Date		Effective Interest Rate	December 31, 2013	December 31, 2012	January 1, 2012
<u>Floating rate borrowings</u>						
Secured syndicated loan denominated in NT\$	2015.12	Repayable NT\$1,571,000 thousand semi-annually from December 2012 to June 2015, and pay off NT\$6,284,000 thousand in December 2015.	1.54%-1.59%	\$ 10,997,000	\$ 14,139,000	\$ 13,260,000
Un-secured syndicated loan denominated in NT\$	2015.12	-	1.54%-1.59%	1,500,000	1,500,000	1,500,000
Un-secured bank borrowing denominated in NT\$	2014.09	Repayable NT\$200,000 thousand semi-annually from March 2013 to March 2014, and pay off NT\$1,000,000 thousand in September 2014.	1.81%-1.85%	1,200,000	1,600,000	1,600,000
Un-secured bank borrowing denominated in NT\$	2014.10	Repayable NT\$1,200,000 thousand in October 2014.	1.81%-1.85%	1,200,000	-	-
Un-secured bank borrowing denominated in NT\$	2014.11	Repayable NT\$100,000 thousand quarterly from February 2014 to August 2014, and pay off NT\$700,000 thousand in November 2014.	1.66%-1.70%	1,000,000	1,000,000	-
Secured bank borrowing denominated in NT\$	2018.10	Repayable NT\$50,000 thousand quarterly from January 2015 to October 2018.	1.80%	800,000	-	-
Secured bank borrowing denominated in NT\$	2018.12	Repayable according to an agreed loan payment term and pay off in December 2018.	2.15%	800,000	-	-
Un-secured bank borrowing denominated in NT\$	2014.09	Repayable NT\$120,000 thousand quarterly from September 2013 to September 2014.	1.88%-2.08%	360,000	600,000	50,000
Un-secured bank borrowing denominated in NT\$	2015.03	Repayable NT\$50,000 thousand quarterly from June 2013 to March 2015.	1.62%	250,000	400,000	-
Un-secured bank borrowing denominated in NT\$	2014.09	Repayable NT\$75,000 thousand quarterly from March 2013 to June 2014, and pay off NT\$50,000 thousand in September 2014.	1.65%	200,000	500,000	500,000
Secured bank borrowing denominated in NT\$	2016.04	Repayable NT\$5,699 thousand monthly from May 2003 to April 2016.	1.84%-2.12%	159,564	227,948	296,332
Un-secured bank borrowing denominated in NT\$	2014.09	Repayable NT\$66,667 thousand semi-annually from March 2012 to September 2014.	1.81%-1.85%	133,333	266,667	400,000
Un-secured bank borrowing denominated in NT\$	2013.09	-	1.83%-1.85%	-	800,000	-
				<u>\$ 18,599,897</u>	<u>\$ 21,033,615</u>	<u>\$ 17,606,332</u>

The Group had provided notes used as refundable guarantees for borrowings that will be cancelled upon termination of the guarantee.

In addition, the Group's interest bearing floating rate borrowing was reset every one to three months.

The loan agreement requires the maintenance of current ratio, debt ratio, and times interest earned ratio based on semi-annual and annual consolidated financial statements. For the year ended December 31, 2013, the Group had met the financial ratio requirements.

The details of assets pledged as collaterals for long-term loans are shown in Note 32.

18. NOTES PAYABLE AND TRADE PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Notes payable</u>			
Operating	\$ 218	\$ 105	\$ 5,412
<u>Trade payables</u>			
Operating	<u>2,004,478</u>	<u>1,834,036</u>	<u>2,149,342</u>
	<u>\$ 2,004,696</u>	<u>\$ 1,834,141</u>	<u>\$ 2,154,754</u>

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

19. OTHER PAYABLES

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Other payables</u>			
Payable for rework fees	\$ 573,207	\$ 851,804	\$ 252,234
Payable for royalties	392,747	544,531	613,531
Bonus	278,639	270,794	335,344
Payable for maintenance and repair	253,681	354,863	367,167
Payable for legal fees	144,426	92,044	84,026
Others	<u>584,002</u>	<u>505,810</u>	<u>524,347</u>
	<u>\$ 2,226,702</u>	<u>\$ 2,619,846</u>	<u>\$ 2,176,649</u>

20. PROVISIONS

	December 31, 2013	December 31, 2012	January 1, 2012
Employee benefits (a)	\$ 71,344	\$ 70,573	\$ 63,967
Customer returns and rebates (b)	<u>72,055</u>	<u>23,596</u>	<u>24,521</u>
	<u>\$ 143,399</u>	<u>\$ 94,169</u>	<u>\$ 88,488</u>
Current	<u>\$ 143,399</u>	<u>\$ 94,169</u>	<u>\$ 88,488</u>

	Employee Benefits	Customer Returns and Rebates	Total
Balance at January 1, 2012	\$ 63,697	\$ 24,521	\$ 88,488
Additional provisions recognized	60,761	22,858	83,619
Reversing un-usage balances/usage	(54,140)	(23,721)	(77,861)
Effect of foreign currency exchange differences	<u>(15)</u>	<u>(62)</u>	<u>(77)</u>
Balance at December 31, 2012	<u>\$ 70,573</u>	<u>\$ 23,596</u>	<u>\$ 94,169</u>
Balance at January 1, 2013	\$ 70,573	\$ 23,596	\$ 94,169
Additional provisions recognized	63,399	79,618	143,017
Reversing un-usage balances/usage	(62,534)	(31,197)	(93,731)
Effect of foreign currency exchange differences	<u>(94)</u>	<u>38</u>	<u>(56)</u>
Balance at December 31, 2013	<u>\$ 71,344</u>	<u>\$ 72,055</u>	<u>\$ 143,399</u>

- a. The provision for employee benefits represents vested long service leave entitlements accrued.
- b. The provision of customer returns and rebates was based on historical experience, management's judgments and other known reasons estimated product returns and rebates may occur in the year. The provision was recognized as a reduction of operating income in the years of the related goods sold.

21. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Company, Magic Pixel Inc., Mxtran Inc., Infomax Communication Co., Ltd., MoDioTek Co., Ltd. and MaxRise Inc. of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Group makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

- b. Defined benefit plans

The Company and Magic Pixel Inc. of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributed amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Enforcement Rules of the Labor Pension Act, the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

The net periodic pension costs of the Company's separate executive pension plan were NT\$117,744 thousand and NT\$110,546 thousand for the years ended December 31, 2013 and 2012.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions of the actuarial valuation were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Discount rate	2.00%-2.25%	1.50%-1.75%	1.75%
Expected return on plan assets	1.25%-2.00%	1.50%	1.75%-2.00%
Expected rate of salary increase	3.00%	3.00%	3.00%

The assessment of the overall expected rate of return was based on historical return trends and analysts' predictions of the market for the asset over the life of the related obligation, by reference to the aforementioned use of the plan assets and the impact of the related minimum return.

Amounts recognized in profit or loss in respect of these defined plans were as follows:

	<u>For the Year Ended December 31</u>	
	2013	2012
Current service cost	\$ 7,494	\$ 7,025
Interest cost	26,000	23,521
Expected return on plan assets	(11,881)	(15,559)
Past service cost	<u>(713)</u>	<u>(713)</u>
	<u>\$ 20,900</u>	<u>\$ 14,274</u>
An analysis by function		
Operating cost	\$ 11,948	\$ 7,936
Marketing expenses	1,227	710
Administration expenses	3,331	2,386
Research and development expenses	<u>4,394</u>	<u>3,242</u>
	<u>\$ 20,900</u>	<u>\$ 14,274</u>

The amount included in the consolidated balance sheet arising from the Group's obligation in respect of its defined benefit plans was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded defined benefit obligation	\$ 1,470,806	\$ 1,488,815	\$ 1,345,642
Fair value of plan assets	<u>(803,112)</u>	<u>(779,374)</u>	<u>(765,489)</u>
Deficit	667,694	709,441	580,153
Net actuarial losses not recognized	(112,572)	(144,150)	-
Past service cost not yet recognized	<u>10,968</u>	<u>11,681</u>	<u>12,394</u>
Net liability arising from defined benefit obligation	<u>\$ 566,090</u>	<u>\$ 576,972</u>	<u>\$ 592,547</u>

Movements in the present value of the defined benefit obligations were as follows:

	For the Year Ended December 31	
	2013	2012
Opening defined benefit obligation	\$ 1,488,815	\$ 1,345,642
Current service cost	7,494	7,025
Interest cost	26,000	23,521
Actuarial (gains) losses	(33,445)	135,971
Benefits paid	<u>(18,058)</u>	<u>(23,344)</u>
Closing defined benefit obligation	<u>\$ 1,470,806</u>	<u>\$ 1,488,815</u>

Movements in the fair value of the plan assets were as follows:

	For the Year Ended December 31	
	2013	2012
Opening fair value of plan assets	\$ 779,374	\$ 765,489
Actual return on plan assets	10,029	7,426
Actuarial losses	(15)	(45)
Contributions from the employer	31,782	29,848
Benefits paid	<u>(18,058)</u>	<u>(23,344)</u>
Closing fair value of plan assets	<u>\$ 803,112</u>	<u>\$ 779,374</u>

The major categories of plan assets at the end of the reporting period for each category were disclosed based on the information announced by Bureau of Labor Funds, Ministry of Labor:

	Fair Value of Plan Assets (%)		
	December 31, 2013	December 31, 2012	January 1, 2012
Deposits in financial institution	22.86	25.17	23.87
Investment in stock and beneficiary certificate	45.56	38.22	40.75
Short-term commercial papers	4.10	9.88	7.61
Government bond and fixed income investment	27.48	26.73	27.64
Infrastructure loans to government and government-owned enterprises	<u>-</u>	<u>-</u>	<u>0.13</u>
	<u>100.00</u>	<u>100.00</u>	<u>100.00</u>

The Group chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (Note 37):

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of the defined benefit obligation	<u>\$ 1,470,806</u>	<u>\$ 1,488,815</u>	<u>\$ 1,345,642</u>
Fair value of plan assets	<u>\$ 803,112</u>	<u>\$ 779,374</u>	<u>\$ 765,489</u>
Deficit	<u>\$ 667,694</u>	<u>\$ 709,441</u>	<u>\$ 580,153</u>
Experience adjustments on plan liabilities	<u>\$ 81,156</u>	<u>\$ 94,904</u>	<u>\$ -</u>
Experience adjustments on plan assets	<u>\$ (15)</u>	<u>\$ (45)</u>	<u>\$ -</u>

The Group expects to make contributions of NT\$32,592 thousand and NT\$30,367 thousand, respectively to the defined benefit plans during the annual period beginning after 2013 and 2012.

22. EQUITY

a. Ordinary shares

	December 31, 2013	December 31, 2012	January 1, 2012
Numbers of shares authorized	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>
Shares issued	<u>\$ 35,214,730</u>	<u>\$ 35,214,623</u>	<u>\$ 33,847,486</u>

Fully paid ordinary shares, which have a par value of \$10, carry one vote per share and carry a right to dividends.

