

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

**Consolidated Financial Statements for the
Years Ended December 31, 2013 and 2014 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 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2013 and 2014. 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 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2013 and 2014, 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 2014 on which we have issued an unqualified report.

Our audits also comprehended the translation of the 2014 New Taiwan dollar amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 6. Such U.S. dollar amounts are presented solely for the convenience of the readers.

Deloitte & Touche
Hsinchu, Taiwan
The Republic of China

March 16, 2015

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.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2013 AND 2014 (In Thousands of New Taiwan Dollars)

	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents (Notes 4, 7 and 33)	\$ 11,978,574	\$ 7,636,201	\$ 241,652
Financial assets at fair value through profit or loss - current (Notes 4, 8 and 33)	1,358	95	3
Notes receivable and trade receivables, net (Notes 4, 11 and 33)	2,822,661	2,699,155	85,416
Receivables from related parties, net (Notes 4, 33 and 34)	458,302	483,179	15,290
Other receivables (Notes 11, 33 and 34)	147,208	161,304	5,105
Inventories (Notes 4 and 12)	8,795,383	9,301,643	294,356
Other current assets (Notes 16 and 18)	<u>525,959</u>	<u>578,319</u>	<u>18,301</u>
Total current assets	<u>24,729,445</u>	<u>20,859,896</u>	<u>660,123</u>
NON-CURRENT ASSETS			
Available-for-sale financial assets - non-current (Notes 4, 9 and 33)	951,333	1,243,142	39,340
Financial assets measured at cost - non-current (Notes 4, 10 and 33)	114,888	113,399	3,589
Investment accounted for using equity method (Notes 4 and 13)	-	38,599	1,221
Property, plant and equipment (Notes 4, 14 and 35)	26,728,291	21,128,358	668,619
Intangible assets (Notes 4 and 15)	316,358	238,343	7,543
Deferred tax assets (Notes 4 and 27)	910,037	912,178	28,866
Other financial assets - non-current (Notes 4, 17, 33 and 35)	185,715	182,657	5,780
Other non-current assets (Notes 16 and 18)	<u>93,934</u>	<u>126,003</u>	<u>3,987</u>
Total non-current assets	<u>29,300,556</u>	<u>23,982,679</u>	<u>758,945</u>
TOTAL	<u>\$ 54,030,001</u>	<u>\$ 44,842,575</u>	<u>\$ 1,419,068</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings (Notes 19 and 33)	\$ 566,577	\$ 2,134,039	\$ 67,533
Financial liabilities at fair value through profit or loss - current (Notes 4, 8 and 33)	-	7,113	225
Notes payable and trade payables (Notes 20 and 33)	2,004,696	1,996,003	63,165
Payables to related parties (Notes 33 and 34)	90,584	63,185	2,000
Other payables (Notes 21 and 33)	2,226,702	1,682,698	53,250
Payable for purchase of equipment (Note 33)	432,797	475,285	15,041
Current tax liabilities (Notes 4 and 27)	355,427	302,416	9,570
Provisions - current (Notes 4 and 22)	143,399	150,617	4,766
Current portion of long-term borrowings (Notes 19, 33 and 35)	7,648,233	12,143,430	384,286
Other current liabilities	<u>71,689</u>	<u>74,315</u>	<u>2,351</u>
Total current liabilities	<u>13,540,104</u>	<u>19,029,101</u>	<u>602,187</u>
NON-CURRENT LIABILITIES			
Long-term borrowings (Notes 19, 33 and 35)	10,935,406	2,073,506	65,617
Accrued pension liabilities (Notes 4 and 23)	825,606	943,810	29,867
Other non-current liabilities	<u>3,087</u>	<u>17,930</u>	<u>567</u>
Total non-current liabilities	<u>11,764,099</u>	<u>3,035,246</u>	<u>96,051</u>
Total liabilities	<u>25,304,203</u>	<u>22,064,347</u>	<u>698,238</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 24)			
Ordinary shares	35,214,730	35,587,740	1,126,194
Capital surplus	344,166	241,652	7,647
Retained earnings			
Accumulated deficit	(7,178,843)	(13,640,051)	(431,647)
Other equity	457,785	734,847	23,255
Treasury shares	<u>(159,061)</u>	<u>(159,061)</u>	<u>(5,034)</u>
Equity attributable to shareholders of the parent	28,678,777	22,765,127	720,415
NON-CONTROLLING INTERESTS (Note 24)	<u>47,021</u>	<u>13,101</u>	<u>415</u>
Total equity	<u>28,725,798</u>	<u>22,778,228</u>	<u>720,830</u>
TOTAL	<u>\$ 54,030,001</u>	<u>\$ 44,842,575</u>	<u>\$ 1,419,068</u>

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
NET OPERATING REVENUE (Notes 4, 25 and 34)	\$ 22,204,420	\$ 22,414,213	\$ 709,311
OPERATING COSTS (Notes 12, 23, 26 and 34)	<u>20,253,610</u>	<u>19,654,775</u>	<u>621,987</u>
GROSS PROFIT	1,950,810	2,759,438	87,324
REALIZED GAIN ON THE TRANSACTIONS WITH ASSOCIATES	<u>-</u>	<u>114</u>	<u>4</u>
REALIZED GROSS PROFIT	<u>1,950,810</u>	<u>2,759,552</u>	<u>87,328</u>
OPERATING EXPENSES (Notes 23, 26 and 34)			
Selling and marketing expenses	1,096,303	1,112,116	35,194
General and administrative expenses	1,758,269	1,664,181	52,664
Research and development expenses	<u>5,452,567</u>	<u>6,306,087</u>	<u>199,560</u>
Total operating expenses	<u>8,307,139</u>	<u>9,082,384</u>	<u>287,418</u>
LOSS FROM OPERATIONS	<u>(6,356,329)</u>	<u>(6,322,832)</u>	<u>(200,090)</u>
NON-OPERATING INCOME AND EXPENSES			
Other income (Notes 4, 26 and 34)	209,395	178,229	5,640
Other gains and losses (Note 26)	128,678	(19,313)	(611)
Finance costs (Notes 4 and 26)	(334,896)	(281,388)	(8,905)
Share of loss of associates (Notes 4 and 13)	<u>-</u>	<u>(24,097)</u>	<u>(763)</u>
Total non-operating income and expenses	<u>3,177</u>	<u>(146,569)</u>	<u>(4,639)</u>
LOSS BEFORE INCOME TAX	(6,353,152)	(6,469,401)	(204,729)
INCOME TAX EXPENSE (Note 27)	<u>5,087</u>	<u>13,523</u>	<u>428</u>
NET LOSS FOR THE YEAR	<u>(6,358,239)</u>	<u>(6,482,924)</u>	<u>(205,157)</u>
OTHER COMPREHENSIVE INCOME			
Exchange differences on translating foreign operations (Notes 4 and 24)	53,790	77,565	2,455
Unrealized gain on available-for-sale financial assets (Notes 4 and 24)	57,945	410,511	12,991
Share of other comprehensive loss of associates	<u>-</u>	<u>(797)</u>	<u>(25)</u>
Other comprehensive income for the year, net of income tax	<u>111,735</u>	<u>487,279</u>	<u>15,421</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (6,246,504)</u>	<u>\$ (5,995,645)</u>	<u>\$ (189,736)</u>

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014 (In Thousands of New Taiwan Dollars, Except Loss Per Share)

	<u>2013</u>	<u>2014</u>	
	NT\$	NT\$	US\$ (Note 6)
NET LOSS ATTRIBUTABLE TO:			
Shareholders of the parent	\$ (6,305,647)	\$ (6,461,208)	\$ (204,469)
Non-controlling interests	<u>(52,592)</u>	<u>(21,716)</u>	<u>(687)</u>
	<u>\$ (6,358,239)</u>	<u>\$ (6,482,924)</u>	<u>\$ (205,156)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Shareholders of the parent	\$ (6,194,058)	\$ (5,974,333)	\$ (189,061)
Non-controlling interests	<u>(52,446)</u>	<u>(21,312)</u>	<u>(674)</u>
	<u>\$ (6,246,504)</u>	<u>\$ (5,995,645)</u>	<u>\$ (189,735)</u>
LOSS PER SHARE (Note 28)			
Basic	<u>\$ (1.79)</u>	<u>\$ (1.84)</u>	<u>\$ (0.06)</u>
Diluted	<u>\$ (1.79)</u>	<u>\$ (1.84)</u>	<u>\$ (0.06)</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
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014
(In Thousands of New Taiwan Dollars)**

	Equity Attributable to Shareholders of the Parent											
	Capital Stock			Retained Earnings		Other Equity			Treasury Shares	Total	Non-controlling Interests	Total Equity
	Share (Thousands)	Share Capital	Capital Surplus	Legal Reserve	Accumulated Deficit	Exchange Differences on Translating Foreign Operations	Unrealized Gain from Available-for-sale Financial Assets	Unearned Compensation of Employees				
BALANCE AT JANUARY 1, 2013	3,521,462	\$ 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	11	107	(13)	-	-	-	-	-	-	94	-	94
Increase in non-controlling interests	-	-	310	-	-	-	-	-	-	310	462	772
BALANCE AT DECEMBER 31, 2013	3,521,473	35,214,730	344,166	-	(7,178,843)	(49,141)	506,926	-	(159,061)	28,678,777	47,021	28,725,798
Net loss for the year ended December 31, 2014	-	-	-	-	(6,461,208)	-	-	-	-	(6,461,208)	(21,716)	(6,482,924)
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	-	76,364	410,511	-	-	486,875	404	487,279
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(6,461,208)	76,364	410,511	-	-	(5,974,333)	(21,312)	(5,995,645)
Issue of employee stock options by subsidiary	-	-	-	-	-	-	-	-	-	-	51	51
Issue of restricted stock to employees	37,301	373,010	(102,752)	-	-	-	-	(270,258)	-	-	-	-
Compensation cost of restricted stock for employees	-	-	-	-	-	-	-	60,445	-	60,445	-	60,445
Increase (decrease) in non-controlling interests	-	-	238	-	-	-	-	-	-	238	(12,659)	(12,421)
BALANCE AT DECEMBER 31, 2014	<u>3,558,774</u>	<u>\$ 35,587,740</u>	<u>\$ 241,652</u>	<u>\$ -</u>	<u>\$ (13,640,051)</u>	<u>\$ 27,223</u>	<u>\$ 917,437</u>	<u>\$ (209,813)</u>	<u>\$ (159,061)</u>	<u>\$ 22,765,127</u>	<u>\$ 13,101</u>	<u>\$ 22,778,228</u>
BALANCE AT DECEMBER 31, 2014 (IN US\$, Note 6)	<u>3,558,774</u>	<u>\$ 1,126,194</u>	<u>\$ 7,647</u>	<u>\$ -</u>	<u>\$ (431,647)</u>	<u>\$ 862</u>	<u>\$ 29,033</u>	<u>\$ (6,640)</u>	<u>\$ (5,034)</u>	<u>\$ 720,415</u>	<u>\$ 415</u>	<u>\$ 720,830</u>

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014 (In Thousands of New Taiwan Dollars)

	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	\$ (6,353,152)	\$ (6,469,401)	\$ (204,728)
Adjustments for:			
Depreciation expense	7,521,836	7,315,609	231,507
Amortization expense	222,073	249,211	7,886
Impairment loss recognized on trade receivables	4,127	271	9
Finance costs	334,896	281,388	8,905
Interest income	(122,360)	(58,375)	(1,847)
Dividend income	(60,821)	(89,780)	(2,841)
Compensation cost of employee share options	411	51	2
Compensation cost of employee restricted shares	-	60,445	1,913
Share of loss of associates	-	24,097	763
Loss on disposal of property, plant and equipment	7,923	9,479	300
Gain on disposal of investments	(2,973)	(39,076)	(1,237)
Impairment loss recognized on financial assets	-	124,785	3,949
Impairment loss recognized on non-financial assets	122	-	-
Realized gain on the transactions with associates	-	(114)	(4)
Loss (gain) on foreign currency exchange	86,271	(91,680)	(2,901)
Changes in operating assets and liabilities			
Decrease in financial assets held for trading	4,841	1,263	40
Decrease in notes receivable and trade receivables	136,131	233,408	7,386
(Increase) decrease in receivables from related parties	(40,385)	10,990	348
Increase in other receivables	(27,788)	(18,092)	(573)
Increase in inventories	(1,935,491)	(513,835)	(16,261)
Increase in other current assets	(55,228)	(58,567)	(1,853)
Increase in financial liabilities held for trading	-	7,113	225
Increase (decrease) in notes payable and trade payables	170,953	(44,524)	(1,409)
Decrease in payables to related parties	(50,175)	(25,857)	(818)
Decrease in other payables	(396,110)	(543,590)	(17,202)
Increase in provisions	49,230	9,337	295
(Decrease) increase in other current liabilities	(27,831)	3,751	119
Increase in accrued pension liabilities	107,813	118,204	3,741
Cash (used in) generated from operations	(425,687)	496,511	15,714
Interest received	124,708	58,670	1,857
Dividend received	60,821	89,780	2,841
Interest paid	(334,616)	(283,104)	(8,959)
Income tax paid	(5,097)	(68,675)	(2,173)
Net cash (used in) generated from operating activities	<u>(579,871)</u>	<u>293,182</u>	<u>9,280</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets measured at cost	(9,538)	-	-
Proceeds from disposal of financial assets measured at cost	9,538	5,770	183
Proceeds from return of capital by financial assets measured at cost	15,928	3,481	110
Disposal of subsidiaries (Note 30)	-	(29,343)	(929)
Payments for property, plant and equipment	(4,318,034)	(1,659,991)	(52,532)
Proceeds from disposal of property, plant and equipment	3,766	6,194	196

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2014 (In Thousands of New Taiwan Dollars)

	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Increase in refundable deposits	\$ (419)	\$ (1,340)	\$ (42)
Decrease in refundable deposits	805	1,063	33
Payments for intangible assets	(177,199)	(172,671)	(5,464)
Decrease in other financial assets	46,020	1,120	35
Increase in other non-current assets	<u>(71,883)</u>	<u>(32,180)</u>	<u>(1,018)</u>
Net cash used in investing activities	<u>(4,501,016)</u>	<u>(1,877,897)</u>	<u>(59,428)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings	1,724,911	3,593,320	113,712
Repayments of short-term borrowings	(1,214,336)	(2,053,590)	(64,987)
Proceeds from long-term borrowings	2,800,000	2,739,172	86,682
Repayments of long-term borrowings	(5,224,749)	(7,092,783)	(224,455)
Proceeds from guarantee deposits received	220	14,337	453
Increase in other non-current liabilities	823	507	16
Proceeds from exercise of employee stock options	94	-	-
Increase (decrease) in non-controlling interests	<u>772</u>	<u>(71)</u>	<u>(2)</u>
Net cash used in financing activities	<u>(1,912,265)</u>	<u>(2,799,108)</u>	<u>(88,581)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES			
	<u>(124,936)</u>	<u>41,450</u>	<u>1,312</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,118,088)	(4,342,373)	(137,417)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
	<u>19,096,662</u>	<u>11,978,574</u>	<u>379,069</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
	<u>\$ 11,978,574</u>	<u>\$ 7,636,201</u>	<u>\$ 241,652</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 2014 (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.

