

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

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standards 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

Macronix International Co., Ltd.

By

Miin Wu
Chairman

March 17, 2016

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, 2015, December 31, 2014 and January 1, 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those 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, 2015, December 31, 2014 and January 1, 2014, and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 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, 2015 and 2014 on which we have issued an unqualified opinion with an explanatory paragraph in our report dated March 17, 2016.

As disclosed in Note 3 to the consolidated financial statements, the Group applied the amendments to the Regulations 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 FSC starting in 2015. As a result of this retrospective application of the regulations and standards, the consolidated financial statements as of December 31, 2014 and January 1, 2014 and for the year ended December 31, 2014 have been restated.

March 17, 2016

Notice to Readers

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

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	December 31, 2015		December 31, 2014 (Audited after Restated)		January 1, 2014 (Audited after Restated)	
ASSETS	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4, 6 and 34)	\$ 5,592,548	15	\$ 7,636,201	17	\$ 11,978,574	22
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 34)	-	-	95	-	1,358	-
Notes receivable and trade receivables, net (Notes 4, 10 and 34)	2,885,039	8	2,699,155	6	2,822,661	5
Receivables from related parties, net (Notes 4, 32, 35 and 36)	397,074	1	483,179	1	458,302	1
Other receivables (Notes 10, 34 and 35)	105,333	-	161,304	-	147,208	-
Inventories (Notes 4 and 11)	9,334,284	25	9,651,713	22	9,136,090	17
Other current assets (Notes 16 and 18)	<u>210,862</u>	<u>-</u>	<u>228,249</u>	<u>1</u>	<u>185,252</u>	<u>1</u>
Total current assets	<u>18,525,140</u>	<u>49</u>	<u>20,859,896</u>	<u>47</u>	<u>24,729,445</u>	<u>46</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 4, 8 and 34)	1,199,468	3	1,243,142	3	951,333	2
Financial assets measured at cost - non-current (Notes 4, 9 and 34)	93,951	-	113,399	-	114,888	-
Investments accounted for using equity method (Notes 4 and 13)	12,345	-	38,599	-	-	-
Property, plant and equipment (Notes 4, 5, 14 and 36)	16,596,123	44	21,128,358	47	26,728,291	49
Intangible assets (Notes 4 and 15)	109,017	-	238,343	1	316,358	1
Deferred tax assets (Notes 4, 5 and 27)	909,230	3	912,178	2	910,037	2
Other financial assets - non-current (Notes 4, 17, 34 and 36)	153,511	1	182,657	-	185,715	-
Other non-current assets (Notes 16 and 18)	<u>28,877</u>	<u>-</u>	<u>126,003</u>	<u>-</u>	<u>93,934</u>	<u>-</u>
Total non-current assets	<u>19,102,522</u>	<u>51</u>	<u>23,982,679</u>	<u>53</u>	<u>29,300,556</u>	<u>54</u>
TOTAL	<u>\$ 37,627,662</u>	<u>100</u>	<u>\$ 44,842,575</u>	<u>100</u>	<u>\$ 54,030,001</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 34)	\$ 1,540,028	4	\$ 2,134,039	5	\$ 566,577	1
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 34)	717	-	7,113	-	-	-
Notes payable and trade payables (Notes 20 and 34)	1,724,139	5	1,996,003	5	2,004,696	4
Payables to related parties (Notes 32 and 35)	27,131	-	63,185	-	90,570	-
Other payables (Notes 21 and 34)	1,300,335	3	1,682,698	4	2,226,702	4
Other payables to related parties (Notes 34 and 35)	355	-	-	-	14	-
Payables for purchase of equipment (Note 34)	206,227	1	475,285	1	432,797	1
Current tax liabilities (Notes 4, 5 and 27)	183,212	1	302,416	1	355,427	1
Provisions - current (Notes 4 and 22)	180,202	-	150,617	-	143,399	-
Current portion of long-term borrowings (Notes 19, 34 and 36)	4,683,784	12	12,143,430	27	7,648,233	14
Other current liabilities	<u>66,308</u>	<u>-</u>	<u>74,315</u>	<u>-</u>	<u>71,689</u>	<u>-</u>
Total current liabilities	<u>9,912,438</u>	<u>26</u>	<u>19,029,101</u>	<u>43</u>	<u>13,540,104</u>	<u>25</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19, 34 and 36)	7,861,990	21	2,073,506	5	10,935,406	20
Net defined benefit liabilities (Notes 4 and 23)	1,420,235	4	1,116,508	2	927,210	2
Other non-current liabilities	<u>4,159</u>	<u>-</u>	<u>17,930</u>	<u>-</u>	<u>3,087</u>	<u>-</u>
Total non-current liabilities	<u>9,286,384</u>	<u>25</u>	<u>3,207,944</u>	<u>7</u>	<u>11,865,703</u>	<u>22</u>
Total liabilities	<u>19,198,822</u>	<u>51</u>	<u>22,237,045</u>	<u>50</u>	<u>25,405,807</u>	<u>47</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 4 and 24)						
Share Capital						
Ordinary shares	36,178,489	96	35,587,740	79	35,214,730	65
Capital stock to be cancelled	<u>(6,898)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total share capital	<u>36,171,591</u>	<u>96</u>	<u>35,587,740</u>	<u>79</u>	<u>35,214,730</u>	<u>65</u>
Capital surplus	54,936	-	241,652	-	344,166	1
Retained earnings						
Accumulated deficit	(18,304,273)	(49)	(13,812,749)	(31)	(7,280,502)	(14)
Other equity	656,884	2	734,847	2	457,785	1
Treasury shares	<u>(159,061)</u>	<u>-</u>	<u>(159,061)</u>	<u>-</u>	<u>(159,061)</u>	<u>-</u>
Equity attributable to shareholders of the parent	<u>18,420,077</u>	<u>49</u>	<u>22,592,429</u>	<u>50</u>	<u>28,577,118</u>	<u>53</u>
NON-CONTROLLING INTERESTS (Note 24)	<u>8,763</u>	<u>-</u>	<u>13,101</u>	<u>-</u>	<u>47,076</u>	<u>-</u>
Total equity	<u>18,428,840</u>	<u>49</u>	<u>22,605,530</u>	<u>50</u>	<u>28,624,194</u>	<u>53</u>
TOTAL	<u>\$ 37,627,662</u>	<u>100</u>	<u>\$ 44,842,575</u>	<u>100</u>	<u>\$ 54,030,001</u>	<u>100</u>