A total of 864,704 thousand shares and 650,000 thousand shares of the Company's authorized shares were reserved for the issuance of convertible bonds and employee share options.

b. Capital surplus

A reconciliation of the carrying amount at the beginning and at the end of the years ended December 31, 2013 and 2012, for each class of capital surplus was as follows:

	Treasury Share Transactions	Donations	Expiration of Subsidiaries' Employee Share Options	Employee Share Options
Balance at January 1, 2012	\$ 25,075	\$ 37	\$ -	\$ 321,377
Company's dividends received by its subsidiary	1,427	-	-	-
Issue of ordinary shares under employee share options	-	-	-	(4,160)
Non-controlling interest	<u>-</u>	<u>-</u>	<u>113</u>	<u>-</u>
Balance at December 31, 2012	<u>\$ 26,502</u>	<u>\$ 37</u>	<u>\$ 113</u>	<u>\$ 317,217</u>
Balance at January 1, 2013	\$ 26,502	\$ 37	\$ 113	\$ 317,217
Issue of ordinary shares under employee share options	-	-	-	(13)
Non-controlling interest	<u>-</u>	<u>-</u>	<u>310</u>	<u>-</u>
Balance at December 31, 2013	<u>\$ 26,502</u>	<u>\$ 37</u>	<u>\$ 423</u>	<u>\$ 317,204</u>

The capital surplus arising from shares issued in excess of par (treasury stock transactions and employee share options) and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital (limited to a certain percentage of the Company's capital surplus and once a year).

The capital surplus from long-term investments may not be used for any purpose.

c. Retained earnings and dividend policy

The Company's Articles of Incorporation provide that any profit after annual closing should be used first to cover income tax and accumulated deficit. Then appropriate for legal reserve 10% of the remaining amount (until the amount of the legal reserve equals the amount of the Company's capital stock) and appropriate for (or reverse) special reserve in accordance with law. Appropriation for remuneration to directors and supervisors should be made at 2% of the remaining amount. Any remaining amount will be added to the undistributed earnings from previous years and distributed in the following manner: (a) shareholders' dividends - 85%; (b) employees' bonus - 15%. Employees' bonus will be distributed in the same form as the distribution of dividends to shareholders on a proportionate basis.

Distributions, except for the remuneration to directors and supervisors, may be made in the form of cash dividend or stock dividend, as determined by the shareholders at an Annual General Meeting. Both the shareholders' bonus and employees' bonus take the form of cash dividend as the first choice. Nevertheless, it still depends on the Company's financial, sales or operating condition. The Company's Articles of Incorporation provide that no more than 50% of the current year's total amount of distributable earnings can be distributed in the form of stock dividend.

Due to the net loss for the years ended December 31, 2013 and 2012, there were no accrual for bonus to employees and remuneration to directors and supervisors.

Under Rule No. 100116 and Rule No. 0950000507 issued by the FSC, certain amounts shall be transferred from unappropriated earnings to a special reserve before any appropriation of earnings generated before January 1, 2012 shall be made. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

The Company made both appropriations to special reserve and reversal of such appropriations to special reserve under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs".

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2011 had been approved in the shareholders' meeting on June 6, 2012. The appropriations and dividends per share were as follows:

	For the Year Ended December 31, 2011	
	Appropriation of Earnings	Dividends Per Share (NT\$)
Legal reserve	\$ 288,272	
Cash dividends	1,288,408	\$ 0.38
Stock dividends	<u>1,288,408</u>	0.38
	<u>\$ 2,865,088</u>	

The above appropriation for stock dividends of NT\$1,288,408 thousand from 2011 earnings will be adjusted when the outstanding shares at the ex-dividend date are increased due to exercise of stock options by the Company's employees. The shareholders had authorized the chairman to adjust the

cash and stock dividend per share when the outstanding shares at the ex-dividend date are increased. The above appropriation for stock dividends was approved by the Securities and the Futures Bureau of Financial Supervisory Commission, Executive Yuan on June 19, 2012 and had been officially registered with the Ministry of Economic Affairs, ROC.

The bonus to employees and remuneration to directors and supervisors for 2011 had been approved in the shareholders' meeting on June 6, 2012. Details were stated as follows:

	For the Year Ended December 31, 2011	
	Bonus to Employees	Remuneration of Directors and Supervisors
Amounts approved in shareholders' meetings	\$ 454,732	\$ 51,889
Amounts recognized in respective financial statements	<u>477,847</u>	<u>52,928</u>
	<u>\$ (23,115)</u>	<u>\$ (1,039)</u>

The differences between the approved amounts of the bonus to employees and remuneration to directors and supervisors and the accrual amounts reflected in the financial statements for the years ended December 31, 2011 which were primarily due to changes in estimates (numbers of the outstanding shares and income tax expense) had been adjusted in profit and loss for the years ended December 31, 2012.

In their meeting on June 19, 2013, the Company's shareholders resolved the proposal of the Board of Directors to use legal reserve to offset accumulated deficit in the amount of NT\$2,695,275 thousand.

Information about the appropriations of earnings is available on the Market Observation Post System website of the Taiwan Stock Exchange.

d. Special reserves appropriated following first-time adoption of IFRSs

The Company had a decrease in retained earnings that resulted from all IFRSs adjustments; therefore, no special reserve was appropriated.

e. Others equity items

1) Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. New Taiwan dollars) were recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve in respect of translating the net assets of foreign operations were reclassified to profit or loss on the disposal of the foreign operation.

2) Investments revaluation reserve

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

f. Non-controlling interests

	Years Ended December 31	
	2013	2012
Balance at January 1	\$ 59,115	\$ 138,921
Attributable to non-controlling interests:		
Share of loss for the year	(52,592)	(79,500)
Issue of employee share options by subsidiaries	411	978
Difference between the fair value and carrying amount from equity transactions of subsidiaries	39,479	2,460
Exchange difference arising on translation of foreign entities	146	(113)
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	<u>462</u>	<u>(3,631)</u>
Balance at December 31	<u>\$ 47,021</u>	<u>\$ 59,115</u>

g. Treasury shares

Purpose of Buy-back	Number of Shares, Beginning of Year (In Thousands)	Increase During The Year (In Thousands)	Number of Shares, End of Year (In Thousands)
<u>Year ended December 31, 2013</u>			
The Company's shares held by its subsidiaries	<u>3,899</u>	<u>-</u>	<u>3,899</u>
<u>Year ended December 31, 2012</u>			
The Company's shares held by its subsidiaries	<u>3,757</u>	<u>142</u>	<u>3,899</u>

The Company's shares held by its subsidiaries at the end of the reporting periods were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2013</u>			
Hui Ying Investment, Ltd.	3,899	\$ 159,061	\$ 26,165
<u>December 31, 2012</u>			
Hui Ying Investment, Ltd.	3,899	159,061	33,808
<u>January 1, 2012</u>			
Hui Ying Investment, Ltd.	3,757	159,061	45,456

The subsidiaries holding treasury shares, however, retain shareholders' rights, except the rights to participate in any share issuance for cash and to vote.

23. REVENUE

	For the Year Ended December 31	
	2013	2012
Revenue from the sale of goods	\$ 22,184,381	\$ 24,194,310
Others	<u>20,039</u>	<u>34,428</u>
	<u>\$ 22,204,420</u>	<u>\$ 24,228,738</u>

The analysis of the Group's revenue and main products was disclosed in Note 36.

24. NET LOSS

Net loss was attributable to:

a. Other income

	For the Year Ended December 31	
	2013	2012
Interest income	\$ 122,360	\$ 166,316
Dividends	60,821	60,825
Others	<u>26,214</u>	<u>64,287</u>
	<u>\$ 209,395</u>	<u>\$ 291,428</u>

b. Other gains and losses

	For the Year Ended December 31	
	2013	2012
Net foreign exchange gains/(losses)	\$ 108,447	\$ (161,829)
Net gains arising on financial assets classified as held for trading	18,522	67,243
Net gains on disposal of investments	2,973	1,411
Other losses	<u>(1,264)</u>	<u>(12,268)</u>
	<u>\$ 128,678</u>	<u>\$ (105,443)</u>

c. Finance costs

	For the Year Ended December 31	
	2013	2012
Interest on loans	\$ 341,829	\$ 336,847
Others	15	-
Less: Amounts included in the cost of qualifying assets	<u>6,948</u>	<u>33,894</u>
	<u>\$ 334,896</u>	<u>\$ 302,953</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2013	2012
Capitalized interest	\$ 6,948	\$ 33,894
Capitalization rate	1.12%	1.54%

d. Impairment losses on financial assets

	For the Year Ended December 31	
	2013	2012
Trade receivables	\$ 1,976	\$ -
Other non-current financial assets	2,151	49,533
Available-for-sale equity investments	<u>-</u>	<u>6,583</u>
	<u>\$ 4,127</u>	<u>\$ 56,116</u>

The above impairment loss of financial assets was included in bad debt expense under operating expenses.

e. Depreciation and amortization

	For the Year Ended December 31	
	2013	2012
An analysis of depreciation by function		
Operating costs	\$ 6,308,847	\$ 6,625,018
Operating expenses	<u>1,212,989</u>	<u>1,094,436</u>
	<u>\$ 7,521,836</u>	<u>\$ 7,719,454</u>
An analysis of amortization by function		
Operating costs	\$ 120,787	\$ 63,428
Operating expenses	<u>101,286</u>	<u>129,409</u>
	<u>\$ 222,073</u>	<u>\$ 192,837</u>

f. Employee benefits expense

	For the Year Ended December 31	
	2013	2012
Post-employment benefits		
Defined contribution plans	\$ 254,995	\$ 248,994
Defined benefit plans	<u>138,644</u>	<u>124,820</u>
	393,639	373,814
Share-based payments		
Equity-settled share-based payments	411	978
Other employee benefits	<u>5,943,371</u>	<u>5,893,818</u>
Total employee benefits expense	<u>\$ 6,337,421</u>	<u>\$ 6,268,610</u>

(Continued)

	For the Year Ended December 31	
	2013	2012
An analysis of employee benefits expense by function		
Operating costs	\$ 2,967,966	\$ 2,880,654
Operating expenses	<u>3,369,455</u>	<u>3,387,956</u>
	<u>\$ 6,337,421</u>	<u>\$ 6,268,610</u>
		(Concluded)

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31	
	2013	2012
Foreign exchange gains	\$ 1,653,677	\$ 492,766
Foreign exchange losses	<u>(1,545,230)</u>	<u>(654,595)</u>
	<u>\$ 108,447</u>	<u>\$ (161,829)</u>

25. INCOME TAX

a. Income tax recognized in profit or loss

The major components of tax expense (income) were as follows:

	For the Year Ended December 31	
	2013	2012
Current tax		
In respect of the current year	\$ 5,239	\$ 10,734
In respect of prior years	42	284,526
Deferred tax		
In respect of the current year	<u>(194)</u>	<u>(356,645)</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 5,087</u>	<u>\$ (61,385)</u>

A reconciliation of accounting loss and current income tax expenses is as follows:

	For the Year Ended December 31	
	2013	2012
Income tax expense calculated at the statutory rate	\$ (1,179,464)	\$ (1,053,889)
Nondeductible expenses in determining taxable income	92,236	(108,719)
Unrecognized temporary differences	(146,328)	158,662
Unrecognized loss carryforward	1,238,601	113,960
Unrecognized investment credits	-	538,884
Additional income tax on unappropriated earnings	-	5,191
Adjustments for prior years' tax	<u>42</u>	<u>284,526</u>
Income tax expense (income) recognized in profit or loss	<u>\$ 5,087</u>	<u>\$ (61,385)</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
Current tax assets			
Tax refund receivable	\$ 13,924	\$ 1,647	\$ 5,675
Current tax liabilities			
Income tax payables	\$ 355,427	\$ 339,661	\$ 348,966

c. Deferred tax assets and liabilities

The Company offset certain deferred tax assets and deferred tax liabilities which met the offset criteria.