The consolidated financial statements are presented in the Company’s functional currency, New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on March 16, 2015.

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

The Group has prepared and reported the consolidated financial statements under Taiwan-IFRS and published such financial statements since 2013. The date of transition to Taiwan-IFRS is January 1, 2012

- a. The amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) not yet effective

Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that the Group should apply the 2013 version of IFRS, IAS, IFRIC and SIC (collectively, the “IFRSs”) endorsed by the FSC and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 “Embedded Derivatives”	Effective for annual periods ending on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013

(Continued)

New, Amended and Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note)
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 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

(Concluded)

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

Except for the following, the impending initial application of the above 2013 Taiwan-IFRS version and the related amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, whenever applied, would not have any material impact on the Group’s accounting policies:

1) 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.

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

4) 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.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015.

5) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that a) will not be reclassified subsequently to profit or loss; and b) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets and share of the other comprehensive income of associates accounted for using the equity method (except for the share of actuarial gains (loss) arising from defined benefit plans). However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

6) Revision to IAS 19 “Employee Benefits”

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. The revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In addition, revised IAS 19 changes the definition of short-term employee benefits as “employee benefits (other than termination benefits) that are expected to be settled wholly within twelve months after the end of the annual reporting period in which the employees render the related service”. The employees’ unused annual leave, which can be carried forward through 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.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities, deferred tax assets and other equity and retained earnings, the carrying amounts of inventories are not adjusted. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Group would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation. The primary effects of the Group's retrospective application of aforementioned amendments were as follows: As of January 1, 2014, accrued pension liabilities increased by NT\$101,604 thousand, non-controlling interests increased by NT\$55 thousand, and accumulated deficit decreased by NT\$101,659 thousand; and as of December 31, 2014, accrued pension liabilities increased by NT\$94,207 thousand (US\$2,981 thousand) and accumulated deficit decreased by NT\$101,659 thousand (US\$3,217 thousand), and for the year ended December 31, 2014, the operating expenses and costs decreased by NT\$3,207 thousand (US\$101 thousand) and NT\$4,190 thousand (US\$132 thousand), respectively.

7) Amendments to IFRS 7 “Disclosure - Offsetting Financial Assets and Financial Liabilities”

The amendments to IFRS 7 require disclosure of information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under enforceable master netting arrangements and similar arrangements.

8) Amendments to IAS 32 “Offsetting Financial Assets and Financial Liabilities”

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realization and settlement”.

9) Annual Improvements to IFRSs: 2009-2011 Cycle

Several standards including IFRS 1 “First-time Adoption of International Financial Reporting Standards”, IAS 1 “Presentation of Financial Statements”, IAS 16 “Property, Plant and Equipment”, IAS 32 “Financial Instruments: Presentation” and IAS 34 “Interim Financial Reporting” were amended in this annual improvement.

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

The amendments to IAS 16 clarify that spare parts, stand-by equipment and servicing equipment should be recognized in accordance with IAS 16 when they meet the definition of property, plant and equipment and otherwise as inventory.

The amendments to IAS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 “Income Taxes”.

The amendments to IAS 34 clarify that a measure of total liabilities for a reportable segment would be disclosed in interim financial reporting when such amounts are regularly provided to the chief operating decision maker of the Group and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

The initial application of the amendments to the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 is expected to have material effect on the consolidated balance sheet as of January 1, 2014. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group would present the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclose related information in accordance with IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”, but not required to make disclosures about the line items of the balance sheet as of January 1, 2014.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced their effective dates.

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	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

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

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

Note 3: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

Note 4: The amendment to IFRS 5 is applied prospectively. The remaining amendments are effective for annual periods beginning on or after January 1, 2016.

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

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. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, the classification and measurement are as follows:

- a) For debt instruments held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss, if any, recognized in profit or loss. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments held within a business model whose objective is achieved by both the collection of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss is recognized in other comprehensive income, except for impairment loss and foreign exchange gain and loss. When the debt instrument is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in 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. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

Impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Group takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate.

Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment 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 amounts 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 the measurement of recoverable amount based on fair value less costs of disposal measured using a present value technique.

3) 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.

4) Annual Improvements 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.

5) Annual Improvements 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.

6) Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”

The entity should use appropriate depreciation and amortization method to reflect the pattern in which the future economic benefits of the property, plant and equipment and intangible asset are expected to be consumed by the entity.

The amended IAS 16 “Property, Plant and Equipment” requires that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amended standard does not provide any exception from this requirement.

The amended IAS 38 “Intangible Assets” requires that there is a rebuttable presumption that an amortization method that is based on revenue that is generated by an activity that includes the use of an intangible asset is not appropriate. This presumption can be overcome only in the following limited circumstances:

- a) in which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity’s use of the intangible asset will expire upon achievement of a revenue threshold); or
- b) when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

An entity should apply the aforementioned amendments prospectively for annual periods beginning on or after the effective date.

7) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

8) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when an entity sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate or joint venture, the gain or loss resulting from the transaction is recognized in full. Also, when an entity loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when an entity sells or contributes assets that do not constitute a business to an associate or joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated. Also, when an entity loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate or a joint venture, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate or joint venture, i.e. the entity’s share of the gain or loss is eliminated.

9) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7 and IAS 19 were amended in this annual improvement.

IFRS 5 was amended to clarify that reclassification between non-current assets (or disposal group) “held for sale” and non-current assets “held for distribution to owners” does not constitute a change to a plan of sale or distribution. Therefore, previous accounting treatment is not reversed. The amendment also explains that assets that no longer meet the criteria for “held for distribution to owners” and do not meet the criteria for “held for sale” should be treated in the same way as assets that cease to be classified as held for sale.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

IAS 19 was amended to clarify that the depth of the market for high quality corporate bonds used to estimate discount rate for post-employment benefits should be assessed by the market of the corporate bonds denominated in the same currency as the benefits to be paid, i.e. assessed at currency level (instead of country or regional level).

10) Amendment to IAS 1 “Disclosure Initiative”

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Group should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Group should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

11) Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”

The amendments clarified that when the Group (non-investment entity) applies the equity method to an associate or a joint venture that is an investment entity, the Group may retain the fair value measurements that the associate or joint venture used for its subsidiaries.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

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 (“Taiwan-IFRS”).

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.

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

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within twelve months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within twelve months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and 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.

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate.

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 shareholders of the parent 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 shareholders of the parent.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate.

2) Subsidiary included in consolidated financial statements

As of December 31, 2014, the Company has direct and indirect majority ownership in the following subsidiaries: Run Hong Investment, Ltd. ("Run Hong"), Hui Ying Investment, Ltd. ("Hui Ying"), Mxtran Inc. ("Mxtran"), Infomax Communication Co., Ltd. ("INFOMAX"), Macronix America Inc. ("MXA"), Macronix (BVI) Co., Ltd. ("MXBVI"), 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"), 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
			2013	2014	
The Company	Run Hong	Investment company	100.00	100.00	-
The Company	Hui Ying	Investment company	100.00	100.00	-
The Company and Run Hong	Magic Pixel Inc.(“MPI”)	Fabless multimedia system on chip	83.11	-	Note 2
The Company and Run Hong	Mxtran	Combi-SIM IC and the related service	94.15	94.15	-
The Company and Run Hong	INFOMAX	Baseband chip, analog baseband chip, and power management chip	99.02	99.02	-
The Company, Run Hong and Hui Ying	MoDioTek Co., Ltd.(“MoDioTek”)	Mobile audio platform and smart remote controller	84.16	23.39	Note 1
The Company	MXA	Sales and marketing	100.00	100.00	-
The Company	MXBVI	Investment company	100.00	100.00	-
MPI	Magic Pixel Inc.(“MPI Samoa)	Investment company	100.00	Note 2	-
MPI Samoa	Magic Pixel Holding Company Limited (“MPI HK”)	Investment company	100.00	Note 2	-
MPI HK	Magic Pixel (Shen Zhen) Co., Ltd. (“MPI SZ”)	Sales and technical support of fabless multimedia system on chip	100.00	Note 2	-
Mxtran	Mxtran Samoa	Investment company	100.00	100.00	-
Mxtran Samoa	Mxtran HK	Investment company	100.00	100.00	-
Mxtran HK	Maxtran Beijing	Technical support of Combi-SIM IC	100.00	100.00	-
INFOMAX	Infomax Samoa	Investment company	100.00	100.00	-
Infomax Samoa	Infomax HK	Investment company	100.00	100.00	-
Infomax HK	Infomax SU	Software, rendering and technical service	100.00	100.00	-
MoDioTek	Mosatek Co., Ltd.(“Mosatek Samoa”)	Investment company	100.00	Note 1	-
Mosatek Samoa	Mosatek (H.K) Company Limited (“Mosatek HK”)	Investment company	100.00	Note 1	-
Mosatek HK	Modiotek (Suzhou) Co., Ltd.(“Modiotek SU”)	Sales and technical support of mobile audio platform and smart remote controller	100.00	Note 1	-
MXBVI	NTTI	IC design	100.00	100.00	-
MXBVI	MX Asia	Investment company	100.00	100.00	-
MXBVI	MPL	After-sales service	100.00	100.00	-
MXBVI	MXE	After-sales service	100.00	100.00	-
MXBVI	MXHK	Sales and marketing	100.00	100.00	-
MXHK	MXm	Development of integrated circuit system and software	100.00	100.00	-

Note 1: The Group did not participate in MoDioTek’s capital increase on April 23, 2014; thus, the Group’s equity interest in MoDioTek decreased to 23.39%. The Group also determined it lost control over MoDioTek and its subsidiaries and therefore did not include this investee in the consolidated financial statements from April 23, 2014.

Note 2: On August 28, 2014, the Group entered into a sale agreement to dispose of MPI. On September 10, 2014, the disposal was completed; thus, the Group’s equity interest in MPI decreased to 0.004%. The Group also determined it lost control over MPI and its subsidiaries and therefore did not include this investee in the consolidated financial statements.

e. Foreign currencies

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. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

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. Exchange differences arising on

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

Non-monetary items that are measured at 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 (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) 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 period. Exchange differences arising are recognized in other comprehensive income (attributed to the shareholders of the parent and non-controlling interests as appropriate).

f. 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.

g. Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates attributable to the Group.

When the Group subscribes for additional new shares of the associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Group's ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate) the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of

the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

h. 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.

i. 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, which are 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.

j. 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

k. Financial instruments

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

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 trade date or settlement date basis.

1) Measurement category

Financial assets are classified into the following categories: 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.

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.

- iii The 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.

Investments in equity instruments under financial assets at fair value through profit or loss 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 instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are presented 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 the carrying amount and the fair value is recognized in profit or loss.

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.

Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method, 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.

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 other comprehensive income on financial assets. Any impairment losses are recognized in profit and loss.

c) Loans and receivables

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, except for short-term receivables when the effect of discounting is immaterial.

Cash equivalent includes highly liquid, readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

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 financial assets carried at amortized cost, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized 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 significant financial difficulty of the issuer or counterparty, breach of contract, such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or 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.

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, where the carrying amount is reduced through the use of an allowance account. 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. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off 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.

Equity instruments

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the shareholder's equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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.

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 33.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3) Derivative financial instruments

The Group enters into foreign exchange forward contracts to manage its exposure to interest risks 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. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. 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.

1. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

m. 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.

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.

n. 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.

o. 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.

p. 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.

q. Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for post-employment benefits except that all past service cost and actuarial gains and losses are recognized immediately.

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.

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital-surplus-restricted shares for employees.

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 or capital surplus-restricted share option.

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 33, 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 December 31, 2014, the carrying amount of these equity instruments was NT\$114,888 thousand and NT\$113,399 thousand (US\$3,589 thousand), respectively. Note 33 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. Impairment Assessment on Investment Using Equity Method

The Group assesses the impairment of investments accounted for using the equity method whenever triggering events or changes in circumstances indicate that an investment may be impaired and carrying value may not be recoverable. The Company measures the impairment based on a projected future cash flow of the investees. The Group also takes into account market conditions and the relevant industry trends to ensure the reasonableness of such assumptions.

e. Useful lives of property, plant and equipment

As described in Note 4 (9), the Group reviews the estimated useful lives of property, plant and equipment at each balance sheet date.

f. Income taxes

As of December 31, 2013 and December 31, 2014, the carrying amount of deferred tax assets in relation to unused tax losses was NT\$910,037 thousand and NT\$912,178 thousand (US\$28,866 thousand), respectively. As of December 31, 2013 and December 31, 2014, no deferred tax asset has been recognized on tax losses of NT\$3,861,770 thousand and NT\$4,489,181 thousand (US\$142,063 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 (14) 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 recognized deduction in sales revenue, and the Group periodically reviews the adequacy of the percentage used.

As of December 31, 2013 and 2014, the Group recognized provisions for estimated sales returns and other allowances of NT\$72,055 thousand and NT\$73,856 thousand (US\$2,337 thousand), respectively.

6. TRANSLATION INTO U.S. DOLLARS

The Group maintains its accounts and expresses its consolidated financial statements in New Taiwan dollars. For convenience only, US dollar amounts presented in the accompanying consolidated financial statements have been translated from New Taiwan dollars, using the US Federal Reserve Board rate of NT\$31.60 to US\$1 on December 31, 2014. The convenience translations should not be construed as representations that the New Taiwan dollar amounts have been, could have been or could in the future be converted into US dollars at this or any other exchange rate.

7. CASH AND CASH EQUIVALENTS

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Cash on hand	\$ 547	\$ 452	\$ 14
Checking accounts and demand deposits	2,220,438	1,893,935	59,935
Cash equivalent			
Time deposits	<u>9,757,589</u>	<u>5,741,814</u>	<u>181,703</u>
	<u>\$ 11,978,574</u>	<u>\$ 7,636,201</u>	<u>\$ 241,652</u>

The market rate intervals of cash in bank at the end of the reporting period were as follows:

	December 31	
	2013	2014
Bank balance	0.001%-2.20%	0.001%-1.36%

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Financial assets at FVTPL</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ 1,358</u>	<u>\$ 95</u>	<u>\$ 3</u>
<u>Financial liabilities at FVTPL</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 7,113</u>	<u>\$ 225</u>

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, 2014</u>			
Sell	USD/NTD	2015.01	USD18,000/NTD562,947

The Group entered into foreign exchange forward contracts during 2013 and 2014 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.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Non-current</u>			
Domestic investments			
Listed shares	\$ 815,226	\$ 982,975	\$ 31,107
Foreign investments			
Listed shares	<u>136,107</u>	<u>260,167</u>	<u>8,233</u>
	<u>\$ 951,333</u>	<u>\$ 1,243,142</u>	<u>\$ 39,340</u>

10. FINANCIAL ASSETS MEASURED AT COST

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Non-current</u>			
Domestic unlisted common shares	\$ 82,698	\$ 79,217	\$ 2,507
Overseas unlisted common shares	<u>32,190</u>	<u>34,182</u>	<u>1,082</u>
	<u>\$ 114,888</u>	<u>\$ 113,399</u>	<u>\$ 3,589</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 114,888</u>	<u>\$ 113,399</u>	<u>\$ 3,589</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.

11. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Notes receivable</u>			
Operating	\$ 1,205	\$ 790	\$ 25
<u>Trade receivables</u>			
Trade receivables	2,823,432	2,698,636	85,400
Less: Allowance for impairment loss	<u>1,976</u>	<u>271</u>	<u>9</u>
	<u>2,821,456</u>	<u>2,698,365</u>	<u>85,391</u>
	<u>\$ 2,822,661</u>	<u>\$ 2,699,155</u>	<u>\$ 85,416</u>
<u>Other receivables</u>			
Tax receivable	\$ 128,165	\$ 148,843	\$ 4,710
Others	<u>19,043</u>	<u>12,461</u>	<u>395</u>
	<u>\$ 147,208</u>	<u>\$ 161,304</u>	<u>\$ 5,105</u>

a. Trade Receivables

The average credit period for sales of goods was 60 days. In determining the recoverability of a trade receivable, the Group evaluated 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 used 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 were past due at the end of the reporting period, the Group had not recognized an allowance for impaired notes receivable and trade receivables, 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	2014	
	NT\$	NT\$	US\$ (Note 6)
Past due but not impaired			
Less than 60 days	\$ 27,835	\$ 54,113	\$ 1,712
61-120 days	36	6,315	200
Over 121 days	<u>168,532</u>	<u>1,255</u>	<u>40</u>
	<u>\$ 196,403</u>	<u>\$ 61,683</u>	<u>\$ 1,952</u>

Above analysis was based on the past due date.

As of December 31, 2014, 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:

	Individually Assessed Impairment	Collectively Assessed Impairment	Total
	NT\$	NT\$	NT\$
Balance at January 1, 2013	\$ 18	\$ -	\$ 18
Add: Impairment losses recognized on receivables	1,976	-	1,976
Less: Amounts written off during the period as uncollectible	<u>18</u>	<u>-</u>	<u>18</u>
Balance at December 31, 2013	1,976	-	1,976
Add: Impairment losses recognized on receivables	271	-	27
Consolidated entity change effects	<u>(1,976)</u>	<u>-</u>	<u>(1,976)</u>
Balance at December 31, 2014	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ 271</u>

	Individually Assessed Impairment	Collectively Assessed Impairment	Total
	US\$	US\$	US\$
	(Note 6)	(Note 6)	(Note 6)
Balance at December 31, 2013	\$ 63	\$ -	\$ 63
Add: Impairment losses recognized on receivables	9	-	9
Consolidated entity change effects	<u>(63)</u>	<u>-</u>	<u>(63)</u>
Balance at December 31, 2014	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 9</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 the Group assessed that there was no uncertainty of recoverability.

12. INVENTORIES

	December 31		
	2013	2014	
	NT\$	NT\$	US\$
			(Note 6)
Finished goods and merchandise	\$ 1,129,321	\$ 1,156,530	\$ 36,599
Work in progress	7,345,579	7,857,969	248,670
Raw materials	<u>320,483</u>	<u>287,144</u>	<u>9,087</u>
	<u>\$ 8,795,383</u>	<u>\$ 9,301,643</u>	<u>\$ 294,356</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2014 was NT\$20,253,610 thousand and NT\$19,654,775 thousand (US\$621,987 thousand), respectively. The cost of inventories recognized as cost of goods sold for the years ended December 31, 2013 and 2014 included inventory write-downs of NT\$923,178 thousand and NT\$1,053,174 thousand (US\$33,328 thousand), respectively.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. Investments in associates

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Unlisted companies			
MoDioTek	<u>\$ -</u>	<u>\$ 38,599</u>	<u>\$ 1,221</u>

The Group had 84.16% equity in MoDioTek before the new share issuance; the Group did not subscribe for MoDioTek's additional new shares at its existing ownership percentage and the Group's equity decreased to 23.39%. The Company no longer had control over MoDioTek and did not consolidate but recognized the investment by the equity method from April 23, 2014.

The summarized financial information in respect of MoDioTek is set out below:

	December 31, 2014	
	NT\$	US\$ (Note 6)
Total assets	<u>\$ 185,720</u>	<u>\$ 5,877</u>
Total liabilities	<u>\$ 20,661</u>	<u>\$ 654</u>
	For the Year Ended December 31 2014	
	NT\$	US\$ (Note 6)
Revenue	<u>\$ 44,454</u>	<u>\$ 1,407</u>
Loss for the year	<u>\$ (125,680)</u>	<u>\$ (3,977)</u>
Other comprehensive loss	<u>\$ (125,485)</u>	<u>\$ (3,971)</u>
Share of loss and other comprehensive income of associates for the year	<u>\$ (24,097)</u>	<u>\$ (763)</u>

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the year ended December 31, 2014 were based on the associates' audited financial statements for the same year.

14. 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
	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$	NT\$
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	-	-	-	14,698	-	254	14,465	4,326,428	4,355,845
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	-	467,887	1,743,246	240,519	-	-	60,540	(2,512,192)	-
Balance at December 31, 2013	<u>\$ 1,254,023</u>	<u>\$ 22,684,751</u>	<u>\$ 78,439,414</u>	<u>\$ 6,229,051</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>
Cost									
Balance at January 1, 2014	\$ 1,254,023	\$ 22,684,751	\$ 78,439,414	\$ 6,229,051	\$ 30,816	\$ 45,496	\$ 1,201,836	\$ 3,289,120	\$ 113,174,507
Additions	-	-	-	7,030	-	-	14,227	1,681,222	1,702,479
Disposals	-	(11,098)	(271,734)	(32,439)	(1,785)	(4,685)	(63,096)	-	(384,837)
Consolidated entity change effects	-	-	-	(27,899)	-	(914)	(11,747)	-	(40,560)
Effect of foreign currency exchange differences	40,605	14,052	-	2,017	92	1,350	3,918	141	62,175
Reclassification	-	400,302	2,566,407	144,505	1,200	-	53,807	(3,166,221)	-
Balance at December 31, 2014	<u>\$ 1,294,628</u>	<u>\$ 23,088,007</u>	<u>\$ 80,734,087</u>	<u>\$ 6,322,265</u>	<u>\$ 30,323</u>	<u>\$ 41,247</u>	<u>\$ 1,198,945</u>	<u>\$ 1,804,262</u>	<u>\$ 114,513,764</u>
Accumulated depreciation and impairment									
Balance at January 1, 2014	\$ (370,449)	\$ (16,721,347)	\$ (65,465,651)	\$ (2,780,190)	\$ (19,831)	\$ (26,528)	\$ (1,062,220)	\$ -	\$ (86,446,216)
Disposals	-	8,889	258,301	32,439	1,785	4,685	63,065	-	369,164
Depreciation expense	-	(1,216,213)	(5,087,549)	(917,435)	(3,944)	(5,322)	(85,146)	-	(7,315,609)
Consolidated entity change effects	-	-	-	25,775	-	914	10,284	-	36,973
Effect of foreign currency exchange differences	(22,931)	(1,969)	-	(1,147)	(83)	(658)	(2,930)	-	(29,718)
Reclassification	-	-	(119,596)	119,596	-	-	-	-	-
Balance at December 31, 2014	<u>\$ (393,380)</u>	<u>\$ (17,920,640)</u>	<u>\$ (70,414,495)</u>	<u>\$ (3,520,962)</u>	<u>\$ (22,023)</u>	<u>\$ (26,909)</u>	<u>\$ (1,076,947)</u>	<u>\$ -</u>	<u>\$ (93,385,406)</u>
Carrying amounts at December 31, 2014	<u>\$ 901,248</u>	<u>\$ 5,157,367</u>	<u>\$ 10,319,592</u>	<u>\$ 2,801,303</u>	<u>\$ 8,250</u>	<u>\$ 14,338</u>	<u>\$ 121,998</u>	<u>\$ 1,804,262</u>	<u>\$ 21,128,358</u>
Cost									
Balance at January 1, 2014	\$ 39,684	\$ 717,872	\$ 2,482,260	\$ 197,122	\$ 975	\$ 1,440	\$ 38,033	\$ 104,086	\$ 3,581,472
Additions	-	-	-	222	-	-	450	53,203	53,875
Disposals	-	(351)	(8,599)	(1,027)	(56)	(148)	(1,997)	-	(12,178)
Consolidated entity change effects	-	-	-	(883)	-	(29)	(372)	-	(1,284)
Effect of foreign currency exchange differences	1,285	445	-	64	3	43	124	4	1,968
Reclassification	-	12,668	81,215	4,573	38	-	1,703	(100,197)	-
Balance at December 31, 2014	<u>\$ 40,969</u>	<u>\$ 730,634</u>	<u>\$ 2,554,876</u>	<u>\$ 200,071</u>	<u>\$ 960</u>	<u>\$ 1,306</u>	<u>\$ 37,941</u>	<u>\$ 57,096</u>	<u>\$ 3,623,853</u>
Accumulated depreciation and impairment									
Balance at January 1, 2014	\$ (11,723)	\$ (529,157)	\$ (2,071,698)	\$ (87,981)	\$ (628)	\$ (839)	\$ (33,615)	\$ -	\$ (2,735,641)
Disposals	-	281	8,174	1,027	56	148	1,996	-	11,682
Depreciation expense	-	(38,488)	(160,998)	(29,033)	(125)	(168)	(2,695)	-	(231,507)
Consolidated entity change effects	-	-	-	816	-	29	325	-	1,170
Effect of foreign currency exchange differences	(726)	(62)	-	(36)	(2)	(20)	(92)	-	(938)
Reclassification	-	-	(3,785)	3,785	-	-	-	-	-
Balance at December 31, 2014	<u>\$ (12,449)</u>	<u>\$ (567,426)</u>	<u>\$ (2,228,307)</u>	<u>\$ (111,422)</u>	<u>\$ (699)</u>	<u>\$ (850)</u>	<u>\$ (34,081)</u>	<u>\$ -</u>	<u>\$ (2,955,234)</u>
Carrying amounts at December 31, 2014	<u>\$ 28,520</u>	<u>\$ 163,208</u>	<u>\$ 326,569</u>	<u>\$ 88,649</u>	<u>\$ 261</u>	<u>\$ 456</u>	<u>\$ 3,860</u>	<u>\$ 57,096</u>	<u>\$ 668,619</u>

The Group recognized an impairment loss of NT\$122 thousand which was recognized in other gains and losses for the year ended December 31, 2013.