For the year ended December 31, 2013

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary difference			
Unrealized expenses and losses	\$ 4,231	\$ (163)	\$ 4,068
Unrealized loss on inventories	-	357	357
	4,231	194	4,425
Tax losses	905,612	-	905,612
	<u>\$ 909,843</u>	<u>\$ 194</u>	<u>\$ 910,037</u>

For the year ended December 31, 2012

Deferred Tax Assets	Opening Balance	Recognized in Profit or Loss	Closing Balance
Temporary difference			
Unrealized expense and losses	\$ 9,123	\$ (4,892)	\$ 4,231
Unrealized loss on inventories	-	-	-
	9,123	(4,892)	4,231
Net operating loss carryforwards	-	905,612	905,612
Investment credits	544,075	(544,075)	-
	<u>\$ 553,198</u>	<u>\$ 356,645</u>	<u>\$ 909,843</u>

d. Deductible temporary differences, unused loss carryforwards and unused investment credits for which no deferred assets have been recognized in the consolidated balance sheets

	December 31, 2013	December 31, 2012	January 1, 2012
Loss carryforwards	\$ 10,442,235	\$ 3,723,706	\$ 3,104,524

(Continued)

	December 31, 2013	December 31, 2012	January 1, 2012
Investment credits			
Purchase of machinery and equipment	\$ 7,349	\$ 37,644	\$ -
Research and development	-	635,850	942,282
Personnel training	-	8	12
Investment credits for stockholder	<u>135,721</u>	<u>8,528</u>	<u>806</u>
	<u>\$ 143,070</u>	<u>\$ 682,030</u>	<u>\$ 943,100</u>
Deductible temporary differences	<u>\$ 12,130,988</u>	<u>\$ 13,001,788</u>	<u>\$ 12,069,718</u> (Concluded)

The unrecognized investment credit will expire in 2016.

e. Information about unused investment credits, unused loss carry-forwards and tax-exemption

As of December 31, 2013, investment credits comprised of:

Law and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Purchase of machinery and equipment	\$ 7,349	2014
	Investment credits for stockholder	4,528	2014
		<u>131,193</u>	2016
		<u>\$ 143,070</u>	

Loss carryforwards as of December 31, 2013 comprised of:

Unused Amount	Expiry Year
\$ 905,612	2022
<u>1,775,180</u>	2023
<u>\$ 2,680,792</u>	

f. Integrated income tax

	December 31, 2013	December 31, 2012	January 1, 2012
Unappropriated earnings (Accumulated deficit)			
Unappropriated earnings generated before January 1, 1998	\$ -	\$ -	\$ -
Unappropriated earnings generated on and after January 1, 1998	<u>(7,178,843)</u>	<u>(3,528,992)</u>	<u>4,776,572</u>
	<u>\$ (7,178,843)</u>	<u>\$ (3,528,992)</u>	<u>\$ 4,776,572</u>
Imputation credit accounts	<u>\$ 220,368</u>	<u>\$ 207,924</u>	<u>\$ 184,671</u>

No tax creditable ratios were calculated for accumulated deficit of 2013 and 2012.

g. Income tax assessments

The tax returns through 2009 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment of its 2009 tax returns and had applied for re-examination. Nevertheless, the Company has provided for the income tax assessed by the tax authorities.

26. LOSS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31	
	2013	2012
Basic and diluted loss per share	\$ <u>(1.79)</u>	\$ <u>(1.55)</u>

The amount of loss and weighted average number of ordinary shares outstanding used in the computation of loss per share from continuing operations were as follows:

Net loss for the year

	For the Year Ended December 31	
	2013	2012
Loss for the year attributable to owners of the Company	\$ <u>(6,305,647)</u>	\$ <u>(5,438,016)</u>

Weighted average number of ordinary shares outstanding (in thousand shares):

	For the Year Ended December 31	
	2013	2012
Weighted average number of ordinary shares in computation of basic and diluted loss per share	<u>3,517,563</u>	<u>3,516,456</u>

As disclosed in Note 27 to the financial statements, the Company conforms according to IAS 33 "Earnings per Share", in determining whether the share-based payments are potential ordinary stocks. The aforementioned stock options were not included in the calculation of diluted loss per share because they were antidilutive for the years ended December 31, 2013 and 2012.

27. SHARE-BASED PAYMENT ARRANGEMENTS

The Company

The Company has two employee stock option plans ("2005 Plan" and "2007 Plan") approved by the ROC Securities and Futures Bureau (SFB) to grant options up to 200,000 thousand units and 120,000 thousand units, respectively. Each stock option may subscribe for one new share of common stock of the Company. The options are valid for six years subsequent to the grant dates and exercisable at certain percentages after the second anniversary from the grant date. The options were granted at the exercise price equal to the higher of closing price of the Company's common shares listed on the TSE or the Company's net asset value per common share on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price is adjusted accordingly.

As of December 31, 2013, there were 11 thousand employee stock options exercised for which 11 thousand common shares were issued but not yet officially registered with the Ministry of Economic Affairs, ROC.

Information on employee share options was as follows:

Unit: Option Numbers in Thousand and NT\$ Per Share

	2007 Plan	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
<u>For the year ended December 31, 2013</u>		
Balance at January 1	42,078	\$ 8.80
Options exercised	(11)	8.80
Options cancelled	<u>(42,067)</u>	-
Balance at December 31	<u><u>-</u></u>	-

	2007 Plan		2005 Plan	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
<u>For the year ended December 31, 2012</u>				
Balance at January 1	49,794	\$ 9.50	37	\$ 4.00
Options granted	1,556	8.80	-	-
Options exercised	(7,872)	9.47	-	-
Options cancelled	<u>(1,400)</u>	-	<u>(37)</u>	4.00
Balance at December 31	<u><u>42,078</u></u>	8.80	<u><u>-</u></u>	-

The number and exercise prices of outstanding options had been adjusted to reflect the stock dividends and the cancellation of common stock.

As of December 31, 2013, all outstanding vested share options have been exercised.

MoDioTek

Approved by the Board of Directors of MoDioTek on April 2, 2007, December 3, 2007, August 18, 2008 and December 11, 2008, MoDioTek was authorized to issue employee stock options for 1,500 thousand units, 579 thousand units, 671 thousand units and 40 thousand units, respectively. Each stock option may subscribe for one new share of common stock of MoDioTek. The options are valid for six years and exercisable at certain percentages after the second anniversary from the grant date or the earlier of the first anniversary of the grant date or date of application for share listing on the TSE or GreTai Securities Market. For any subsequent changes in MoDioTek's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2013		2012	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	1,989	\$ 10.35	2,040	\$ 10.35
Options cancelled	<u>(1,530)</u>	-	<u>(51)</u>	-
Balance at December 31	<u>459</u>	11.40	<u>1,989</u>	10.35

As of December 31, 2013, information about MoDioTek's outstanding and exercisable option was as follows:

Range of Exercise Price (NT\$)	Options Issued on or After January 1, 2004 and Outstanding			Options Exercisable	
	Number Outstanding (Thousand)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$11.40	439	0.63	\$11.40	439	11.40
11.40	<u>20</u>	0.95	11.40	<u>20</u>	11.40
	<u>459</u>			<u>459</u>	

Mxtran

Approved by the Board of Directors of Mxtran on April 2, 2007, May 4, 2007, November 16, 2007, December 21, 2007 and August 12, 2011, Mxtran was authorized to issue employee stock options for 1,409 thousand units, 74 thousand units, 17 thousand units, 1,564 thousand units and 2,344 thousand units, respectively. Each stock option may subscribe for one new share of common stock of Mxtran. The options are valid for six years and exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in Mxtran's capital surplus, the exercise price is adjusted accordingly.

Mxtran cancelled and increased its share capital by 12,000 thousand shares and 20,000 thousand shares on March 5, 2009 and March 9, 2009, respectively. Each stock option has subscribed for 0.4 common stock share and the exercise price was subject to adjustments for any change of capital structure.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2013		2012	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	2,270	\$ 10.30	2,664	\$ 10.31
Options cancelled	<u>(538)</u>	-	<u>(394)</u>	-
Balance at December 31	<u>1,732</u>	10.00	<u>2,270</u>	10.30

As of December 31, 2013, information about Mxtran's outstanding and exercisable option was as follows:

Range of Exercise Price (NT\$)	Options Issued on or After January 1, 2004 and Outstanding			Options Exercisable	
	Number Outstanding (Thousand)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$10.00	<u>1,732</u>	3.61	\$10.00	<u>888</u>	\$10.00

Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Grant-date share price (NT\$)	\$ 3.23
Exercise price (NT\$)	10.00
Expected volatility	44.82%
Expected life (years)	4.25 years
Expected dividend yield	-
Risk-free interest rate	1.11%

For the years ended December 31, 2013 and 2012, the compensation cost recognized was NT\$207 thousand and NT\$213 thousand, respectively. As of December 31, 2013 and 2012, the estimated percentages of forfeiture due to termination of employment over the remaining vesting period were both 6%.

INFOMAX

Approved by the Board of Directors of INFOMAX on April 2, 2007, November 16, 2007, December 21, 2007, April 2, 2010 and January 26, 2011, INFOMAX was authorized to issue employee stock options for 2,577 thousand units, 423 thousand units, 1,910 thousand units, 8,654 thousand units and 1,346 thousand units, respectively. Each stock option may subscribe for one new share of common stock of INFOMAX. The options authorized on April 2, 2007, November 16, 2007 and December 21, 2007 are valid for six years, six years and eight years, respectively. The options authorized on April 2, 2010 and January 26, 2011 are valid for the earlier of six years to the grant dates or two months to the date of application for share listing on the TSE or GreTai Securities Market. The options granted are exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in INFOMAX's capital surplus, the exercise price is adjusted accordingly.

INFOMAX cancelled and increased its share capital by 109,797 thousand shares and 100,000 thousand shares on December 1, 2012 and April 3, 2013, respectively. Each stock option has subscribed for 0.3 common stock share and the exercise price was subject to adjustments for any change of capital structure.

Information on employee share option was as follows:

	For the Year Ended December 31			
	2013		2012	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	9,743	\$ 31.87	10,943	\$ 10.00
Options cancelled	<u>(2,402)</u>	-	<u>(1,200)</u>	-
Balance at December 31	<u>7,341</u>	31.87	<u>9,743</u>	31.87

As of December 31, 2013, information about INFOMAX's outstanding and exercisable option was as follows:

Range of Exercise Price (NT\$)	Options Issued on or After January 1, 2004 and Outstanding			Options Exercisable	
	Number Outstanding (Thousand)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$31.87	1,111	1.97	\$31.87	1,111	\$31.87
31.87	<u>6,230</u>	2.33	31.87	<u>6,230</u>	31.87
	<u>7,341</u>			<u>7,341</u>	

Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Grant-date share price (NT\$)	\$ 5.17
Exercise price (NT\$)	10.00
Expected volatility	37.82%
Expected life (years)	4.25 years
Expected dividend yield	-
Risk-free interest rate	0.91%

For the years ended December 31, 2013 and 2012, the compensation cost recognized was NT\$205 thousand and NT\$765 thousand, respectively. As of December 31, 2013 and 2012, the estimated percentages of forfeiture due to termination of employment over the remaining vesting period were both 3%.

MaxRise

Approved by the Board of Directors of MaxRise on January 12, 2007, April 18, 2007, November 16, 2007, December 21, 2007, August 14, 2008, April 15, 2009, May 5, 2010 and January 3, 2011, MaxRise was authorized to issue employee stock options for 1,160 thousand units, 230 thousand units, 110 thousand units, 1,350 thousand units, 780 thousand units, 225 thousand units, 863 thousand units and 2,007 thousand units, respectively. Each stock option may subscribe for one new share of common stock of MaxRise. The options are valid for six years and exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in MaxRise's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31, 2012	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	3,034	\$ 10.70
Options cancelled	<u>(3,034)</u>	-
Balance at December 31	<u>-</u>	-

The weighted-average exercise prices of outstanding options had been adjusted to reflect the capital reduction making up for losses.