The carrying amount of the freehold land in the U.S.A. which is unutilized by the Group as of December 31, 2013 and 2014 both were US\$9,579 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	21-40 years
Electronic equipment	11-20 years
Facility equipment	6 years
Landscape engineering	20 years
Machinery equipment	4-6 years
Research and development equipment	5-6 years
Transportation equipment	5-6 years
Leasehold improvements	3-16 years
Miscellaneous equipment	2-16 years

Refer to note 35 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.

15. INTANGIBLE ASSETS

	<u>Software</u>	<u>Licenses</u>	<u>Mask</u>	<u>Others</u>	<u>Total</u>
	NT\$	NT\$	NT\$	NT\$	NT\$
<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>
<u>Cost</u>					
Balance at January 1, 2014	\$ 579,412	\$ 38,151	\$ 8,028	\$ 11,545	\$ 637,136
Additions	120,763	49,211	83	2,614	172,671
Disposals	(61,099)	(22,692)	-	(3,540)	(87,331)
Consolidated entity change effects	(111)	(10,500)	(8,111)	(1,666)	(20,388)
Reclassification	2,373	4,743	-	11,205	18,321
Effect of foreign currency exchange differences	<u>1,934</u>	<u>-</u>	<u>-</u>	<u>(1,699)</u>	<u>235</u>
Balance at December 31, 2014	<u>\$ 643,272</u>	<u>\$ 58,913</u>	<u>\$ -</u>	<u>\$ 18,459</u>	<u>\$ 720,644</u>

(Continued)

	<u>Software</u> NT\$	<u>Licenses</u> NT\$	<u>Mask</u> NT\$	<u>Others</u> NT\$	<u>Total</u> NT\$
<u>Accumulated amortization</u>					
Balance at January 1, 2014	\$ (289,649)	\$ (26,780)	\$ (1,857)	\$ (2,492)	\$ (320,778)
Amortization expense	(222,690)	(16,451)	(4,844)	(5,226)	(249,211)
Disposals	61,099	22,692	-	3,540	87,331
Consolidated entity change effects	95	8,653	6,701	935	16,384
Reclassification	(2,373)	(4,743)	-	(7,239)	(14,355)
Effect of foreign currency exchange differences	<u>(1,672)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,672)</u>
Balance at December 31, 2014	<u>\$ (455,190)</u>	<u>\$ (16,629)</u>	<u>\$ -</u>	<u>\$ (10,482)</u>	<u>\$ (482,301)</u>
Carrying amounts at December 31, 2014	<u>\$ 188,082</u>	<u>\$ 42,284</u>	<u>\$ -</u>	<u>\$ 7,977</u>	<u>\$ 238,343</u>

(Concluded)

	<u>Software</u> US\$ (Note 6)	<u>Licenses</u> US\$ (Note 6)	<u>Mask</u> US\$ (Note 6)	<u>Others</u> US\$ (Note 6)	<u>Total</u> US\$ (Note 6)
<u>Cost</u>					
Balance at January 1, 2014	\$ 18,336	\$ 1,207	\$ 254	\$ 365	\$ 20,162
Additions	3,822	1,557	3	83	5,465
Disposals	(1,934)	(718)	-	(112)	(2,764)
Consolidated entity change effects	(4)	(332)	(257)	(53)	(646)
Reclassification	75	150	-	355	580
Effect of foreign currency exchange differences	<u>61</u>	<u>-</u>	<u>-</u>	<u>(54)</u>	<u>7</u>
Balance at December 31, 2014	<u>\$ 20,356</u>	<u>\$ 1,864</u>	<u>\$ -</u>	<u>\$ 584</u>	<u>\$ 22,804</u>
<u>Accumulated amortization</u>					
Balance at January 1, 2014	\$ (9,166)	\$ (847)	\$ (59)	\$ (79)	\$ (10,151)
Amortization expense	(7,047)	(521)	(153)	(165)	(7,886)
Disposals	1,934	718	-	112	2,764
Consolidated entity change effects	3	274	212	30	519
Reclassification	(75)	(150)	-	(229)	(454)
Effect of foreign currency exchange differences	<u>(53)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(53)</u>
Balance at December 31, 2014	<u>\$ (14,404)</u>	<u>\$ (526)</u>	<u>\$ -</u>	<u>\$ (331)</u>	<u>\$ (15,261)</u>
Carrying amounts at December 31, 2014	<u>\$ 5,952</u>	<u>\$ 1,338</u>	<u>\$ -</u>	<u>\$ 253</u>	<u>\$ 7,543</u>

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	1-3 years
Mask	1-3 years
Others	1-3 years

16. PREPAYMENTS FOR LEASE

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Current asset (included in other current assets)	\$ 553	\$ 585	\$ 19
Non-current asset (included in other non-current assets)	<u>23,230</u>	<u>23,994</u>	<u>759</u>
	<u>\$ 23,783</u>	<u>\$ 24,579</u>	<u>\$ 778</u>

Prepaid lease payments included land use rights are located in Mainland China. The Group has obtained the land use right certificates.

17. OTHER FINANCIAL ASSETS

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Non-current</u>			
Restricted time deposits	\$ 168,077	\$ 165,799	\$ 5,247
Refundable deposits	12,526	13,088	414
Long-term receivables	<u>5,112</u>	<u>3,770</u>	<u>119</u>
	<u>\$ 185,715</u>	<u>\$ 182,657</u>	<u>\$ 5,780</u>

18. OTHER ASSETS

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Current</u>			
Spare parts	\$ 340,707	\$ 350,070	\$ 11,078
Prepayments	161,061	197,475	6,249
Offset against business tax payable	23,355	29,530	934
Prepayments for lease	553	585	19
Others	<u>283</u>	<u>659</u>	<u>21</u>
	<u>\$ 525,959</u>	<u>\$ 578,319</u>	<u>\$ 18,301</u>

(Continued)

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Non-current</u>			
Prepayments for lease	\$ 23,230	\$ 23,994	\$ 759
Prepayments	<u>70,704</u>	<u>102,009</u>	<u>3,228</u>
	<u>\$ 93,934</u>	<u>\$ 126,003</u>	<u>\$ 3,987</u> (Concluded)

19. BORROWINGS

a. Short-term borrowings

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Letter of credit loan	\$ 566,577	\$ 535,039	\$ 16,932
Unsecured borrowings	<u>-</u>	<u>1,599,000</u>	<u>50,601</u>
	<u>\$ 566,577</u>	<u>\$ 2,134,039</u>	<u>\$ 67,533</u>
Interest rate	0.76%-0.88%	1.09%-1.92%	1.09%-1.92%

b. Long-term borrowings

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Secured borrowings</u>			
Bank loans	\$ 12,756,564	\$ 9,822,258	\$ 310,831
<u>Unsecured borrowings</u>			
Bank loans	<u>5,843,333</u>	<u>4,405,000</u>	<u>139,399</u>
	18,599,897	14,227,258	450,230
Less: Current portion	7,648,233	12,143,430	384,286
Less: Syndicate loans arrangement fee	<u>16,258</u>	<u>10,322</u>	<u>327</u>
Long-term borrowings: Non-current	<u>\$ 10,935,406</u>	<u>\$ 2,073,506</u>	<u>\$ 65,617</u>
Interest rate	1.58%-2.15%	1.57%-2.52%	1.57%-2.52%

	Repayment terms and Maturity Date	December 31		
		2013	2014	
		NT\$	NT\$	US\$ (Note 6)
<u>Floating rate borrowings</u>				
Secured syndicated loan denominated in NT\$	Repayable semi-annually from December 2012 to December 2015.	\$ 10,997,000	\$ 7,855,000	\$ 248,576
Unsecured syndicated loan denominated in NT\$	Pay off in December 2015.	1,500,000	1,500,000	47,469
Unsecured bank borrowing denominated in NT\$	Repayable in two installments from March 2015 to July 2015 according to the loan agreement.	-	1,200,000	37,975
Unsecured bank borrowing denominated in NT\$	Repayable quarterly from December 2014 to March 2016.	-	855,000	27,057
Unsecured bank borrowing denominated in NT\$	Repayable semi-annually from March 2013 to December 2014 and Repayable quarterly from December 2014 to September 2015.	1,200,000	600,000	18,987
Secured bank borrowing denominated in NT\$	Repayable quarterly from January 2015 to October 2018.	800,000	800,000	25,316
Secured bank borrowing denominated in NT\$	Repayable monthly from January 2014 to December 2018.	800,000	646,799	20,468
Secured syndicated loan denominated in NT\$	Repayable quarterly from January 2015 to July 2017.	-	320,000	10,127
Unsecured bank borrowing denominated in NT\$	Repayable semi-annually from March 2015 to September 2017.	-	200,000	6,329
Secured bank borrowing denominated in JPY	Repayable quarterly from June 2015 to March 2019.	-	109,280	3,458
Secured bank borrowing denominated in NT\$	Repayable monthly from May 2003 to April 2016.	159,564	91,179	2,886
Unsecured bank borrowing denominated in NT\$	Repayable quarterly from June 2013 to March 2015.	250,000	50,000	1,582
Unsecured bank borrowing denominated in NT\$	Pay off in September 2014.	360,000	-	-
Unsecured bank borrowing denominated in NT\$	Pay off in September 2014.	133,333	-	-
Unsecured bank borrowing denominated in NT\$	Pay off in September 2014.	200,000	-	-
Unsecured bank borrowing denominated in NT\$	Pay off in June 2014.	1,200,000	-	-
Unsecured bank borrowing denominated in NT\$	Pay off in April 2014.	1,000,000	-	-
Less: Current portion Syndicated loan arrangement fee		7,648,233 <u>16,258</u>	12,143,430 <u>10,322</u>	384,286 <u>327</u>
		<u>\$ 10,935,406</u>	<u>\$ 2,073,506</u>	<u>\$ 65,617</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, 2014, the Group had met the financial ratio requirements.

The details of assets pledged as collaterals for long-term loans are shown in Note 35.

20. NOTES PAYABLE AND TRADE PAYABLES

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Notes payable</u>			
Operating	\$ 218	\$ 30	\$ 1
<u>Trade payables</u>			
Operating	<u>2,004,478</u>	<u>1,995,973</u>	<u>63,164</u>
	<u>\$ 2,004,696</u>	<u>\$ 1,996,003</u>	<u>\$ 63,165</u>

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

21. OTHER PAYABLES

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Other payables</u>			
Payable for rework fees	\$ 573,207	\$ 41,172	\$ 1,303
Payable for royalties	392,747	18,937	599
Bonus	278,639	282,949	8,954
Payable for maintenance and repair	253,681	183,195	5,797
Payable for legal fees	144,426	561,109	17,757
Others	<u>584,002</u>	<u>595,336</u>	<u>18,840</u>
	<u>\$ 2,226,702</u>	<u>\$ 1,682,698</u>	<u>\$ 53,250</u>

22. PROVISIONS

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Employee benefits (a)	\$ 71,344	\$ 76,761	\$ 2,429
Customer returns and rebates (b)	<u>72,055</u>	<u>73,856</u>	<u>2,337</u>
	<u>\$ 143,399</u>	<u>\$ 150,617</u>	<u>\$ 4,766</u>

	Employee Benefits	Customer Returns and Rebates	Total
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>
Balance at January 1, 2014	\$ 71,344	\$ 72,055	\$ 143,399
Additional provisions recognized	71,667	182,004	253,671
Usage	(64,438)	(180,295)	(244,733)
Consolidated entity change effects	(2,120)	-	(2,120)
Effect of foreign currency exchange differences	<u>308</u>	<u>92</u>	<u>400</u>
Balance at December 31, 2014	<u>\$ 76,761</u>	<u>\$ 73,856</u>	<u>\$ 150,617</u>

	Employee Benefits	Customer Returns and Rebates	Total
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
	(Note 6)	(Note 6)	(Note 6)
Balance at January 1, 2014	\$ 2,258	\$ 2,280	\$ 4,538
Additional provisions recognized	2,268	5,760	8,028
Usage	(2,039)	(5,706)	(7,745)
Consolidated entity change effects	(67)	-	(67)
Effect of foreign currency exchange differences	<u>9</u>	<u>3</u>	<u>12</u>
Balance at December 31, 2014	<u>\$ 2,429</u>	<u>\$ 2,337</u>	<u>\$ 4,766</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.

23. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Company, Mxtran and Infomax 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 MPI of 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 actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purpose of the actuarial valuation were as follows:

	December 31	
	2013	2014
Discount rate	2.00%-2.25%	2.25%
Expected return on plan assets	1.25%-2.00%	1.25%
Expected rate of salary increase	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 benefit plans were as follows:

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Current service cost	\$ 7,494	\$ 6,450	\$ 204
Interest cost	26,000	32,944	1,043
Expected return on plan assets	(11,881)	(9,808)	(310)
Past service cost	<u>(713)</u>	<u>(713)</u>	<u>(23)</u>
	<u>\$ 20,900</u>	<u>\$ 28,873</u>	<u>\$ 914</u>
An analysis by function			
Operating cost	\$ 11,948	\$ 16,116	\$ 510
Marketing expenses	1,227	1,508	48
Administration expenses	3,331	4,634	147
Research and development expenses	<u>4,394</u>	<u>6,615</u>	<u>209</u>
	<u>\$ 20,900</u>	<u>\$ 28,873</u>	<u>\$ 914</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	2014	
	NT\$	NT\$	US\$ (Note 6)
Present value of funded defined benefit obligation	\$ 1,470,806	\$ 1,576,706	\$ 49,896
Fair value of plan assets	<u>(803,112)</u>	<u>(839,728)</u>	<u>(26,574)</u>
Deficit	667,694	736,978	23,322
Net actuarial losses not recognized	(112,572)	(182,953)	(5,790)
Past service cost not yet recognized	<u>10,968</u>	<u>10,255</u>	<u>325</u>
Net liability arising from defined benefit obligation	<u>\$ 566,090</u>	<u>\$ 564,280</u>	<u>\$ 17,857</u>

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

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Opening defined benefit obligation	\$ 1,488,815	\$ 1,470,806	\$ 46,544
Current service cost	7,494	6,450	204
Interest cost	26,000	32,944	1,043
Actuarial (gains) losses	(33,445)	76,340	2,416
Benefits paid	(18,058)	(5,764)	(182)
Consolidated entity change effects	<u>-</u>	<u>(4,070)</u>	<u>(129)</u>
Closing defined benefit obligation	<u>\$ 1,470,806</u>	<u>\$ 1,576,706</u>	<u>\$ 49,896</u>

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

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Opening fair value of plan assets	\$ 779,374	\$ 803,112	\$ 25,415
Actual return on plan assets	10,029	16,424	520
Actuarial losses	(15)	-	-
Contributions from the employer	31,782	31,830	1,007
Benefits paid	(18,058)	(5,764)	(182)
Consolidated entity change effects	<u>-</u>	<u>(5,874)</u>	<u>(186)</u>
Closing fair value of plan assets	<u>\$ 803,112</u>	<u>\$ 839,728</u>	<u>\$ 26,574</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:

	December 31	
	2013	2014
Deposits in financial institution	22.86	19.12
Investment in stock and beneficiary certificate	45.56	52.52
Short-term commercial papers	4.10	1.98
Government bond and fixed income investment	<u>27.48</u>	<u>26.38</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 Taiwan-IFRS (January 1, 2012):

	January 1, 2012	December 31, 2012	December 31, 2013	December 31, 2014	
	NT\$	NT\$	NT\$	NT\$	US\$ (Note 6)
Present value of the defined benefit obligation	<u>\$ 1,345,642</u>	<u>\$ 1,488,815</u>	<u>\$ 1,470,806</u>	<u>\$ 1,576,706</u>	<u>\$ 49,896</u>
Fair value of plan assets	<u>\$ 765,489</u>	<u>\$ 779,374</u>	<u>\$ 803,112</u>	<u>\$ 839,728</u>	<u>\$ 26,574</u>
Deficit	<u>\$ 580,153</u>	<u>\$ 709,441</u>	<u>\$ 667,694</u>	<u>\$ 736,978</u>	<u>\$ 23,322</u>
Experience adjustments on plan liabilities	<u>\$ -</u>	<u>\$ 94,904</u>	<u>\$ 81,156</u>	<u>\$ 76,340</u>	<u>\$ 2,416</u>
Experience adjustments on plan assets	<u>\$ -</u>	<u>\$ (45)</u>	<u>\$ (15)</u>	<u>\$ -</u>	<u>\$ -</u>

The Company expects to make contributions of NT\$32,785 thousand (US\$1,038 thousand) to the defined benefit plans during the annual period beginning after 2014.

The Company maintains a separate executive pension plan and the net periodic pension costs were NT\$117,744 thousand and NT\$121,471 thousand (US\$3,844 thousand) for the years ended December 31, 2013 and 2014, respectively.

The actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out by qualified actuaries. The Company has not contributed plan assets yet. The principal assumptions of the actuarial valuation were as follows:

	December 31	
	2013	2014
Discount rate	0.63%-1.13%	2.25%
Expected return on plan assets	-	-
Expected rate of salary increase	-	-

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

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Current service cost	<u>\$ 117,744</u>	<u>\$ 121,471</u>	<u>\$ 3,844</u>
An analysis by function			
Administration expenses	<u>\$ 117,744</u>	<u>\$ 121,471</u>	<u>\$ 3,844</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	2014	
	NT\$	NT\$	US\$ (Note 6)
Present value of funded defined benefit obligation	<u>\$ 258,400</u>	<u>\$ 379,871</u>	<u>\$ 12,021</u>

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

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Opening defined benefit obligation	\$ 140,656	\$ 258,400	\$ 8,177
Current service cost	<u>117,744</u>	<u>121,471</u>	<u>3,844</u>
Closing defined benefit obligation	<u>\$ 258,400</u>	<u>\$ 379,871</u>	<u>\$ 12,021</u>

24. EQUITY

a. Share capital

1) Ordinary shares

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Numbers of shares authorized (in thousand)	<u>6,550,000</u>	<u>6,550,000</u>	
Share authorized	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>	<u>\$ 2,072,785</u>
Numbers of shares issued and fully paid (in thousand)	<u>3,521,473</u>	<u>3,558,774</u>	
Shares issued	<u>\$ 35,214,730</u>	<u>\$ 35,587,740</u>	<u>\$ 1,126,194</u>

Fully paid ordinary shares, which have a par value of \$10 (US\$0.32), 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.

2) Global depositary receipts

On August 28, 2014, the Company's board of directors resolved to issue GDRs. The Company will issue from 480,000 thousand to 600,000 thousand ordinary shares. On September 30, 2014, the above transaction was approved under Rule No.1030037906 issued by the FSC. On March 16, 2015, the board of directors resolved to cancel the issuance of GDRs.

b. Capital surplus

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>			
Arising from employee share options	\$ 317,204	\$ 317,204	\$ 10,038
Arising from donations	<u>37</u>	<u>37</u>	<u>1</u>
	<u>\$ 317,241</u>	<u>\$ 317,241</u>	<u>\$ 10,039</u>
<u>May be used to offset a deficit only (2)</u>			
Arising from changes in percentage of ownership interest in subsidiaries	<u>\$ 423</u>	<u>\$ 661</u>	<u>\$ 21</u>
<u>May not be used for any purpose</u>			
Arising from treasury share transactions	\$ 26,502	\$ 26,502	\$ 839
Arising from employee restricted shares	<u>-</u>	<u>(102,752)</u>	<u>(3,252)</u>
	<u>\$ 26,502</u>	<u>\$ (76,250)</u>	<u>\$ (2,413)</u>

1) Such capital surplus 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 share capital (limited to a certain percentage of the Company's paid-in capital and once a year).

2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for by using equity method.

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 and then make appropriation for legal reserve 10% of the remaining amount (until the amount of the legal reserve equals the amount of the Company's paid-in capital) and 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.

The above bonuses including shareholders and employees' bonus can retain as undistributed earnings, and distribute in future, as determined by the shareholders at Annual General Meeting.

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 2014, there were no accrual for bonus to employees and remuneration to directors and supervisors.

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.

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. Others equity items

1) Exchange differences on translating foreign operations

	For the Years Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ (102,785)	\$ (49,141)	\$ (1,555)
Exchange differences arising on translation of foreign entities	<u>53,644</u>	<u>76,364</u>	<u>2,416</u>
Balance at December 31	<u>\$ (49,141)</u>	<u>\$ 27,223</u>	<u>\$ 861</u>

2) Unrealized gain (loss) on available-for-sale financial assets

	For the Years Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ 448,981	\$ 506,926	\$ 16,042
Unrealized gain on available-for-sale financial assets	<u>57,945</u>	<u>410,511</u>	<u>12,991</u>
Balance at December 31	<u>\$ 506,926</u>	<u>\$ 917,437</u>	<u>\$ 29,033</u>

3) Unearned employee benefit

In the meeting of shareholders on June 18, 2014, the shareholders approved a restricted share plan for employees. Refer to Note 29 for the information of restricted shares issued.

	For the Years Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ -	\$ -	\$ -
Issuance of shares	-	(270,258)	(8,552)
Share-based payment expenses recognized	-	60,445	1,913
Balance at December 31	<u>\$ -</u>	<u>\$ (209,813)</u>	<u>\$ (6,639)</u>

e. Non-controlling interests

	For the Years Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Balance at January 1	\$ 59,115	\$ 47,021	\$ 1,488
Attributable to non-controlling interests:			
Share of loss for the year	(52,592)	(21,716)	(687)
Issue of employee share options by subsidiaries	411	51	2
Difference between the fair value and carrying amount from equity transactions of subsidiaries	39,479	-	-
Exchange difference arising on translation of foreign entities	146	404	13
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	462	-	-
Disposal of subsidiary	-	(12,659)	(401)
Balance at December 31	<u>\$ 47,021</u>	<u>\$ 13,101</u>	<u>\$ 415</u>

f. 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>December 31, 2013</u>			
The Company's shares held by its subsidiaries	<u>3,899</u>	<u>-</u>	<u>3,899</u>

(Continued)

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>December 31, 2014</u>			
The Company's shares held by its subsidiaries	<u>3,899</u>	<u>-</u>	<u>3,899</u> (Concluded)

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 NT\$	Market Price NT\$
<u>December 31, 2013</u>			
Hui Ying	3,899	\$ 159,061	\$ 26,165
<u>December 31, 2014</u>			
Hui Ying	3,899	159,061	27,023

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount US\$ (Note 6)	Market Price US\$ (Note 6)
<u>December 31, 2014</u>			
Hui Ying	3,899	\$ 5,034	\$ 855

The Company's shares held by subsidiaries are regarded as treasury shares; shareholders' rights are retained, except the rights to participate in any share issuance for cash and to vote.

25. REVENUE

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Revenue from the sale of goods	\$ 22,184,381	\$ 22,385,997	\$ 708,418
Royalty revenue and others	<u>20,039</u>	<u>28,216</u>	<u>893</u>
	<u>\$ 22,204,420</u>	<u>\$ 22,414,213</u>	<u>\$ 709,311</u>

The analysis of the Group's revenue and main products was disclosed in Note 37.

26. NET PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS

Net loss was attributable to:

a. Other income

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Interest income	\$ 122,360	\$ 58,375	\$ 1,847
Dividends	60,821	89,780	2,841
Others	<u>26,214</u>	<u>30,074</u>	<u>952</u>
	<u>\$ 209,395</u>	<u>\$ 178,229</u>	<u>\$ 5,640</u>

b. Other gains and losses

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Net foreign exchange gains	\$ 108,447	\$ 72,904	\$ 2,307
Net gains arising on financial assets designated as at FVTPL	18,522	18,392	582
Net gains on disposal of investments	2,973	39,076	1,237
Impairment losses	-	(124,785)	(3,949)
Other losses	<u>(1,264)</u>	<u>(24,900)</u>	<u>(788)</u>
	<u>\$ 128,678</u>	<u>\$ (19,313)</u>	<u>\$ (611)</u>

c. Finance costs

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Interest on loans	\$ 341,829	\$ 305,026	\$ 9,653
Others	15	16	1
Less: Amounts included in the cost of qualifying assets	<u>6,948</u>	<u>23,654</u>	<u>749</u>
	<u>\$ 334,896</u>	<u>\$ 281,388</u>	<u>\$ 8,905</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Capitalized interest	\$ 6,948	\$ 23,654	\$ 749
Capitalization rate	1.12%	1.72%-1.90%	1.72%-1.90%

d. Impairment losses on financial assets

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Trade receivables	\$ 1,976	\$ 271	\$ 9
Impairment losses on available-for-sale financial assets	-	124,785	3,949
Other non-current financial assets	<u>2,151</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,127</u>	<u>\$ 125,056</u>	<u>\$ 3,958</u>

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

e. Depreciation and amortization

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Property, plant and equipment	\$ 7,521,836	\$ 7,315,609	\$ 231,507
Intangible asset	<u>222,073</u>	<u>249,211</u>	<u>7,886</u>
	<u>\$ 7,743,909</u>	<u>\$ 7,564,820</u>	<u>\$ 239,393</u>
An analysis of depreciation by function			
Operating costs	\$ 6,308,847	\$ 6,220,079	\$ 196,838
Operating expenses	<u>1,212,989</u>	<u>1,095,530</u>	<u>34,669</u>
	<u>\$ 7,521,836</u>	<u>\$ 7,315,609</u>	<u>\$ 231,507</u>
An analysis of amortization by function			
Operating costs	\$ 120,787	\$ 151,700	\$ 4,800
Selling and marketing expense	322	702	22
General administration expense	63,633	61,555	1,948
Research and development expense	<u>37,331</u>	<u>35,254</u>	<u>1,116</u>
	<u>\$ 222,073</u>	<u>\$ 249,211</u>	<u>\$ 7,886</u>

f. Employee benefits expense

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Post-employment benefits (Note 23)			
Defined contribution plans	\$ 254,995	\$ 251,830	\$ 7,969
Defined benefit plans	<u>138,644</u>	<u>150,344</u>	<u>4,758</u>
	393,639	402,174	12,727
Share-based payments			
Equity-settled share-based payments	411	60,496	1,914
Other employee benefits	<u>5,943,371</u>	<u>5,683,227</u>	<u>179,849</u>
Total employee benefits expense	<u>\$ 6,337,421</u>	<u>\$ 6,145,897</u>	<u>\$ 194,490</u>
An analysis of employee benefits expense by function			
Operating costs	\$ 2,967,966	\$ 2,908,183	\$ 92,031
Operating expenses	<u>3,369,455</u>	<u>3,237,714</u>	<u>102,459</u>
	<u>\$ 6,337,421</u>	<u>\$ 6,145,897</u>	<u>\$ 194,490</u>

g. Gain or loss on foreign currency exchange

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Foreign exchange gains	\$ 1,653,677	\$ 514,934	\$ 16,295
Foreign exchange losses	<u>(1,545,230)</u>	<u>(442,030)</u>	<u>(13,988)</u>
	<u>\$ 108,447</u>	<u>\$ 72,904</u>	<u>\$ 2,307</u>