As of December 31, 2012, there was no outstanding option of MaxRise due to the merger of MaxRise and INFOMAX.

Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Grant-date share price (NT\$)	\$1.55-\$2.58
Exercise price (NT\$)	10.00
Expected volatility	32.48%-34.84%
Expected life (years)	4.25 years
Expected dividend yield	-
Risk-free interest rate	0.84%-0.96%

The compensation cost for the year ended December 31, 2012 was minor; thus, it was not recognized.

MPI

Approved by the Board of Directors of MPI on June 20, 2007 and May 1, 2012, MPI was authorized to issue employee stock options for 2,400 thousand units and 841 thousand units, respectively. Each stock option may subscribe for one new share of common stock of MPI. The options are valid for six years and exercisable at certain percentages after the second anniversary from the grant date. For any subsequent changes in MPI's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2013		2012	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	915	\$ 19.07	167	\$ 67.30
Options granted	-	-	841	10.00
Options cancelled	(294)	-	(93)	-
Balance at December 31	<u>621</u>	10.00	<u>915</u>	19.07

As of December 31, 2013, information about MPI's outstanding and exercisable options was as follows:

Range of Exercise Price (NT\$)	Options Issued on or After January 1, 2004 and Outstanding			Options Exercisable	
	Number Outstanding (Thousand)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable (Thousand)	Exercise Price (NT\$/Per Share)
\$10.00	<u>621</u>	4.33	\$10.00	<u>621</u>	\$10.00

Options granted were priced using the Black-Scholes pricing model and the inputs to the model were as follows:

Grant-date share price (NT\$)	\$ 6.93
Exercise price (NT\$)	10.00
Expected volatility	48.23%
Expected life (years)	4.25 years
Expected dividend yield	-
Risk-free interest rate	1%

The compensation costs for the years ended December 31, 2013 and 2012 were minor; thus, they were not recognized.

For the years ended December 31, 2013 and 2012, the compensation cost recognized based on intrinsic value method was zero. No shares options were granted during the years ended December 31, 2013 and 2012. Had the Group used the fair value based method to evaluate the options, using the Black-Scholes model, the assumptions and pro forma results of the Group for the years ended December 31, 2013 and 2012 would have been as follows:

	<u>For the Year Ended December 31</u>	
	2013	2012
<u>The Company</u>		
Assumptions:		
Risk-free interest rate	1.55%-2.54%	1.55%-2.54%
Expected life (in years)	4.38	4.38
Expected volatility	51.16%-57.50%	51.16%-57.50%
Expected dividend yield	-	-
<u>MoDioTek</u>		
Assumptions:		
Risk-free interest rate	1.90%-2.68%	1.90%-2.68%
Expected life (in years)	6	6
Expected volatility	-	-
Expected dividend yield	-	-
<u>Mxtran</u>		
Assumptions:		
Risk-free interest rate	1.90%-2.68%	1.90%-2.68%
Expected life (in years)	6	6
Expected volatility	-	-
Expected dividend yield	-	-
<u>INFOMAX</u>		
Assumptions:		
Risk-free interest rate	0.91%-2.68%	0.91%-2.68%
Expected life (in years)	6-8	6-8
Expected volatility	-	-
Expected dividend yield	-	-
<u>MPI</u>		
Assumptions:		
Risk-free interest rate	2.20%	2.20%
Expected life (in years)	6	6
Expected volatility	-	-
Expected dividend yield	-	-

(Continued)

	<u>For the Year Ended December 31</u>	
	2013	2012
Consolidated net loss attributable to shareholders of the parent:		
Net loss as reported	<u>\$ (6,305,647)</u>	<u>\$ (5,438,016)</u>
Pro forma net loss	<u>\$ (6,305,647)</u>	<u>\$ (5,438,016)</u>
Consolidated loss per share (LPS) - after income tax (NT\$):		
Basic and diluted LPS as reported	<u>\$(1.79)</u>	<u>\$(1.55)</u>
Pro forma basic and diluted LPS	<u>\$(1.79)</u>	<u>\$(1.55)</u>
		(Concluded)

28. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

Operating leases relate to leases of land, offices, employee dormitories and office equipment with lease terms between 1 and 50 years. The Group does not have a bargain purchase option to acquire the leased land, offices, employee dormitories and office equipment at the expiry of the lease periods.

As of December 31, 2013 and 2012, and January 1, 2012, refundable deposits paid under operating leases amounted to NT\$8,778 thousand, NT\$8,523 thousand and NT\$8,781 thousand, respectively.

The future minimum lease payments for non-cancellable operating lease commitments were as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	\$ 94,419	\$ 89,938	\$ 86,259
Later than 1 year and not later than 5 years	160,378	159,256	218,819
Later than 5 years	<u>247,964</u>	<u>189,339</u>	<u>204,156</u>
	<u>\$ 502,761</u>	<u>\$ 438,533</u>	<u>\$ 509,234</u>

The lease payments recognized as expenses were as follows:

	<u>For the Year Ended December 31</u>	
	2013	2012
Minimum lease payment	<u>\$ 107,949</u>	<u>\$ 99,665</u>

b. The Group as lessor

Operating leases relate to the building owned by the Group with lease terms between 1 to 5 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2013 and 2012, and January 1, 2012, deposits received under operating leases amounted to NT\$345 thousand, NT\$326 thousand and NT\$144 thousand, respectively.

The future minimum lease revenue from non-cancellable operating leases was as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Not later than 1 year	\$ 4,054	\$ 3,728	\$ 2,881
Later than 1 year and not later than 5 years	9,195	11,599	13,987
Later than 5 years	<u>-</u>	<u>-</u>	<u>919</u>
	<u>\$ 13,249</u>	<u>\$ 15,327</u>	<u>\$ 17,787</u>

29. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concern and growth while maximizing the return to shareholders through the optimization of the debt and equity balance.

The Group's strategy for managing the capital structure is to lay out the plan of product development and expand the market share considering the growth and the magnitude of industry and further developing an integral plan founded on the required capacity, capital outlay, and magnitude of assets in long-term development. Ultimately, considering the risk factors such as the fluctuation of the industry cycle and the life cycle of products, the Group determines the optimal capital structure by estimating the profitability of products, operating profit ratio, and cash flow based on the competitiveness of products. The management of the Group periodically examines the capital structure and contemplates on the potential costs and risks involved while exerting different financial tools. In general, the Group implements prudent strategy of risk management.

30. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Fair value of financial instruments not carried at fair value

The management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - current	\$ <u> -</u>	\$ <u> 1,358 </u>	\$ <u> -</u>	\$ <u> 1,358 </u>
Available-for-sale financial assets - non-current				
Securities listed in ROC				
Equity securities	\$ <u> 951,333 </u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 951,333 </u>

December 31, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - current	\$ <u> -</u>	\$ <u> 6,199 </u>	\$ <u> -</u>	\$ <u> 6,199 </u>
Available-for-sale financial assets - non-current				
Securities listed in ROC				
Equity securities	\$ <u> 888,685 </u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 888,685 </u>

January 1, 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL - non-current	\$ <u> 39,357 </u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 39,357 </u>
Available-for-sale financial assets - non-current				
Securities listed in ROC				
Equity securities	\$ <u> 879,392 </u>	\$ <u> -</u>	\$ <u> -</u>	\$ <u> 879,392 </u>

There were no transfers between Level 1 and Level 2 in the current and prior years.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

The fair values of financial assets and financial liabilities were determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- The fair values of derivative instruments were calculated using quoted prices. Where such prices were not available, a discounted cash flow analysis was performed using the applicable yield curve for the duration of the instruments for non-optional derivatives. The estimates and assumptions used by the Group were consistent with those that market participants would use in setting a price for the financial instrument.

b. Categories of financial instruments

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 1,358	\$ 6,199	\$ -
Designated as at FVTPL	-	-	39,357
Loans and receivables (i)	15,592,460	22,776,325	23,869,549
Available-for-sale financial assets (ii)	1,066,221	986,547	1,033,883

Financial liabilities

Amortized cost (iii)	23,921,253	26,106,999	24,696,300
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- i) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables (including receivables from related parties), other receivables, and other financial assets (including current and non-current assets).
- ii) The balances included the carrying amount of available-for-sale financial assets measured at cost.
- iii) The balances included financial liabilities measured at amortized cost, which comprise short-term loans, notes payable and trade payables (including payables to related parties), other payables, payable for purchase of equipment, and long-term loans (including current portion).

c. Financial risk management objectives and policies

The Group manages its exposure to risks relating to the operations through market risk, credit risk, and liquidity risk with the objective to reduce the potentially adverse effects the market uncertainties may have on its financial performance.

The plans for material treasury activities are reviewed by management in accordance with procedures required by relevant regulations or internal controls. During the implementation of such plans, the Group must comply with certain treasury procedures that provide guiding principles for overall financial risk management.

1) Market risk

The Group's activities exposed it primarily to the financial risks of changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below), and other price risk (see (c) below).

a) Foreign currency risk

The Group had foreign currency sales and purchases, which exposed to foreign currency risk. Exchange rate exposures were managed within approved policy parameters utilizing forward foreign exchange contracts.

Sensitivity analysis

The Group was mainly exposed to the USD and JPY.

Sensitivity analysis of rate is for the transactions in currencies other than the entity's functional currency (foreign currencies) which are recognized at the rates of exchange prevailing at the dates of the transactions.

The following table details the Group's sensitivity to a 3% and 10% increase in New Taiwan dollars (the functional currency) against the relevant foreign currencies, respectively. The sensitivity rates used are 3% and 10% when reporting foreign currency risk internally to key management personnel.

	Currency USD Impact		Currency JPY Impact	
	For the Year Ended December 31		For the Year Ended December 31	
	2013	2012	2013	2012
Pre-tax loss	\$ 21,041	\$ 25,301	\$ 59,362	\$ 40,493

b) Interest rate risk

The Group was exposed to interest rate risk because entities in the Group borrowed funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows.

	December 31, 2013	December 31, 2012	January 1, 2012
Fair value interest rate risk			
Financial assets	\$ 9,878,504	\$ 17,835,488	\$ 16,001,937
Financial liabilities	566,577	88,406	1,800,488
Cash flow interest rate risk			
Financial assets	2,267,600	1,471,846	3,911,479
Financial liabilities	18,599,897	21,033,615	17,606,332

Sensitive analysis

Sensitivity analysis of interest is calculated based on the financial liabilities exposed to cash flow interest rate risk at the end of each reporting period.

If interest rates had been 50 basis points higher/lower, the Group's pre-tax loss for the years ended December 31, 2013 and 2012 would increase/decrease by NT\$99,084 thousand and NT\$96,600 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitive analysis

Sensitivity analysis of equity price is calculated based on the fair values of available-for-sale investments at the end of each reporting period.

If equity prices had been 10% higher/lower, equity for the years ended December 31, 2013 and 2012 would have increased/decreased by NT\$95,133 thousand and NT\$88,869 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

In order to maintain the credit quality of trade receivables, the Group has established procedures to monitor and limit exposure to credit risk on trade receivables.

Credit evaluation is performed in the consideration of the relevant factors which may affects the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions. The Group holds some of the credit enhancements such as prepayments and collateral to mitigate its credit risks.

Trade receivables consisted of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables and, where appropriate, credit guarantee insurance cover is purchased.

As of December 31, 2013 and 2012, and January 1, 2012, the Group's ten largest customers accounted for 54%, 47% and 50% of total trade receivables (including receivables from related parties), respectively. The Group believed the concentration of credit risk was relatively insignificant for the remaining trade receivables.

Financial credit risk

The Group's exposure to financial credit risk which pertained to bank deposits and other financial instruments were evaluated and monitored by Corporate Treasury function. The Group only deals with creditworthy counterparties and banks so that no significant credit risk was identified.

3) Liquidity risk

The objective of liquidity risk management is to ensure the Group has sufficient liquidity to fund its business requirements of cash and cash equivalents and the unused of financing facilities associated with existing operations.

The Group relies on bank borrowings as a significant source of liquidity. As of December 31, 2013 and 2012, and January 1, 2012, the Group had available unutilized overdraft and short-term bank loan facilities of approximately NT\$4,655,742 thousand, NT\$6,856,768 thousand and NT\$10,099,344 thousand, respectively.

Liquidity and interest rate risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables included both interest and principal cash flows.

Specifically, bank loans with a repayment on demand clause were included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

To the extent that interest flows are floating rate, the undiscounted amount was derived from the expected borrowing interest rate at the end of the reporting period.

December 31, 2013

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 4,754,779	\$ -	\$ -	\$ -	\$ 4,754,779
Variable interest rate liabilities	7,948,820	10,406,574	747,032	-	19,102,426
Fixed interest rate liabilities	<u>568,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>568,829</u>
	<u>\$ 13,272,428</u>	<u>\$ 10,406,574</u>	<u>\$ 747,032</u>	<u>\$ -</u>	<u>\$ 24,426,034</u>

December 31, 2012

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 4,984,978	\$ -	\$ -	\$ -	\$ 4,984,978
Variable interest rate liabilities	5,559,431	16,174,602	22,886	-	21,756,919
Fixed interest rate liabilities	<u>88,767</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,767</u>
	<u>\$ 10,633,176</u>	<u>\$ 16,174,602</u>	<u>\$ 22,886</u>	<u>\$ -</u>	<u>\$ 26,830,664</u>

January 1, 2012

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 5,289,480	\$ -	\$ -	\$ -	\$ 5,289,480
Variable interest rate liabilities	1,815,677	8,308,774	8,358,820	-	18,483,271
Fixed interest rate liabilities	<u>1,804,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,804,025</u>
	<u>\$ 8,909,182</u>	<u>\$ 8,308,774</u>	<u>\$ 8,358,820</u>	<u>\$ -</u>	<u>\$ 25,576,776</u>

31. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, had been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

a. Trading transactions

	<u>For the Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
<u>Sales of Goods</u>		
Key management personnel	\$ 6,194,587	\$ 7,531,514
Others	<u>2,629</u>	<u>1,571</u>
	<u>\$ 6,197,216</u>	<u>\$ 7,533,085</u>
<u>Purchases of Goods</u>		
Key management personnel	<u>\$ 1,112,719</u>	<u>\$ 194,948</u>

Sales prices to related parties were not comparable to those with external customers as the Group was the sole provider for them. The sales terms to the related parties were between 30 to 60 days after monthly closing, similar to those with external customers.

Materials purchased from related parties were for manufacturing process. The payment term was 30 days after monthly closing, similar to those with external vendors.

	<u>For the Year Ended December 31</u>	
	2013	2012
<u>Manufacturing Expense</u>		
The Group is its major management authority	<u>\$ 441,416</u>	<u>\$ 418,736</u>
<u>Operating Expense</u>		
The Group is its major management authority	\$ 1,156	\$ 915
Key management personnel	4,442	-
Others	<u>25,000</u>	<u>25,042</u>
	<u>\$ 30,598</u>	<u>\$ 25,957</u>
<u>Joint Development Revenue</u>		
Key management personnel	<u>\$ -</u>	<u>\$ 5,769</u>
<u>Software and Pattern Revenue</u>		
The Group is its major management authority	\$ 732	\$ 974
Key management personnel	<u>-</u>	<u>2</u>
	<u>\$ 732</u>	<u>\$ 976</u>

The subcontract processing charges of related parties were comparable to those with other vendors. The payment term was 75 days after monthly closing.

The following balances of trade receivables from related parties were outstanding at the end of the reporting period:

	December 31, 2013	December 31, 2012	January 1, 2012
Key management personnel	\$ 457,903	\$ 427,401	\$ 918,063
Others	343	52	-
The Group is its major management authority	<u>56</u>	<u>-</u>	<u>-</u>
	<u>\$ 458,302</u>	<u>\$ 427,453</u>	<u>\$ 918,063</u>

The following balances of trade payables to related parties were outstanding at the end of the reporting period:

	December 31, 2013	December 31, 2012	January 1, 2012
The Group is its major management authority	\$ 90,570	\$ 118,455	\$ 82,244
Key management personnel	14	-	-
Others	<u>-</u>	<u>17,550</u>	<u>-</u>
	<u>\$ 90,584</u>	<u>\$ 136,005</u>	<u>\$ 82,244</u>

The outstanding of trade payables from related parties are unsecured and will be settled in cash. No guarantees had been given or received for trade receivables to related parties. No expense had been recognized for the years ended December 31, 2013 and 2012 for allowance for impairment of trade receivables in respect of the amounts owed by related parties.

b. Compensation of key management personnel

The remuneration of directors and other members of key management personnel for the years ended December 31, 2013 and 2012 was as follows:

	For the Year Ended December 31	
	2013	2012
Short-term benefits	\$ 154,523	\$ 151,492
Post-employment benefits	<u>118,306</u>	<u>111,239</u>
	<u>\$ 272,829</u>	<u>\$ 262,731</u>

The remuneration of directors and key executives was determined by the remuneration committee having regard to the performance of individuals and market trends.

32. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings, the tariff of imported raw materials guarantees, natural gas agreement, land lease agreement or the deposit for hiring foreign workers:

	December 31, 2013	December 31, 2012	January 1, 2012
Pledge deposits (classified as other financial assets - current)	\$ -	\$ 41,106	\$ -
Property, plant and equipment, net	17,425,003	18,773,742	13,119,861
Pledge deposits (classified as other financial assets - non-current)	<u>168,077</u>	<u>170,176</u>	<u>187,182</u>
	<u>\$ 17,593,080</u>	<u>\$ 18,985,024</u>	<u>\$ 13,307,043</u>

33. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of December 31, 2013 were as follows:

- a. As of December 31, 2013 and 2012, and January 1, 2012, unused letters of credit amounted to approximately NT\$0, NT\$15,930 thousand and NT\$50,489 thousand, respectively.
- b. Unrecognized commitments are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Acquisition of property, plant and equipment	<u>\$ 1,201,949</u>	<u>\$ 812,424</u>	<u>\$ 716,395</u>

- c. The Company entered into the Phase-change memory technology agreement with IBM Company in January 2010, and the term of the agreement is from January 2010 to January 2013. Under the agreement, both parties have to share in the related expenditures of the technology development, and the Company has completed the payment in January, 2013. The Company entered into another Phase-change memory technology agreement with IBM Company in January 2013. The term of the agreement is from January 2013 to January 2016. As of December 31, 2013, the Company has paid US\$3,500 thousand.
- d. The Company entered into the Patents Cross-License Agreement with J Company in December 2009, and the term of the agreement is from December 2009 to December 2015. Under the agreement, the Company has completed the payment.
- e. In August 2013, Spansion Inc. ("Spansion") filed a lawsuit against the Company in both the U.S. International Trade Commission ("ITC") and the U.S. District Court in California concurrently, alleging that the Company infringed its patents. To protect the Company's interests, the Company hired a U.S. attorney to respond to the charges and contend that the patents asserted against the Company are invalid and the Company did not infringe those patents. In November 2013, the Company filed petitions to the US Patent and Trademark Office ("USPTO") to challenge the validity of Spansion's six patents. Moreover, in October 2013, the Company filed a lawsuit against Spansion in the U.S. District Court for the Eastern District of Virginia and again in December 2013 filed a separate lawsuit in the ITC. The Company evaluated that Spansion's lawsuit would have limited impact on the Company's financial statements since there were various points of argument that could be taken into account.
- f. Creative Integrated System, Inc. ("CIS") filed a lawsuit against the Company with the U.S. District Court in California, alleging that the Company infringed two of its patents. Final judgment was rendered in favor of the Company in July 2012; however, CIS has filed an appeal against the ruling. The District Court rescinded its initial determination for one patent infringement case and re-examined it. As of December 31, 2013, the case for alleged patent infringement was still pending in the District Court. Since the patent-in-suit has expired in August 2010, and there were various points of argument that could be taken into account, the Company evaluated that the CIS's lawsuit would have limited impact on the Company's financial statements.

34. EXCHANGE RATE OF FINANCIAL ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The significant financial assets and liabilities denominated in foreign currencies were as follows:

December 31, 2013

	Exchange Rate	Financial Assets	Financial Liabilities
Monetary items			
JPY	0.28	\$ 4,716,939	\$ 2,596,871
USD	29.81	87,022	57,494

December 31, 2012

	Exchange Rate	Financial Assets	Financial Liabilities
Monetary items			
JPY	0.34	\$ 2,452,014	\$ 861,058
USD	29.04	89,627	50,585

January 1, 2012

	Exchange Rate	Financial Assets	Financial Liabilities
Monetary items			
JPY	0.39	\$ 6,450,652	\$ 3,733,623
USD	30.28	94,522	58,094

35. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- Financing provided to others: None
- Endorsements/guarantees provided: None
- Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 1 (attached)
- Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: Table 2 (attached)
- Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None
- Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)

- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 4 (attached)
- i. Trading in derivative instruments: Please see Note 7
- j. Intercompany relationships and significant intercompany transactions: Table 6 (attached)
- k. Information on investees: Table 5 (attached)
- l. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the mainland China area: Table 7 (attached)
 - 2) Any of the significant transactions with investee companies in mainland China, either directly or indirectly through a third area, and their prices, payment terms, and unrealized gains or losses: None

36. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. Specifically, the Group's reportable segments were as follows:

Memory products and wafer fabrication
IC design

The Group's reportable segments were separated according to the nature of its business activities. The accounting policies adopted by the reportable segments had no material difference from those disclosed in Note 4.

a. Segment revenues and results

The following was an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment Revenue		Segment Loss	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2013	2012	2013	2012
Memory products and wafer fabrication	\$ 22,124,548	\$ 24,145,584	\$ (5,702,689)	\$ (4,736,939)
IC design	<u>79,872</u>	<u>83,154</u>	<u>(653,640)</u>	<u>(724,994)</u>
Revenues from continuing operations	<u>\$ 22,204,420</u>	<u>\$ 24,228,738</u>	(6,356,329)	(5,461,933)
Other income			209,395	291,428
Other gains and losses			128,678	(105,443)
Finance costs			<u>(334,896)</u>	<u>(302,953)</u>
Loss before tax (continuing operations)			<u>\$ (6,353,152)</u>	<u>\$ (5,578,901)</u>

b. Segment total assets and liabilities

	December 31, 2013	December 31, 2012	January 1, 2012
<u>Segment assets</u>			
Memory products and wafer fabrication	\$ 52,703,815	\$ 61,639,280	\$ 66,726,569
IC design	<u>1,342,444</u>	<u>691,408</u>	<u>1,409,253</u>
Consolidated total assets	<u>\$ 54,046,259</u>	<u>\$ 62,330,688</u>	<u>\$ 68,135,822</u>
<u>Segment liabilities</u>			
Memory products and wafer fabrication	\$ 25,229,051	\$ 27,250,474	\$ 26,264,708
IC design	<u>91,410</u>	<u>109,189</u>	<u>111,657</u>
Consolidated total liabilities	<u>\$ 25,320,461</u>	<u>\$ 27,359,663</u>	<u>\$ 26,376,365</u>

c. Geographical information

The Group operates in two principal geographical areas - the Taiwan and China.