27. INCOME TAX RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of tax expense were as follows:

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Current tax			
In respect of the current year	\$ 5,239	\$ 15,697	\$ 497
In respect of prior years	42	(33)	(1)
Deferred tax			
In respect of the current year	<u>(194)</u>	<u>(2,141)</u>	<u>(68)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,087</u>	<u>\$ 13,523</u>	<u>\$ 428</u>

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

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Income tax expense calculated at the statutory rate	\$ (1,179,464)	\$ (1,172,031)	\$ (37,090)
Permanent differences	92,236	(28,284)	(895)
Unrecognized temporary differences	(146,328)	(4,526)	(143)
Unrecognized loss carryforward	1,238,601	1,218,397	38,557
Adjustments for prior years' tax	<u>42</u>	<u>(33)</u>	<u>(1)</u>
Income tax expense recognized in profit or loss	<u>\$ 5,087</u>	<u>\$ 13,523</u>	<u>\$ 428</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	2014	
	NT\$	NT\$	US\$ (Note 6)
Current tax assets			
Tax refund receivable	<u>\$ 13,924</u>	<u>\$ 18,782</u>	<u>\$ 594</u>
Current tax liabilities			
Income tax payables	<u>\$ 355,427</u>	<u>\$ 302,416</u>	<u>\$ 9,570</u>

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

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

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Closing Balance
	<u>NT\$</u>	<u>NT\$</u>	<u>NT\$</u>
<u>Deferred tax assets</u>			
Temporary difference			
Unrealized expense and losses	\$ 4,068	\$ 1,738	\$ 5,806
Unrealized loss on inventories	<u>357</u>	<u>403</u>	<u>760</u>
	4,425	2,141	6,566
Tax losses	<u>905,612</u>	<u>-</u>	<u>905,612</u>
	<u>\$ 910,037</u>	<u>\$ 2,141</u>	<u>\$ 912,178</u>

	Opening Balance	Recognized in Profit or Loss	Closing Balance
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
	(Note 6)	(Note 6)	(Note 6)
<u>Deferred tax assets</u>			
Temporary difference			
Unrealized expense and losses	\$ 128	\$ 55	\$ 183
Unrealized loss on inventories	<u>11</u>	<u>13</u>	<u>24</u>
	139	68	207
Tax losses	<u>28,659</u>	<u>-</u>	<u>28,659</u>
	<u>\$ 28,798</u>	<u>\$ 68</u>	<u>\$ 28,866</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	2014	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u>
			(Note 6)
<u>Loss carryforwards</u>			
Expire in 2015	\$ 20,184	\$ 20,184	\$ 639
Expire in 2016	66,581	66,581	2,107
Expire in 2017	200,436	200,436	6,343
Expire in 2018	345,714	278,215	8,804
Expire in 2019	963,803	826,960	26,170
Expire in 2020	433,984	238,123	7,536
Expire in 2021	509,463	301,201	9,532
Expire in 2022	616,700	389,967	12,341
Expire in 2023	7,285,370	5,047,583	159,734
Expire in 2024	<u>-</u>	<u>7,098,093</u>	<u>224,623</u>
	<u>\$ 10,442,235</u>	<u>\$ 14,467,343</u>	<u>\$ 457,829</u>

(Continued)

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Investment credits			
Purchase of machinery and equipment	\$ 7,349	\$ -	\$ -
Investment credits for stockholder	<u>135,721</u>	<u>123,832</u>	<u>3,919</u>
	<u>\$ 143,070</u>	<u>\$ 123,832</u>	<u>\$ 3,919</u>
Deductible temporary differences	<u>\$ 12,130,988</u>	<u>\$ 11,815,775</u>	<u>\$ 373,917</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, 2014, investment credits comprised of:

Law and Statutes	Tax Credit Source	Remaining Creditable Amount		Expiry Year
		NT\$	US\$ (Note 6)	
Statute for Upgrading Industries	Investment credits for stockholder	<u>\$ 123,832</u>	<u>\$ 3,919</u>	2016

Loss carryforwards as of December 31, 2014 comprised of:

Unused Amount		Expiry Year
NT\$	US\$ (Note 6)	
\$ 3,431	\$ 109	2015
11,319	358	2016
34,074	1,078	2017
47,297	1,497	2018
140,583	4,449	2019
40,481	1,281	2020
51,204	1,620	2021
646,864	20,470	2022
1,183,131	37,441	2023
<u>1,206,676</u>	<u>38,186</u>	2024
<u>\$ 3,365,060</u>	<u>\$ 106,489</u>	

f. Integrated income tax

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Accumulated deficit			
Generated before January 1, 1998	\$ -	\$ -	\$ -
Generated on and after January 1, 1998	<u>(7,178,843)</u>	<u>(13,640,051)</u>	<u>(431,647)</u>
	<u>\$ (7,178,843)</u>	<u>\$ (13,640,051)</u>	<u>\$ (431,647)</u>
Balance of the Imputation Credit Account	<u>\$ 220,368</u>	<u>\$ 289,482</u>	<u>\$ 9,161</u>

No tax creditable ratios were calculated for accumulated deficit of 2013 and 2014.

g. Income tax assessments

The Company's tax returns through 2012 have been assessed by the tax authorities except 2010. The Company disagreed with the tax authorities' assessment of its 2012 tax returns and had applied for re-examination. The Company was also not satisfied with the results of the review of the 2009 tax returns and had applied for appeal. Nevertheless, the Company has provided for the income tax assessed by the tax authorities.

28. LOSS PER SHARE

Unit: NT\$ Per Share

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Basic and diluted loss per share	<u>\$ (1.79)</u>	<u>\$ (1.84)</u>	<u>\$ (0.06)</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	2014	
	NT\$	NT\$	US\$ (Note 6)
Loss for the year attributable to shareholders of the parent	<u>\$ (6,305,647)</u>	<u>\$ (6,461,208)</u>	<u>\$ (204,469)</u>

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

	For the Year Ended December 31	
	2013	2014
Weighted average number of ordinary shares in computation of basic and diluted loss per share	<u>3,517,563</u>	<u>3,517,574</u>

As disclosed in Note 29 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 2014.

29. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

The Company

The Company has one employee stock option plans (“2007 Plan”) approved by the ROC Securities and Futures Bureau (SFB) to grant options up to 120,000 thousand units. 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 TWSE. For any subsequent changes in the Company’s capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

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

	Number of Options (In Thousands)	2007 Plan	
		Weighted-average Exercise Price	
		NT\$	US\$ (Note 6)
<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>	-	-

The number and exercise prices of outstanding options had been adjusted to reflect the stock dividends and the capital reduction making up for losses.

As of December 31, 2013, all outstanding vested share options had been expired.

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		2014		
	Number of Options (In Thousands)	Weighted-average Exercise Price NT\$	Number of Options (In Thousands)	Weighted-average Exercise Price	
				NT\$	US\$ (Note 6)
Balance at January 1	2,270	\$ 10.30	1,732	\$ 10.00	\$ -
Options cancelled	(538)	-	(423)	-	-
Balance at December 31	<u>1,732</u>	10.00	<u>1,309</u>	10.00	-

As of December 31, 2014, information about Mxtran's outstanding and exercisable options was as follows:

Range of Exercise Price	Options Issued on or After January 1, 2004 and Outstanding				Options Exercisable				
	NT\$	US\$ (Note 6)	Number of Outstanding Options (Thousand)	Remaining Contractual Life (In Years)	NT\$	US\$ (Note 6)	Number of Exercisable Options (Thousand)	Exercise Price	
								NT\$	US\$ (Note 6)
	\$ 10.00	\$ -	<u>1,309</u>	2.61	\$ 10.00	\$ -	<u>1,309</u>	\$ 10.00	\$ -

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

	NT\$	US\$ (Note 6)
Grant-date share price	\$ 3.23	\$ 0.10
Exercise price	10.00	0.32
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 2014, the compensation cost recognized was NT\$207 thousand and NT\$51 thousand (US\$1.61 thousand), respectively. As of December 31, 2013 and 2014, 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 which were 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 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		2014		
	Number of Options (In Thousands)	Weighted-average Exercise Price NT\$	Number of Options (In Thousands)	Weighted-average Exercise Price	
				NT\$	US\$ (Note 6)
Balance at January 1	9,743	\$ 31.87	7,341	\$ 31.87	\$ 1
Options cancelled	<u>(2,402)</u>	-	<u>(225)</u>	-	-
Balance at December 31	<u>7,341</u>	31.87	<u>7,116</u>	31.87	1

As of December 31, 2014, information about INFOMAX's outstanding and exercisable options was as follows:

Range of Exercise Price	Options Issued on or After January 1, 2004 and Outstanding				Options Exercisable			
	Number of Outstanding Options (Thousand)		Remaining Contractual Life (In Years)	Exercise Price		Number of Exercisable Options (Thousand)	Exercise Price	
	NT\$	US\$ (Note 6)		NT\$	US\$ (Note 6)		NT\$	US\$ (Note 6)
\$ 31.87	\$ 1	1,111	0.97	\$ 31.87	\$ 1	1,111	\$ 31.87	\$ 1
31.87	1	5,456	1.25	31.87	1	5,456	31.87	1
31.87	1	<u>549</u>	2.07	31.87	1	<u>549</u>	31.87	1
		<u>7,116</u>				<u>7,116</u>		

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

	NT\$	US\$ (Note 6)
Grant-date share price	\$ 5.17	\$ 0.16
Exercise price	10.00	0.32
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 2014, the compensation cost recognized was NT\$204 thousand and NT\$0 (US\$0), respectively. As of December 31, 2013 and 2014, the estimated percentages of forfeiture due to termination of employment over the remaining vesting period were both 3%.

b. Restricted Stock Plan for employees

In the shareholders' meeting on June 18, 2014, the shareholders approved a restricted stock plan for employees of 2014, consisting of 123,251 thousand shares and issuance price of NT\$ 0 per share, which has also been approved by the board of directors on July 24, 2014. On August 19, 2014, the FSC issued approval No. 1030031466 which approved this plan.

On August 28, 2014, the Company's board of directors approved a restricted stock plan, consisting of 38,365 thousand shares; the closing price of ordinary shares of NT\$7.76 was used as the basis for the fair value of recognized compensation cost. Due to employees' turnover, 37,301 thousand shares were issued on December 25, 2014.

To meet the vesting conditions, an employee has to meet performance and other conditions over the vesting period, as follows:

- 1) Remain employed by the Company within one year after the grant date; and has a current year's performance rating of "successful" (or higher) - 40% of restricted shares will be vested;
- 2) Remain employed by the Company within two years after the grant date; and has a current year's performance rating of "successful" (or higher) - 30% of restricted shares will be vested;
- 3) Remain employed by the Company within three years after grant date; and has a current year's performance rating of "successful" (or higher) - 30% of restricted shares will be vested.

In addition to the vesting conditions, the limitations are as follows:

- 1) Employees, except for inheritance, should not sell, transfer, pledge, donate or in any other way dispose of the shares.
- 2) The shares should be held in stock trust.
- 3) Except for the above two paragraphs, other rights of restricted stock plan for employees, including but not limited to, dividends, bonuses, the distribution rights of legal reserve and capital surplus, share options of cash capital and voting rights of shareholders, etc. are the same as the Group's issued ordinary shares.
- 4) The dividends of restricted stock plan for employees are not restricted by existing conditions.

When employees do not reach the vesting conditions of restricted stock plan for employees during the year, the Company will recover and cancel the shares.

For the year ended of December 31, 2014, the compensation cost recognized was NT\$60,445 thousand (US\$1,913 thousand).

30. DISPOSAL OF SUBSIDIARIES

On April 23, 2014, the Group did not participate in MoDioTek's capital increase. Since the Group has lost control over MoDioTek, it was no longer consolidated. MoDioTek was required to be recognized on the same basis as if it had been disposed of.

On August 28, 2014, the Group entered into a sale agreement to dispose of MPI. On September 10, 2014, the disposal was completed; the date when control of MPI passed to the acquirer.

MoDioTek

a. Analysis of assets and liabilities on the date control was lost

	April 23, 2014	
	NT\$	US\$ (Note 6)
Current assets		
Cash and cash equivalents	\$ 50,687	\$ 1,604
Trade receivables	4,163	132
Other receivables	3,538	112
Inventories	2,412	76
Others	603	19
Non-current assets		
Property, plant and equipment	2,599	82
Intangible assets	2,100	66
Others	1,665	53
Current liabilities		
Trade payables	(2,948)	(93)
Other payables	(4,464)	(141)
Others	<u>(2,449)</u>	<u>(78)</u>
Net assets disposed of	<u>\$ 57,906</u>	<u>\$ 1,832</u>

b. Gain on disposal of subsidiary

	For the Year Ended December 31	
	2014	
	NT\$	US\$ (Note 6)
Fair value of interest retained	\$ 64,205	\$ 2,032
Net assets disposed of	(57,906)	(1,832)
Non-controlling interests	<u>9,179</u>	<u>290</u>
Gain on disposal	<u>\$ 15,478</u>	<u>\$ 490</u>

MPI

a. Consideration received from the disposal

	September 10, 2014	
	NT\$	US\$ (Note 6)
Consideration received in cash and cash equivalents	<u>\$ 32,448</u>	<u>\$ 1,027</u>

b. Analysis of assets and liabilities on the date control was lost

	September 10, 2014	
	NT\$	US\$ (Note 6)
Current assets		
Cash and cash equivalents	\$ 11,104	\$ 351
Trade receivables	2,697	85
Other receivables	168	5
Inventories	5,163	163
Others	2,087	66
Non-current assets		
Property, plant and equipment	988	31
Intangible assets	1,904	60
Others	1,054	33
Current liabilities		
Trade payables	(1,822)	(58)
Other payables	(5,049)	(160)
Others	<u>(1,362)</u>	<u>(43)</u>
Net assets disposed of	<u>\$ 16,932</u>	<u>\$ 533</u>

c. Gain on disposal of subsidiary

	For the Year Ended December 31 2014	
	NT\$	US\$ (Note 6)
Consideration received	\$ 32,448	\$ 1,027
Net assets disposed of	(16,932)	(536)
Non-controlling interests	<u>2,311</u>	<u>73</u>
Gain on disposal	<u>\$ 17,827</u>	<u>\$ 564</u>

d. Net cash inflow on disposal of subsidiary

	For the Year Ended December 31 2014	
	NT\$	US\$ (Note 6)
Consideration received in cash and cash equivalents	\$ 32,448	\$ 1,027
Less: Cash and cash equivalent balances disposed of	<u>11,104</u>	<u>351</u>
	<u>\$ 21,344</u>	<u>\$ 676</u>

31. 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.