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	<u>Revenue from External Customers</u>		<u>Non-current Assets</u>		
	<u>Year Ended December 31</u> <u>2013</u>	<u>2012</u>	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>January 1,</u> <u>2012</u>
Taiwan	\$ 18,164,166	\$ 20,184,755	\$ 26,554,862	\$ 29,734,235	\$ 35,119,523
China	3,012,964	2,893,202	298,437	292,000	276,228
Others	<u>1,027,290</u>	<u>1,150,781</u>	<u>292,856</u>	<u>286,255</u>	<u>300,598</u>
	<u>\$ 22,204,420</u>	<u>\$ 24,228,738</u>	<u>\$ 27,146,155</u>	<u>\$ 30,312,490</u>	<u>\$ 35,696,349</u>

Non-current assets exclude financial instruments and deferred tax assets.

d. Information about major customers

Single customers contributed 10% or more to the Group's revenue of memory products and wafer fabrication were as follows:

	<u>For the Year Ended December 31</u>	
	<u>2013</u>	<u>2012</u>
Customer A	<u>\$ 6,194,587</u>	<u>\$ 7,531,514</u>

37. FIRST-TIME ADOPTION OF IFRSs

a. Basis of the preparation for financial information under IFRSs

The Group's consolidated financial statements for the year ended December 31, 2013 were the first IFRS financial statements. The Group not only follows the significant accounting policies stated in Note 4 but also applies the requirements under IFRS 1 "First-time Adoption of IFRS" as the basis for the preparation.

b. Impact on the transition to IFRSs

After transition to IFRSs, the impact on the Group's consolidated balance sheets and consolidated statements of comprehensive income is stated as follows:

1) Reconciliation of consolidated balance sheet as of January 1, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
Item	Amount	Recognition and Measurement Difference	Presentation Difference	Amount	Item	
Current assets					Current assets	
Cash and cash equivalents	\$ 19,727,097	\$ -	\$ -	\$ 19,727,097	Cash and cash equivalents	
Notes and accounts receivable, net	2,889,463	-	11,987	2,901,450	Notes receivable and trade receivables, net	a)
Receivables from related parties, net	918,063	-	-	918,063	Receivables from related parties, net	
Other receivables, net	121,198	-	-	121,198	Other receivables	
Inventories	6,468,003	-	-	6,468,003	Inventories	
Deferred income tax assets - current	133,299	-	(133,299)	-	-	b)
Other current assets	474,940	-	543	475,483	Other current assets	c)
Total current assets	30,732,063	-	(120,769)	30,611,294	Total current assets	
Long-term investments					Long-term investments	
Financial assets at fair value through profit or loss - non-current	39,357	-	-	39,357	Financial asset at fair value through profits or losses - non-current	
Available-for-sale financial assets - non-current	879,392	-	-	879,392	Available-for-sale financial assets - non-current	
Financial assets carried at cost - non-current	154,491	-	-	154,491	Financial assets carried at cost - non-current	
Total long-term investments	1,073,240	-	-	1,073,240	Total non-current assets	
Net property, plant and equipment	35,206,707	-	290,125	35,496,832	Property, plant and equipment	d)
Net intangible assets	172,068	-	(23,593)	148,475	Intangible assets	c), e)
Other assets					Other assets	
Idle assets, net	290,125	-	(290,125)	-	-	d)
Deferred income tax assets - non-current	419,899	-	133,299	553,198	Deferred tax assets	b)
Restricted assets - non-current	187,182	-	-	187,182	Other financial assets - non-current	
Refundable deposits	14,559	-	-	14,559	Other financial asset - non-current	
Other assets	27,992	-	23,050	51,042	Other non-current assets	c), e)
Total other assets	939,757	-	(133,776)	805,981	Total other assets	
Total	\$ 68,123,835	\$ -	\$ 11,987	\$ 68,135,822	Total	
Current liabilities					Current liabilities	
Short-term bank loans	\$ 1,800,488	\$ -	\$ -	\$ 1,800,488	Short-term borrowings	
Notes and accounts payable	2,154,754	-	-	2,154,754	Notes payable and trade payables	
Payables to related parties	82,244	-	-	82,244	Payables to related parties	
Income tax payable	348,966	-	-	348,966	Current tax liabilities	
Accrued expenses	2,176,649	-	-	2,176,649	Other payables	
Payables for equipment	875,833	-	-	875,833	Payable for purchase of equipment	
Accrued bonuses to employees, directors and supervisors	530,775	-	-	530,775	Salary and bonus payable	
Current portion of long-term bank loans	1,527,718	-	-	1,527,718	Current portion of long-term borrowings	
Other current liabilities	98,038	63,967	11,987	173,992	Other current liabilities	a), g)
Total current liabilities	9,595,465	63,967	11,987	9,671,419	Total current liabilities	
Total long-term liabilities	16,078,614	-	-	16,078,614	Total long-term liabilities	
Other liabilities					Other liabilities	
Accrued pension cost	360,234	262,332	-	622,566	Accrued pension liabilities	h)
Others	3,766	-	-	3,766	Other liabilities	
Total other liabilities	364,000	262,332	-	626,332	Total other liabilities	
Total liabilities	26,038,079	326,299	11,987	26,376,365	Total liabilities	

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount	Item	
Shareholders' equity						
Capital stock	\$ 33,847,486	\$ -	\$ -	\$ 33,847,486	Ordinary shares	
Capital surplus	349,925	(3,436)	-	346,489	Capital surplus	f)
Legal capital reserve	2,407,003	-	-	2,407,003	Legal reserve	
Unappropriated earnings	5,085,609	(309,037)	-	4,776,572	Unappropriated earnings	g), h), i)
Unrealized gains on financial instruments	432,095	-	-	432,095	Unrealized gain from available-for-sale financial assets	
Cumulative translation adjustments	(29,881)	(167)	-	(30,048)	Exchange differences on translating foreign operations	g)
Treasury stock	(142,365)	(16,696)	-	(159,061)	Treasury shares	i)
Total equity attributable to shareholders of the parent	41,949,872	(329,336)	-	41,620,536	Equity attributable to owners of the company	
Minority interests	135,884	3,037	-	138,921	Non-controlling interests	f), g), h)
Total shareholders' equity	42,085,756	(326,299)	-	41,759,457	Total equity	
Total	<u>\$ 68,123,835</u>	<u>\$ -</u>	<u>\$ 11,987</u>	<u>\$ 68,135,822</u>	Total	

(Concluded)

2) Reconciliation of consolidated balance sheet as of December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount	Item	
Current assets					Current assets	
Cash and cash equivalents	\$ 19,096,662	\$ -	\$ -	\$ 19,096,662	Cash and cash equivalents	
Financial assets at fair value through profit or loss - current	6,199	-	-	6,199	Financial assets at fair value through profit or loss - current	
Notes and accounts receivable, net	2,900,918	-	11,062	2,911,980	Notes receivable and trade receivables, net	a)
Receivables from related parties, net	427,453	-	-	427,453	Receivables from related parties, net	
Other receivables, net	106,203	-	-	106,203	Other receivables	
Inventories	6,859,892	-	-	6,859,892	Inventories	
Deferred income tax assets - current	231,541	-	(231,541)	-	-	b)
Restricted assets - current	41,106	-	-	41,106	Other financial assets - current	
Other current assets	478,869	-	523	479,392	Other current assets	c)
Total current assets	30,148,843	-	(219,956)	29,928,887	Total current assets	
Long-term investments					Long-term investments	
Available-for-sale financial assets - non-current	888,685	-	-	888,685	Available-for-sale financial assets - non-current	
Financial assets carried at cost - non-current	97,862	-	-	97,862	Financial assets carried at cost - non-current	
Total long-term investments	986,547	-	-	986,547	Total non-current assets	
Net property, plant and equipment	29,605,488	-	278,290	29,883,778	Property, plant and equipment	d)
Net intangible assets	375,243	-	(14,307)	360,936	Intangible assets	c), e)
Other assets					Other assets	
Idle assets, net	278,290	-	(278,290)	-	-	d)
Deferred income tax assets - non-current	678,302	-	231,541	909,843	Deferred tax assets	b)
Restricted assets - non-current	170,176	-	-	170,176	Other financial assets - non-current	
Long-term receivables	10,078	-	-	10,078	Other financial assets - non-current	
Refundable deposits	12,667	-	-	12,667	Other financial assets - non-current	
Other assets	53,992	-	13,784	67,776	Other non-current assets	c), e)
Total other assets	1,203,505	-	(32,965)	1,170,540	Total other assets	
Total	<u>\$ 62,319,626</u>	<u>\$ -</u>	<u>\$ 11,062</u>	<u>\$ 62,330,688</u>	Total	

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount	Item	
Current liabilities					Current liabilities	
Short-term bank loans	\$ 88,406	\$ -	\$ -	\$ 88,406	Short-term borrowings	
Notes and accounts payable	1,834,141	-	-	1,834,141	Notes payable and trade payables	
Payables to related parties	136,005	-	-	136,005	Payables to related parties	
Income tax payable	339,661	-	-	339,661	Current tax liabilities	
Accrued expenses	2,619,846	-	-	2,619,846	Other payables	
Payables for equipment	394,986	-	-	394,986	Payable for purchase of equipment	
Current portion of long-term bank loans	5,233,718	-	-	5,233,718	Current portion of long-term borrowings	
Other current liabilities	111,881	70,573	11,062	193,516	Other current liabilities	a), g)
Total current liabilities	10,758,644	70,573	11,062	10,840,279	Total current liabilities	
Total long-term liabilities	15,799,897	-	-	15,799,897	Total long-term liabilities	
Other liabilities					Other liabilities	
Accrued pension cost	462,774	255,019	-	717,793	Accrued pension liabilities	h)
Others	1,694	-	-	1,694	Other liabilities	
Total other liabilities	464,468	255,019	-	719,487	Total other liabilities	
Total liabilities	27,023,009	325,592	11,062	27,359,663	Total liabilities	
Shareholders' equity						
Capital stock	35,214,623	-	-	35,214,623	Ordinary shares	
Capital surplus	348,123	(4,254)	-	343,869	Capital surplus	f)
Legal capital reserve	2,695,275	-	-	2,695,275	Legal reserve	
Accumulated deficit	(3,220,362)	(308,630)	-	(3,528,992)	Accumulated deficit	g), h), i)
Unrealized gains on financial instruments	448,981	-	-	448,981	Unrealized gain from available-for-sale financial assets	
Cumulative translation adjustments	(102,918)	133	-	(102,785)	Exchange differences on translating foreign operations	g)
Treasury stock	(142,365)	(16,696)	-	(159,061)	Treasury shares	i)
Total equity attributable to shareholders of the parent	35,241,357	(329,447)	-	34,911,910	Equity attributable to owners of the company	
Minority interests	55,260	3,855	-	59,115	Non-controlling interests	f), g), h)
Total shareholders' equity	35,296,617	(325,592)	-	34,971,025	Total equity	
Total	\$ 62,319,926	\$ -	\$ 11,062	\$ 62,330,688	Total	

(Concluded)

3) Reconciliation of consolidated statement of comprehensive income for the year ended December 31, 2012