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

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Not later than 1 year	\$ 94,419	\$ 62,176	\$ 1,968
Later than 1 year and not later than 5 years	160,378	119,670	3,787
Later than 5 years	<u>247,964</u>	<u>217,055</u>	<u>6,869</u>
	<u>\$ 502,761</u>	<u>\$ 398,901</u>	<u>\$ 12,624</u>

The lease payments recognized as expenses were as follows:

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Minimum lease payment	<u>\$ 107,949</u>	<u>\$ 107,569</u>	<u>\$ 3,404</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.

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

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Not later than 1 year	\$ 4,054	\$ 4,433	\$ 140
Later than 1 year and not later than 5 years	<u>9,195</u>	<u>4,509</u>	<u>143</u>
	<u>\$ 13,249</u>	<u>\$ 8,942</u>	<u>\$ 283</u>

32. 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.

33. 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

	<u>Level 1</u> NT\$	<u>Level 2</u> NT\$	<u>Level 3</u> NT\$	<u>Total</u> NT\$
Financial assets at FVTPL				
Derivative financial instruments	\$ _____ -	\$ <u>1,358</u>	\$ _____ -	\$ <u>1,358</u>
Available-for-sale financial assets - non-current				
Securities listed in ROC	\$ 815,226	\$ -	\$ -	\$ 815,226
Securities listed in other countries	<u>136,107</u>	_____ -	_____ -	<u>136,107</u>
	<u>\$ 951,333</u>	<u>\$ _____ -</u>	<u>\$ _____ -</u>	<u>\$ 951,333</u>

December 31, 2014

	<u>Level 1</u> <u>NT\$</u>	<u>Level 2</u> <u>NT\$</u>	<u>Level 3</u> <u>NT\$</u>	<u>Total</u> <u>NT\$</u>
Financial assets at FVTPL				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 95</u>	\$ <u> -</u>	\$ <u> 95</u>
Available-for-sale financial assets - non-current				
Securities listed in ROC	\$ 982,975	\$ -	\$ -	\$ 982,975
Securities listed in other countries	<u>260,167</u>	<u> -</u>	<u> -</u>	<u>260,167</u>
	<u>\$ 1,243,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,142</u>
Financial liabilities at FVTPL				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 7,113</u>	\$ <u> -</u>	\$ <u> 7,113</u>
	<u>Level 1</u> <u>US\$</u> <u>(Note 6)</u>	<u>Level 2</u> <u>US\$</u> <u>(Note 6)</u>	<u>Level 3</u> <u>US\$</u> <u>(Note 6)</u>	<u>Total</u> <u>US\$</u> <u>(Note 6)</u>
Financial assets at FVTPL				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 3</u>	\$ <u> -</u>	\$ <u> 3</u>
Available-for-sale financial assets - non-current				
Securities listed in ROC	\$ 31,107	\$ -	\$ -	\$ 31,107
Securities listed in other countries	<u>8,233</u>	<u> -</u>	<u> -</u>	<u>8,233</u>
	<u>\$ 39,340</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,340</u>
Financial liabilities at FVTPL				
Derivative financial instruments	\$ <u> -</u>	\$ <u> 225</u>	\$ <u> -</u>	\$ <u> 225</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:

- a) The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets were determined with reference to quoted market prices;
- b) The fair values of derivative instruments were calculated using quoted prices. If quoted price for derivative instruments isn't available, calculation of fair value is by option derivative instruments pricing model. 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 Company were consistent with those that market participants would use in setting a price for the financial

instrument. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curve derived from quoted interest rates matching maturities of the contracts.

b. Categories of financial instruments

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 1,358	\$ 95	\$ 3
Loans and receivables (i)	15,592,460	11,162,496	353,243
Available-for-sale financial assets (ii)	1,066,221	1,356,541	42,929
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	-	7,113	225
Amortized cost (iii)	23,904,995	20,568,146	650,892

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.

	<u>Currency USD Impact</u>			<u>Currency JPY Impact</u>		
	<u>For the Year Ended December 31</u>			<u>For the Year Ended December 31</u>		
	<u>2013</u>	<u>2014</u>		<u>2013</u>	<u>2014</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u> (Note 6)	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u> (Note 6)
Pre-tax loss	\$21,041	\$10,683	\$ 338	\$59,362	\$34,162	\$ 1,081

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.

	<u>December 31</u>		
	<u>2013</u>	<u>2014</u>	
	<u>NT\$</u>	<u>NT\$</u>	<u>US\$</u> (Note 6)
Fair value interest rate risk			
Financial assets	\$ 9,878,504	\$ 4,868,205	\$ 154,057
Financial liabilities	566,577	1,599,000	50,601
Cash flow interest rate risk			
Financial assets	2,267,600	2,933,344	92,828
Financial liabilities	18,599,897	14,751,975	466,835

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 2014 would increase/decrease by NT\$92,999 thousand and NT\$73,760 thousand (US\$2,334 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 2014 would have increased/decreased by NT\$95,133 thousand and NT\$124,314 thousand (US\$3,934 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 affect 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 December 31, 2014, the Group's ten largest customers accounted for 54% and 52% 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 December 31, 2014, the Group had available unutilized overdraft and short-term bank loan facilities of approximately NT\$4,655,742 thousand and NT\$3,922,524 thousand (US\$124,131 thousand), respectively.

a) Liquidity and interest risk rate tables for non-derivative financial liabilities

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
	NT\$	NT\$	NT\$	NT\$	NT\$
<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, 2014

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 4,217,171	\$ -	\$ -	\$ -	\$ 4,217,171
Variable interest rate liabilities	12,929,684	1,704,910	443,796	-	15,078,390
Fixed interest rate liabilities	<u>1,603,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,603,482</u>
	<u>\$ 18,750,337</u>	<u>\$ 1,704,910</u>	<u>\$ 443,796</u>	<u>\$ -</u>	<u>\$ 20,899,043</u>

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 133,455	\$ -	\$ -	\$ -	\$ 133,455
Variable interest rate liabilities	409,167	53,953	14,044	-	477,164
Fixed interest rate liabilities	<u>50,743</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,743</u>
	<u>\$ 593,365</u>	<u>\$ 53,953</u>	<u>\$ 14,044</u>	<u>\$ -</u>	<u>\$ 661,362</u>

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities was subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

b) Liquidity and interest risk rate tables for derivative financial liabilities

The following table detailed the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement. When the amount payable or

receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves at the end of the reporting period.

December 31, 2013

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 179,924	\$ -	\$ -	\$ -	\$ -
Outflows	178,566	-	-	-	-

December 31, 2014

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
	NT\$	NT\$	NT\$	NT\$	NT\$
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 562,947	\$ -	\$ -	\$ -	\$ -
Outflows	569,965	-	-	-	-

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)	US\$ (Note 6)
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 17,815	\$ -	\$ -	\$ -	\$ -
Outflows	18,037	-	-	-	-

34. 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. Operating revenues

Listed Account	Related Parties Categories	For the Year Ended December 31		
		2013	2014	
		NT\$	NT\$	US\$ (Note 6)
Sales	Key management personnel	\$ 6,194,587	\$ 5,322,675	\$ 168,439
	Others	2,629	2,321	73
	Associates	-	2,319	73
		<u>\$ 6,197,216</u>	<u>\$ 5,327,315</u>	<u>\$ 168,585</u>

Sales prices to related parties were not comparable to those with external customers as the Group was the products sold by specific purpose for different customer. The sales terms to the related parties were between 30 to 60 days after monthly closing, similar to those with external customers.

b. Purchases

Related Parties Categories	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Key management personnel	\$ 1,112,719	\$ 187,672	\$ 5,939

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

c. Trade receivables from related parties:

Listed Account	Related Parties Categories	December 31		
		2013	2014	
		NT\$	NT\$	US\$ (Note 6)
Receivables from Related parties, net	Key management personnel	\$ 457,903	\$ 482,213	\$ 15,260
	Associates	-	784	25
	Others	343	182	5
	The Group is its major management authority	56	-	-
		<u>\$ 458,302</u>	<u>\$ 483,179</u>	<u>\$ 15,290</u>
Other receivables	Associates	\$ -	\$ 217	\$ 7
	The Group is its major management authority	-	32	1
		<u>\$ -</u>	<u>\$ 249</u>	<u>\$ 8</u>

The outstanding trade receivables from related parties are unsecured. No expense was recognized for the years ended December 31, 2014 and 2013 for allowance for impaired trade receivables with respect to the amounts owed by related parties.

d. Trade payables to related parties:

Listed Account	Related Parties Categories	December 31		
		2013	2014	
		NT\$	NT\$	US\$ (Note 6)
Payables to related parties	The Group is its major management authority	\$ 90,570	\$ 62,957	\$ 1,993
	Associates	-	228	7
	Key management personnel	14	-	-
	<u>\$ 90,584</u>	<u>\$ 63,185</u>	<u>\$ 2,000</u>	

The outstanding trade payables from related parties are unsecured and will be settled in cash.

e. Other transactions

Listed Account	Related Parties Categories	For the Year Ended December 31		
		2013	2014	
		NT\$	NT\$	US\$ (Note 6)
Manufacturing expense	The Group is its major management authority	\$ 441,416	\$ 275,775	\$ 8,727
Operating expense	Others	\$ 25,000	\$ 24,000	\$ 759
	Key management personnel	4,442	2,011	64
	The Group is its major management authority	1,156	321	10
	Associates	-	212	7
		<u>\$ 30,598</u>	<u>\$ 26,544</u>	<u>\$ 840</u>
Software and pattern revenue	Associates	\$ -	\$ 1,710	\$ 54
	The Group is its major management authority	<u>732</u>	<u>189</u>	<u>6</u>
		<u>\$ 732</u>	<u>\$ 1,899</u>	<u>\$ 60</u>
Rental revenue	Associates	<u>\$ -</u>	<u>\$ 3,792</u>	<u>\$ 120</u>

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

The Group leases offices to associates (rentals are classified under other gains and losses). The amount of lease payment was based on the office space leased by each related party and was collected on a monthly basis.

Under certain contracts, the Group authorized the above related parties to use the Group's pattern and software. The specifically negotiated terms were not comparable to those with external customers.

f. Other assets disposed

Listed Account	Parties Categories	For the Year Ended December 31					
		2013		2014			
		Price	Gain (Loss) on Disposal	Price		Gain (Loss) on Disposal	
				NT\$	US\$	NT\$	US\$
Gain on disposal investment	Key management personnel	\$ -	\$ -	\$ -	\$ -	\$ 15,478	\$ 490
	Associates	-	-	32,448	1,027	17,827	564
		<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,448</u>	<u>\$ 1,027</u>	<u>\$ 33,305</u>	<u>\$ 1,054</u>

Gain on disposal of investment was included in other gains and losses, please see note 30.

g. Compensation of key management personnel

The remuneration of key management personnel for the years ended December 31, 2013 and 2014 was as follows:

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Short-term benefits	\$ 154,523	\$ 127,599	\$ 4,038
Post-employment benefits	<u>118,306</u>	<u>121,793</u>	<u>3,854</u>
	<u>\$ 272,829</u>	<u>\$ 249,392</u>	<u>\$ 7,892</u>

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

35. 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	2014	
	NT\$	NT\$	US\$ (Note 6)
Property, plant and equipment, net	\$ 17,425,003	\$ 14,573,603	\$ 461,190
Pledge deposits (classified as other financial assets - non-current)	<u>168,077</u>	<u>165,799</u>	<u>5,247</u>
	<u>\$ 17,593,080</u>	<u>\$ 14,739,402</u>	<u>\$ 466,437</u>

36. 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, 2014 were as follows:

- a. As of December 31, 2013 and 2014, unused letters of credit amounted to approximately NT\$0 and NT\$6,647 thousand (US\$210 thousand), respectively.
- b. Unrecognized commitments are as follows:

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Acquisition of property, plant and equipment	<u>\$ 1,201,949</u>	<u>\$ 639,834</u>	<u>\$ 20,248</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 had to share in the related expenditures of the technology development, and the

Company had 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, 2014, the Company has paid US\$6,300 thousand and unrecognized commitment is US\$2,100 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 in April 2011.
- 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. In April 2014, Spansion filed a lawsuit against the Company again. 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 counter Spansion’s charges. USPTO’s investigation has been started and will be completed in 2015. Moreover, in October 2013, the Company filed a lawsuit against Spansion in the U.S. District Court for the Eastern District of Virginia; however, for the convenience of the litigants, the case was transferred to the District Court in Northern District of California. To protect its interests, the Company filed separate lawsuits in the ITC in December 2013 and June 2014, alleging that Spansion and its affiliated companies and customers infringed its patents. In addition, the Company also filed separate lawsuits in the Germany District Court of Mannheim and the Germany District Court of Munich in July 7, 2014 and September 12, 2014, respectively, alleging that Spansion and its affiliated companies and customers infringed its patents. The global patent litigation and disputes were settled in January, 2015.
- f. Creative Integrated System, Inc. (“CIS”) filed a lawsuit against the Company and one of its subsidiaries Macronix America Inc. (“MXA”) with the U.S. District Court in California, alleging that the Company infringed two of its patents. The company compromised with CIS and this lawsuit was settled in March 2014.

37. 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

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 4,716,939	0.28	\$ 1,320,743
USD	87,022	29.81	<u>2,594,126</u>
			<u>\$ 3,914,869</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	2,596,871	0.28	\$ 727,124
USD	57,494	29.81	<u>1,713,896</u>
			<u>\$ 2,441,020</u>

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 3,208,671	0.26	\$ 834,254
USD	85,878	31.65	<u>2,718,039</u>
			<u>\$ 3,552,293</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	1,894,756	0.26	\$ 492,637
USD	56,627	31.65	<u>1,792,245</u>
			<u>\$ 2,284,882</u>

38. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Financing provided to others: None
- b. Endorsements/guarantees provided: None
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint controlled entities): Table 1 (attached)
- d. Marketable securities acquired and disposed at costs or prices at least NT\$300 million or 20% of the paid-in capital: None
- e. Acquisition of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital: None
- f. Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- g. Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 2 (attached)
- h. Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital: Table 3 (attached)
- i. Trading in derivative instruments: Please see Note 7
- j. Intercompany relationships and significant intercompany transactions: Table 5 (attached)
- k. Information on investees: Table 4 (attached)

1. 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 6 (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

37. 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 net operating revenue and results

The following was an analysis of the Group's net operating revenue and results by reportable segment.

	Segment Net Operating Revenue		
	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$
			(Note 6)
Memory products and wafer fabrication	\$ 22,124,548	\$ 22,359,776	\$ 707,588
IC design	<u>79,872</u>	<u>54,437</u>	<u>1,723</u>
Total	<u>\$ 22,204,420</u>	<u>\$ 22,414,213</u>	<u>\$ 709,311</u>
	Segment Loss from Operations and Net loss		
	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$
			(Note 6)
Memory products and wafer fabrication	\$ (5,702,689)	\$ (5,829,878)	\$ (184,490)
IC design	<u>(653,640)</u>	<u>(492,954)</u>	<u>(15,600)</u>
Loss from operations	(6,356,329)	(6,322,832)	(200,090)
Other income	209,395	178,229	5,640
Other gains and losses	128,678	(19,313)	(611)
Share of loss of associates	-	(24,097)	(763)
Finance costs	<u>(334,896)</u>	<u>(281,388)</u>	<u>(8,905)</u>
Loss before tax	<u>\$ (6,353,152)</u>	<u>\$ (6,469,401)</u>	<u>\$ (204,729)</u>

b. Segment total assets and liabilities

	December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
<u>Segment assets</u>			
Memory products and wafer fabrication	\$ 52,687,557	\$ 44,087,905	\$ 1,395,186
IC design	<u>1,342,444</u>	<u>754,670</u>	<u>23,882</u>
Consolidated total assets	<u>\$ 54,030,001</u>	<u>\$ 44,842,575</u>	<u>\$ 1,419,068</u>
<u>Segment liabilities</u>			
Memory products and wafer fabrication	\$ 25,212,793	\$ 22,003,439	\$ 696,311
IC design	<u>91,410</u>	<u>60,908</u>	<u>1,927</u>
Consolidated total liabilities	<u>\$ 25,304,203</u>	<u>\$ 22,064,347</u>	<u>\$ 698,238</u>

c. Geographical information

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

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

	Revenue from External Customers			Non-current Assets		
	Year Ended December 31			December 31		
	2013	2014		2013	2014	
	NT\$	NT\$	US\$ (Note 6)	NT\$	NT\$	US\$ (Note 6)
Taiwan	\$ 18,164,166	\$ 19,041,271	\$ 602,572	\$ 26,547,290	\$ 20,925,510	\$ 662,200
China	3,012,964	2,757,094	87,250	298,437	296,082	9,370
Others	<u>1,027,290</u>	<u>615,848</u>	<u>19,489</u>	<u>292,856</u>	<u>271,112</u>	<u>8,579</u>
	<u>\$ 22,204,420</u>	<u>\$ 22,414,213</u>	<u>\$ 709,311</u>	<u>\$ 27,138,583</u>	<u>\$ 21,492,704</u>	<u>\$ 680,149</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 net operating revenue were as follows:

	For the Year Ended December 31		
	2013	2014	
	NT\$	NT\$	US\$ (Note 6)
Customer A	<u>\$ 6,194,587</u>	<u>\$ 5,322,675</u>	<u>\$ 168,439</u>

Note: Revenue from flash and foundry.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

MARKETABLE SECURITIES HELD

DECEMBER 31, 2014

(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, 2014				Note
				Shares/Units (In Thousands)	Carrying Amount	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	35,243,366	\$ 919,853	7.40	\$ 919,853	Note 1
	United Industrial Gases Co., Ltd.	None	Financial assets measured at cost - non-current	6,671,877	58,500	3.06	140,637	Note 2
	Zowie Technology Co., Ltd.	None	Financial assets measured at cost - non-current	20,426	-	0.18	74	Note 2
	Aetas Technology Inc.	None	Financial assets measured at cost - non-current	145,850	-	0.29	-	-
	Honbond Venture Capital Co., Ltd.	The Company serves as member of its board of directors	Financial assets measured at cost - non-current	4,624,425	20,717	15.00	22,971	Note 2
Macronix (BVI) Co., Ltd.	<u>Stock</u> Chipbond Technology Corporation	None	Available-for-sale financial assets - non-current	1,088,319	63,122	0.17	63,122	Note 1
	Key ASIC Bhd	None	Available-for-sale financial assets - non-current	26,924,500	13,404	3.34	13,404	Note 1
	Tower Semiconductor Ltd.	None	Available-for-sale financial assets - non-current	584,893	246,763	1.01	246,763	Note 1
	Global Strategic Investment Fund(Cayman)	None	Financial assets measured at cost - non-current	490,000	-	2.52	9,938	Note 2
	Global Strategic Investment Fund(Samoa)	None	Financial assets measured at cost - non-current	1,739,783	34,182	4.90	58,488	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	27,023	0.11	27,023	Note 1
	Raio Technology Co., Ltd.	None	Financial assets measured at cost - non-current	876,968	-	10.57	20,773	Note 2

Note 1: The market value was based on the closing price as of December 31, 2014.

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

Note 3: Active Market is market value; and No Active Market is net value, which calculated by closing rate.

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, 2014

(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 Yin Investment, is represented in MXIC's board of directors	Sales	\$ 5,322,675	24%	30 days after monthly closing	Note 34	Note 34	\$ 482,213	15%	-
	Macronix (Hong Kong) Co., Ltd. Macronix America Inc.	Indirect subsidiary Subsidiary	Sales	2,533,256	11%	45 days after monthly closing	Note 38	Note 38	355,242	11%	-
			Sales	532,982	2%	Net 60 days	Note 38	Note 38	59,993	2%	-
Macronix (Hong Kong) Co., Ltd.	The Company	Indirect subsidiary	Purchase	US\$ 83,913	100%	45 days after monthly closing	No material difference	No material difference	US\$ 11,231	100%	-
Macronix America Inc.	The Company	Subsidiary	Purchase	US\$ 17,650	100%	Net 60 days	No material difference	No material difference	US\$ 1,896	38%	-

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, 2014

(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 Yin Investment, is represented in MXIC's board of directors	\$ 482,213	11.32 times	\$ -	-	JPY 1,822,423 thousand	\$ -
	Macronix (Hong Kong) Co., Ltd.	Indirect subsidiary	355,242	7.05 times	-	-	US\$ 11,231 thousand	-

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2014
(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, 2014			Net Income (Loss) of the Investee (Note 3)	Share of Profit (Loss)	Note
				December 31, 2014 (Note 1)	December 31, 2013 (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	\$ 217,532	\$ (44,963)	\$ (44,963)	
	Macronix (BVI) Co., Ltd.	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	223,300,000	100.00	1,577,739	(182,465)	(182,465)	
	Hui Ying Investment, Ltd.	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	24,238	23	(702)	
	Run Hong Investment, Ltd.	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	28,969	(13,930)	(13,930)	
	Infomax Communication Co., Ltd.	Hsinchu, Taiwan	Baseband chip, analog baseband chip, and power management chip	1,502,711	1,502,711	150,271,240	97.25	629,458	(299,772)	(291,528)	
	Mxtran Inc.	Hsinchu, Taiwan	Combi-SIM IC and the related service	607,379	607,379	60,627,800	89.16	37,596	(108,437)	(96,682)	
Macronix (BVI) Co., Ltd.	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Mobile audio platform and smart remote controller	59,944	430,232	5,994,371	20.61	34,010	(125,680)	(38,040)	
	New Trend Technology Inc.	San Jose, California, U.S.A.	IC design	850,637	850,637	25,850,000	100.00	306,297	(7,418)	Note 4	
	Macronix Europe NV.	Belgium	After-sale service	2,106	2,106	999	100.00	95,071	6,775	Note 4	
	Macronix Pte Ltd.	Singapore	After-sale service	3,291	3,291	174,000	100.00	16,943	1,027	Note 4	
	Macronix (Hong Kong) Co., Ltd.	Hong Kong	Marketing	378,427	378,427	89,700,000	100.00	504,664	(91,218)	Note 4	
	Macronix (Asia) Limited	Cayman Island	Investment holding company	26,325	26,325	800,000	100.00	50,383	4,355	Note 4	
Run Hong Investment, Ltd.	Infomax Communication Co., Ltd.	Hsinchu, Taiwan	Baseband chip, analog baseband chip, and power management chip	27,423	27,423	2,742,506	1.77	11,456	(299,772)	Note 4	
	Mxtran Inc.	Hsinchu, Taiwan	Combi-SIM IC and the related service	34,271	34,271	3,393,200	4.99	2,107	(108,437)	Note 4	
	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Mobile audio platform and smart remote controller	4,241	30,442	403,245	1.39	2,294	(125,680)	Note 4	
Hui Ying Investment, Ltd.	MoDioTek Co., Ltd.	Hsinchu, Taiwan	Mobile audio platform and smart remote controller	4,241	30,442	403,245	1.39	2,294	(125,680)	Note 4	
Infomax Communication Co., Ltd.	Infomax Holding Co., Ltd.	Samoa	Investment holding company	264,448	235,494	8,570,000	100.00	12,940	(28,186)	Note 4	
Infomax Holding Co., Ltd.	Infomax Holding Company Limited	Hong Kong	Investment holding company	97,521	96,022	23,352,500	100.00	7,721	(3,014)	Note 4	
Mxtran Inc.	Mxtran Holding (Samoa) Co., Ltd.	Samoa	Investment holding company	27,809	27,809	920,000	100.00	1,221	(6,548)	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	909	(6,546)	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, 2014.

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, 2014.

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, 2014

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

Transaction Subject	Transaction Object	Relation (Note 1)	Account	Transaction Summary		
				Amount	Term of Transaction	% to Total Assets or Total Revenue
MXIC	MXHK	2	Sales	\$ 2,533,256	Note 2	11%
			Notes receivable and trade receivables	355,242		1%
	MXE	2	Operating expenses	115,070		1%
			Trade payables	21,293		-
	MXA	1	Sales	532,982	Note 2	2%
			Operating expenses	169,974		1%
			Notes receivable and trade receivables	59,993		-
			Trade payables	93,010		-
	Mxtran	1	Rental revenue	5,648	Note 3	-
	MX Asia	2	Operating expenses	107,030		-
			Trade payables	18,585		-
	INFOMAX	1	Rental revenue	7,511	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.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Total Amount of Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2014 (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2014 (Note 3)	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment (Note 4)	Investment Gain (Loss) (Note 5)	Carrying Amount as of December 31, 2014 (Note 6)	Accumulated Inward Remittance of Investment Income as of December 31, 2014
					Outward (Note 3)	Inward						
Macronix Microelectronics (Suzhou) Co., Ltd.	Development of integrated circuit system and software	\$ 296,160	(Note 1)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 6,552	100.00%	\$ 6,552	\$ 354,644	\$ -
Infomax Communication (Suzhou) Co., Ltd.	Software, rendering and technical service	82,415	(Note 2)	82,415	-	-	82,415	(2,228)	99.02%	(2,206)	6,111	-
Maxtran Technology Co., Ltd.	Technical support of Combi-SIM IC	23,435	(Note 2)	23,435	-	-	23,435	(6,547)	94.15%	(6,164)	421	-

Accumulated Investment in Mainland China as of December 31, 2014	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 402,010 (Note 3)	\$ 402,010 (Note 3)	\$ 13,659,076

Note 1: The Company invested in a company located in Mainland China indirectly through the existing company in the third country.

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

Note 3: The foreign currency amount was converted into New Taiwan dollars at the historical exchange rate.

Note 4: The percentage of ownership is based on the total holding percentage owned by the Company and its subsidiaries.

Note 5: 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, 2014.

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 exchange rate on December 31, 2014.