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount	Item	
Net sales	\$ 24,228,738	\$ -	\$ -	\$ 24,228,738	Net operating revenue	
Cost of sales	21,684,781	(1,314)	139,698	21,823,165	Operating costs	g), h), j)
Gross profit	2,543,957	(1,314)	(139,698)	2,405,573	Gross profit	
Operating expenses					Operating expenses	
Sales and marketing	1,176,455	(1,470)	(499)	1,174,486	Selling and marketing expenses	g), h), j)
General and administrative	1,718,845	1,324	590	1,720,759	General and administrative expenses	g), h), j)
Research and development	4,972,689	1,053	(1,481)	4,972,261	Research and development expenses	g), h), j)
Total operating expenses	7,867,989	907	(1,390)	7,867,506	Total operating expenses	
Loss from operations	(5,324,032)	407	(138,308)	(5,461,933)	Loss from operations	
Non-operating income and gains					Non-operating income and gains	
Interest income	166,316	-	-	166,316	Interest income	
Dividend income	60,825	-	-	60,825	Dividend income	
Gain on disposal of investment	62,455	-	-	62,455	Net gains on disposal of investments	j)
Valuation gain on financial assets	6,199	-	-	6,199	Net gain arising on financial assets classified as held for trading	
Others	64,287	-	-	64,287	Others	
Total non-operating income and gains	360,082	-	-	360,082	Total non-operating income and gains	

(Continued)

ROC GAAP		Effect of Transition to IFRSs		IFRSs		Note
		Recognition and Measurement Difference	Presentation Difference			
Item	Amount			Amount	Item	
Non-operating expenses and losses					Non-operating expenses and losses	
Interest expense	\$ 302,953	\$ -	\$ -	\$ 302,953	Interest expense	
Loss on disposal of assets	138,308	-	(138,308)	-	-	
Foreign exchange losses, net	161,829	-	-	161,829	Foreign exchange losses, net	
Others	12,268	-	-	12,268	Others	
Total non-operating expenses and losses	615,358	-	(138,308)	477,050	Total non-operating expenses and losses	
Loss before income tax	(5,579,308)	407	-	(5,578,901)	Loss before income tax	
Income tax expense	(61,385)	-	-	(61,385)	Income tax expense	
Consolidated net loss	<u>\$ (5,517,923)</u>	<u>\$ 407</u>	<u>\$ -</u>	<u>(5,517,516)</u>	Consolidated net loss	
				(72,850)	Exchange differences on translating foreign operations	
				16,886	Unrealized gain on available-for-sale financial assets	
				(55,964)	Other comprehensive loss for the year, net of tax	
				<u>\$ (5,573,480)</u>	Total comprehensive loss for the year	

(Concluded)

4) Exemptions from IFRS 1

IFRS 1 establishes the procedures for the Group's first consolidated financial statements prepared in accordance with IFRSs. According to IFRS 1, the Group is required to determine the accounting policies under IFRSs and retrospectively apply those accounting policies in its opening balance sheet at the date of transition to IFRSs, January 1, 2012; except for optional exemptions and mandatory exceptions to such retrospective application provided under IFRS 1. The major optional exemptions the Group adopted are summarized as follows:

a) Business combinations

The Group elected not to apply IFRS 3, "Business Combinations," retrospectively to business combinations that occurred before the date of transition. Therefore, in the opening balance sheet, the amount of goodwill generated from past business combinations remains the same compared with the one under ROC GAAP as of December 31, 2011.

b) Share-based payment transactions

The Group elected to take the optional exemption from applying IFRS 2 "Share-based Payment" retrospectively for the share-based payment transactions granted and vested before the date of transition.

c) Employee benefits

The Group elected to recognize all cumulative actuarial gains and losses in retained earnings as of the date of transition.

5) Explanations of significant reconciling items in the transition to IFRSs

Material differences between the accounting policies under ROC GAAP and the accounting policies adopted under IFRSs were as follows:

a) Allowance for sales returns and others

Under ROC GAAP, provisions for estimated sales returns and others are recognized as a reduction in revenue in the year the related revenue is recognized based on historical experience. Allowance for sales returns and others is recorded as a deduction in accounts receivable. Under IFRSs, the allowance for sales returns and others is a present obligation with uncertain timing and an amount that arises from past events; it is therefore reclassified as provisions (classified under current liabilities) accordingly.

As of December 31, 2012 and January 1, 2012, the amounts reclassified from allowance for sales returns and others to provisions were NT\$11,062 thousand and NT\$11,987 thousand, respectively.

b) Classifications of deferred income tax asset/liability and valuation allowance

Under ROC GAAP, valuation allowance is provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. Under IFRSs, deferred tax assets are only recognized to the extent that it is probable that there will be sufficient taxable profits and the valuation allowance account is no longer used.

In addition, under ROC GAAP, a deferred tax asset or liability is classified as current or non-current in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as either current or non-current based on the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as non-current asset or liability.

As of December 31, 2012 and January 1, 2012, the amount reclassified from deferred income tax assets - current to deferred income tax assets - non-current were NT\$231,541 thousand and NT\$133,299 thousand, respectively.

c) Reclassification of burgage

Under ROC GAAP, held burgage is classified under intangible assets. Under IFRSs, burgage is reclassified as lease prepayments in accordance with IAS No 17, "Leases".

As of December 31, 2012, the amounts reclassified to lease prepayments - current and lease prepayments - non-current were NT\$523 thousand and NT\$22,477 thousand, respectively. As of January 1, 2012, the amounts reclassified to lease prepayments - current and lease prepayments - non-current were NT\$543 thousand and NT\$23,920 thousand, respectively.

d) Reclassification of idle assets

Under ROC GAAP, idle assets are classified under other assets. After the adoption of IFRSs, idle assets are reclassified under property, plant and equipment in accordance with IAS No 16, "Property, Plant and Equipment".

As of December 31, 2012 and January 1, 2012, the amount reclassified from idle assets to property, plant and equipment were NT\$278,290 thousand and NT\$290,125 thousand, respectively.

e) Reclassification of deferred assets

Under ROC GAAP, deferred assets are classified under other assets. Under IFRSs, deferred assets are reclassified under intangible assets.

As of December 31, 2012 and January 1, 2012, the amount reclassified from deferred assets to intangible assets were NT\$8,693 thousand and NT\$870 thousand, respectively.

f) Capital surplus of subsidiaries - employee stock options

Under ROC GAAP, employee stock options granted by a subsidiary are recognized by the parent company according to its ownership percentage as capital surplus - employee stock options under the equity attributable to shareholders of the parent in the consolidated financial statements. Under IFRSs, the equity not attributable, directly or indirectly, to a parent is non-controlling interest.

As of December 31, 2012 and January 1, 2012, the amounts reclassified to non-controlling interest were NT\$4,254 thousand and NT\$3,436 thousand, respectively.

g) Employee benefits - short-term accumulating compensated absences

Short-term accumulating compensated absences are not specifically addressed under ROC GAAP and usually recognized as salary expense while distributed. Under IFRSs, accumulating compensated absences are recognized as salary expense when the employees render services that increase their entitlement to future compensated absences.

At the transition to IFRSs, the Company elected to recognize all the resulting accounting difference of compensated absences in retained earnings. As of December 31, 2012 and January 1, 2012, other current liabilities increased by NT\$70,573 thousand and NT\$63,967 thousand, respectively; non-controlling interests both decreased by NT\$630 thousand; cumulative translation adjustments increased by NT\$133 thousand and decreased by NT\$167 thousand, respectively. For the year ended December 31, 2012, cost of sales and operating expenses increase by NT\$2,858 thousand and NT\$4,048 thousand, respectively.

h) Employee benefits - corridor approach

Under ROC GAAP, unrecognized net transition obligation from first-adoption of SFAS No. 18, "Accounting for Pensions", should be amortized over the expected average remaining service lives of the employees who are still in service and expected to receive pension benefits using the straight-line method and recorded in net pension cost. Transition to IFRSs, the Company is not subject to the transition requirements of IAS 19 "Employee Benefits." Thus, unrecognized net transition obligation should be recognized immediately to unappropriated earnings.

Under ROC GAAP, actuarial gains and losses are accounted for under the corridor approach which resulted in the deferral of gains and losses. When using the corridor approach, actuarial gains and losses should be amortized over the expected average remaining working lives of the participating employees and be recognized directly to retained earnings. At the transition to IFRSs, the Company decided to adopt the corridor approach continuously in accordance with IAS No. 19, "Employee Benefits," and as its accounting policy.

At the transition date, the Company performed actuarial valuation under IAS No. 19, "Employee Benefits," and recognized the valuation difference directly to retained earnings under the requirement of IFRS 1, "First-time Adoption of International Financial Reporting Standards." As of December 31, 2012 and January 1, 2012, accrued pension cost was adjusted for an increase of NT\$255,019 thousand and NT\$262,332 thousand, respectively; and non-controlling interest adjusted for both an increase of NT\$231 thousand. Pension cost for the year ended December 31, 2012 was also adjusted for a decrease in cost of sales of NT\$4,172 thousand and a decrease in operating expenses of NT\$3,141 thousand.

i) Treasury stock transactions

Under ROC GAAP, the Company's stocks held by subsidiaries were accounted for as treasury stock. For its first-time adoption of SFAS No. 30, "Accounting for Treasury Stocks," the recorded cost of the stock is based on its carrying amount as of January 1, 2002, which may not equal to its acquisition cost.

At the transition to IFRSs, treasury stock is stated at cost and shown as a deduction in shareholders' equity. The Company is not subject to the transition requirement; thus, the amounts of the related accounts in the statements of changes in shareholders' equity should be adjusted retrospectively.

As of December 31, 2012 and January 1, 2012, the book value of treasury stock both increased by NT\$16,696 thousand.

j) The reclassification of line items in the consolidated statement of comprehensive loss

Under IFRSs, based on the nature of operating transactions, the Group reclassified net loss on disposal of property, plant and equipment of NT\$138,308 thousand for the years ended December 31, 2012 as an increase in cost of sales of NT\$139,698 thousand and a decrease in operating expenses of NT\$1,390 thousand.

6) Explanation of material adjustments to the statement of cash flows

According to ROC GAAP, interest paid and received and dividends received were classified as operating activities. Additional disclosure was required for interest expenses when reporting cash flow using indirect method. However, under IAS 7 "Statement of Cash Flow", cash flows from interest and dividends received and paid shall each be disclosed separately. Each shall be classified in a consistent manner from period to period as operating activities. Therefore, interests received and paid and dividends received by the Company of NT\$157,524 thousand, NT\$309,042 thousand and NT\$60,825 thousand, respectively, for the year ended December 31, 2012 were presented separately at the date of transition.

Except for the above differences, there are no other significant differences between ROC GAAP and IFRSs in the consolidated statement of cash flows.

TABLE 1**MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY****MARKETABLE SECURITIES HELD****DECEMBER 31, 2013****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2013				Note
				Shares/Units (In Thousands)	Carrying Amount (Note 3)	Percentage of Ownership	Fair Value (Note 3)	
The Company	<u>Stock</u> Ardentec Corporation	The Company serves as member of its board of directors	Available-for-sale financial assets - non-current	34,896,736	\$ 764,239	7.48	\$ 764,239	Note 1
	United Industrial Gases Co., Ltd.	None	Financial assets measured at cost - non-current	6,671,877	58,500	3.06	-	Note 2
	Zowie Technology Co., Ltd.	None	Financial assets measured at cost - non-current	105,981	-	0.32	-	Note 2
	Aetas Technology Inc.	None	Financial assets measured at cost - non-current	145,850	-	0.29	-	Note 2
	Honbond Venture Capital Co., Ltd.	The Company serves as member of its board of directors	Financial assets measured at cost - non-current	4,972,500	24,198	15.00	-	Note 2
Macronix (BVI) Co., Ltd.	<u>Stock</u> Chipbond Technology Corporation	None	Available-for-sale financial assets - non-current	1,088,319	50,988	0.17	50,988	Note 1
	Key ASIC Bhd	None	Available-for-sale financial assets - non-current	26,924,500	34,299	3.34	34,299	Note 1
	Tower Semiconductor Ltd.	None	Available-for-sale financial assets - non-current	584,893	101,807	1.22	101,807	Note 1
	Global Strategic Investment Fund(Cayman)	None	Financial assets measured at cost - non-current	680,000	-	2.52	-	Note 2
	Global Strategic Investment Fund(Samoa)	None	Financial assets measured at cost - non-current	1,739,783	32,189	4.90	-	Note 2
Hui Ying Investment, Ltd.	<u>Stock</u> Macronix International Co., Ltd.	The Company	Available-for-sale financial assets - non-current	3,899,382	26,165	0.11	26,165	Note 1
	Raio Technology Co., Ltd.	None	Financial assets measured at cost - non-current	797,244	-	10.73	-	Note 2

Note 1: The market value was based on the closing price as of December 31, 2013.

Note 2: The calculation is based upon the most recent financial statements available to the Company.

Note 3: The foreign currency amount is converted into New Taiwan dollars based on the exchange rate at December 31, 2013.

TABLE 2**MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY**

**MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Shares/Units (In Thousands)	Amount	Carrying Amount	Gain/Loss on Disposal	Shares/Units (In Thousands)	Amount (Note)
The Company	<u>Stock</u> Infomax Communication Co., Ltd.	Investments accounted for using equity method	Infomax Communication Co., Ltd.	Subsidiary	50,322,240	\$ 221,645	99,949,000	\$ 999,490	-	\$ -	\$ -	\$ -	150,271,240	\$ 920,261

Note: The ending balance of securities.

TABLE 3**MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY**

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2013**

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

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	Sales	\$ 6,192,256	28%	30 days after monthly closing	Note 31	Note 31	\$ 457,903	14%	-
	Macronix (Hong Kong) Co., Ltd.	Indirect subsidiary	Sales	2,668,265	12%	45 days after monthly closing	Note 35	Note 35	363,619	11%	-
	Macronix America Inc.	Subsidiary	Sales	529,361	2%	Net 60 days	Note 35	Note 35	48,058	1%	-
	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	Purchase	1,112,719	17%	30 days after monthly closing	Note 31	Note 31	14	-	-
Macronix (Hong Kong) Co., Ltd.	The Company	Indirect subsidiary	Purchase	US\$ 90,113,635	100%	45 days after monthly closing	No material difference	No material difference	US\$ 12,199,127	100%	-
Macronix America Inc.	The Company	Subsidiary	Purchase	US\$ 17,861,000	100%	Net 60 days	No material difference	No material difference	US\$ 1,609,863	100%	-

TABLE 4**MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY****RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL****DECEMBER 31, 2013****(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	\$ 457,903	13.99 times	\$ -	-	JPY 1,612,902 thousand	\$ -
	Macronix (Hong Kong) Co., Ltd.	Indirect subsidiary	363,619	7.49 times	-	-	US\$ 12,200 thousand	-

TABLE 5

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTEEES
 FOR THE YEAR ENDED DECEMBER 31, 2013
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of December 31, 2013			Net Income (Loss) of the Investee (Note 3)	Share of Profit (Loss)	Note
				December 31, 2013 (Note 1)	December 31, 2012 (Note 1)	Shares	Percentage of Ownership	Carrying Amount (Note 2)			
The Company	Macronix America Inc.	San Jose, California, U.S.A.	Marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 249,700	\$ (6,201)	\$ (6,201)	
	Macronix (BVI) Co., Ltd.	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	223,300,000	100.00	1,440,549	(56,560)	(56,560)	
Run Hong Investment, Ltd.	Hui Ying Investment, Ltd.	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	24,985	(5,203)	(5,203)	
	Run Hong Investment, Ltd.	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	42,887	(24,210)	(24,210)	
Magic Pixel Inc.	Magic Pixel Inc.	Hsinchu, Taiwan	Fabless multimedia system on chip	312,803	217,825	30,651,523	78.27	54,251	(112,703)	(86,316)	
	Infomax Communication Co., Ltd.	Hsinchu, Taiwan	Baseband chip, analog baseband chip, and power management chip	1,502,711	520,117	150,271,240	97.25	920,261	(294,651)	(283,090)	
Mxtran Inc.	Mxtran Inc.	Hsinchu, Taiwan	Combi-SIM IC and the related service	607,379	512,371	60,627,800	89.16	133,981	(106,066)	(93,923)	
	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Mobile audio platform and smart remote controller	430,232	340,212	43,023,160	74.18	59,624	(119,755)	(87,144)	
Macronix (BVI) Co., Ltd.	New Trend Technology Inc.	San Jose, California, U.S.A.	IC design	850,637	850,637	25,850,000	100.00	295,722	(6,386)	Note 4	
	Macronix Europe NV.	Belgium	After-sale service	2,106	2,106	999	100.00	94,545	7,598	Note 4	
Macronix (Hong Kong) Co., Ltd.	Macronix Pte Ltd.	Singapore	After-sale service	3,291	3,291	174,000	100.00	15,676	921	Note 4	
	Macronix (Hong Kong) Co., Ltd.	Hong Kong	Marketing	378,427	378,427	89,700,000	100.00	565,925	(69,410)	Note 4	
Macronix (Asia) Limited	Macronix (Asia) Limited	Cayman Island	Investment holding company	26,325	26,325	800,000	100.00	47,385	4,129	Note 4	
Hui Ying Investment, Ltd.	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Mobile audio platform and smart remote controller	30,442	25,452	2,894,200	4.99	4,019	(119,755)	Note 4	
Run Hong Investment, Ltd.	Magic Pixel Inc.	Hsinchu, Taiwan	Fabless multimedia system on chip	22,131	17,286	1,895,440	4.84	3,355	(112,703)	Note 4	
	Infomax Communication Co., Ltd.	Hsinchu, Taiwan	Baseband chip, analog baseband chip, and power management chip	27,423	28,879	2,742,506	1.77	16,749	(294,651)	Note 4	
Mxtran Inc.	Mxtran Inc.	Hsinchu, Taiwan	Combi-SIM IC and the related service	34,271	29,279	3,393,200	4.99	7,506	(106,066)	Note 4	
	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Mobile audio platform and smart remote controller	30,442	25,452	2,894,200	4.99	4,019	(119,755)	Note 4	
Infomax Communication Co., Ltd.	Infomax Holding Co., Ltd.	Samoa	Investment holding company	235,494	195,457	7,620,000	100.00	11,571	(36,820)	Note 4	
Infomax Holding Co., Ltd.	Infomax Holding Company Limited	Hong Kong	Investment holding company	96,022	94,516	22,926,500	100.00	8,777	1,663	Note 4	
MoDioTek Co., Ltd.	Mosatek Co., Ltd.	Samoa	Investment holding company	108,014	91,644	3,490,000	100.00	2,885	(19,483)	Note 4	
Mosatek Co., Ltd.	Mosatek (H.K) Company Limited	Hong Kong	Investment holding company	53,398	53,398	12,905,100	100.00	2,489	(3,126)	Note 4	
Magic Pixel Inc.	Magic Pixel Inc.	Samoa	Investment holding company	76,913	65,050	2,450,000	100.00	5,740	(8,640)	Note 4	
Magic Pixel Inc.	Magic Pixel Holding Company Limited	Hong Kong	Investment holding company	59,668	50,771	14,820,000	100.00	5,739	(5,667)	Note 4	
Mxtran Inc.	Mxtran Holding (Samoa) Co., Ltd.	Samoa	Investment holding company	27,809	27,809	920,000	100.00	7,629	(6,673)	Note 4	
Mxtran Holding (Samoa) Co., Ltd.	Mxtran (H.K.) Holding Co., Limited.	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	7,333	(3,105)	Note 4	

Note 1: The foreign currency amount was converted into New Taiwan dollars at the historical exchange rate.

Note 2: The foreign currency amount was based on audited financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the exchange rate on December 31, 2013.

Note 3: The foreign currency amount was based on audited financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the average exchange rate for the year ended December 31, 2013.

Note 4: Under relevant regulations, no disclosure of investment gain (loss) is needed.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Transaction Subject	Transaction Object	Relation (Note 1)	Transaction Summary			
			Account	Amount	Term of Transaction	% to Total Assets or Total Revenue
MXIC	MXHK	2	Sales	\$ 2,668,265	Note 2	12%
			Notes receivable and trade receivables	363,619		1%
	MXE	2	Operating expenses	93,664		-
			Trade payables	18,819		-
	MXA	1	Sales	529,361	Note 2	2%
			Operating expenses	169,519		1%
			Notes receivable and trade receivables	48,058		-
			Trade payables	52,827		-
	Mxtran	1	Rental revenue	5,612	Note 3	-
	MoDioTek	1	Rental revenue	5,592	Note 3	-
	MX Asia	2	Operating expenses	115,538		1%
			Trade payables	20,871		-
	INFOMAX	1	Rental revenue	7,537	Note 3	-
	MPI	1	Rental revenue	4,149	Note 3	-

Note 1: 1. Transaction was between the parent company and subsidiaries.
2. Transaction was between the parent company and indirect subsidiaries.

Note 2: The sale price referred to the product price to end customer.

Note 3: The Company leased office to related parties and collected rental revenue according to the floor space per month.

Note 4: The transaction terms with related parties were 30 to 60 days after monthly closing and were similar to those with third parties.

TABLE 7

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 1 and 4)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2013 (Note 4)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2013 (Note 4)	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment (Note 5)	Investment Gain (Loss) (Note 6)	Carrying Amount as of December 31, 2013 (Note 7)	Accumulated Inward Remittance of Investment Income as of December 31, 2013
					Outward (Note 4)	Inward						
Macronix Microelectronics (Suzhou) Co., Ltd.	Development of integrated circuit system and software	\$ 296,160	(Note 2)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 4,525	100.00%	\$ 4,525	\$ 328,700	\$ -
Infomax Communication (Suzhou) Co., Ltd.	Software, rendering and technical service	82,415	(Note 3)	82,415	-	-	82,415	2,592	99.02%	2,567	7,958	-
Modiotek (Suzhou) Co., Ltd.	Sales and technical support of mobile audio platform and smart remote controller	53,231	(Note 3)	53,231	-	-	53,231	(3,125)	84.16%	(2,630)	1,912	-
Magic Pixel (Shen Zhen) Co., Ltd.	Sales and technical support of fabless multimedia system on chip	34,282	(Note 3)	25,385	8,897	-	34,282	(5,659)	83.11%	(4,703)	4,559	-
Maxtran Technology Co., Ltd.	Technical support of Combi-SIM IC	23,435	(Note 3)	23,435	-	-	23,435	(3,105)	94.15%	(2,923)	6,495	-

Accumulated Investment in Mainland China as of December 31, 2013	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 515,186 (Note 4)	\$ 534,657 (Note 4)	\$ 17,207,267

Note 1: The amount of paid in capital included prepaid investments.

Note 2: The Company invested in a company located in Mainland China indirectly through the existing company in the third country.

Note 3: The Company invested in a company located in Mainland China indirectly through the investing company in the third country.

Note 4: The foreign currency amount was converted into New Taiwan dollars at the historical exchange rate.

Note 5: The percentage of ownership is based on the total holding percentage owned by the Company and its subsidiaries.

Note 6: The foreign currency amount was based on audited financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the average exchange rate for the years ended December 31, 2013.

Note 7: The foreign currency amount was based on audited financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the exchange rate on December 31, 2013.