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 4, 25 and 35)	\$ 20,927,770	100	\$ 22,414,213	100
OPERATING COSTS (Notes 11, 23, 26 and 35)	<u>18,415,880</u>	<u>88</u>	<u>19,520,224</u>	<u>87</u>
GROSS PROFIT	2,511,890	12	2,893,989	13
REALIZED GAIN TRANSACTIONS WITH ASSOCIATES	<u>80</u>	<u>-</u>	<u>114</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,511,970</u>	<u>12</u>	<u>2,894,103</u>	<u>13</u>
OPERATING EXPENSES (Notes 23, 26 and 35)				
Selling and marketing expenses	1,031,347	5	1,111,727	5
General and administrative expenses	1,518,227	7	1,662,988	7
Research and development expenses	<u>4,966,172</u>	<u>24</u>	<u>6,434,823</u>	<u>29</u>
Total operating expenses	<u>7,515,746</u>	<u>36</u>	<u>9,209,538</u>	<u>41</u>
LOSS FROM OPERATIONS	<u>(5,003,776)</u>	<u>(24)</u>	<u>(6,315,435)</u>	<u>(28)</u>
NON-OPERATING INCOME AND EXPENSES				
Other income (Notes 4, 26 and 35)	1,139,090	5	178,229	1
Other gains and losses (Notes 26 and 30)	11,342	-	(19,313)	-
Finance costs (Notes 4 and 26)	(301,219)	(1)	(281,388)	(2)
Share of loss of associates (Notes 4 and 13)	<u>(26,320)</u>	<u>-</u>	<u>(24,097)</u>	<u>-</u>
Total non-operating income and expenses	<u>822,893</u>	<u>4</u>	<u>(146,569)</u>	<u>(1)</u>
LOSS BEFORE INCOME TAX	(4,180,883)	(20)	(6,462,004)	(29)
INCOME TAX EXPENSE (Notes 4 and 27)	<u>15,058</u>	<u>-</u>	<u>13,523</u>	<u>-</u>
NET LOSS FOR THE YEAR	<u>(4,195,941)</u>	<u>(20)</u>	<u>(6,475,527)</u>	<u>(29)</u>

(Continued)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2015		2014 (Audited after Restated)	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans	\$ (299,324)	(2)	\$ (78,163)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating foreign operations (Note 24)	21,672	-	77,565	-
Unrealized gain (loss) on available-for-sale financial assets (Note 24)	(46,069)	-	410,511	2
Share of other comprehensive loss of associates accounted for using the equity method (Note 24)	<u>(14)</u>	<u>-</u>	<u>(797)</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(323,735)</u>	<u>(2)</u>	<u>409,116</u>	<u>2</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (4,519,676)</u>	<u>(22)</u>	<u>\$ (6,066,411)</u>	<u>(27)</u>
NET LOSS ATTRIBUTABLE TO:				
Shareholders of the parent	\$ (4,187,669)	(20)	\$ (6,453,811)	(29)
Non-controlling interests	<u>(8,272)</u>	<u>-</u>	<u>(21,716)</u>	<u>-</u>
	<u>\$ (4,195,941)</u>	<u>(20)</u>	<u>\$ (6,475,527)</u>	<u>(29)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Shareholders of the parent	\$ (4,511,362)	(22)	\$ (6,045,099)	(27)
Non-controlling interests	<u>(8,314)</u>	<u>-</u>	<u>(21,312)</u>	<u>-</u>
	<u>\$ (4,519,676)</u>	<u>(22)</u>	<u>\$ (6,066,411)</u>	<u>(27)</u>
LOSS PER SHARE (Note 28)				
Basic	<u>\$ (1.19)</u>		<u>\$ (1.83)</u>	
Diluted	<u>\$ (1.19)</u>		<u>\$ (1.83)</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, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Shareholders of the Parent											
						Other Equity						
	Share (Thousands)	Capital Stock Share Capital	Capital Stock to be Cancelled	Capital Surplus	Retained Earnings Accumulated Deficit	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Employee Unearned Compensation	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	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
Effect of retrospective application and retrospective restatement	-	-	-	-	(101,659)	-	-	-	-	(101,659)	55	(101,604)
Balance at January 1, 2014 as restated	3,521,473	35,214,730	-	344,166	(7,280,502)	(49,141)	506,926	-	(159,061)	28,577,118	47,076	28,624,194
Net loss for the year ended December 31, 2014	-	-	-	-	(6,453,811)	-	-	-	-	(6,453,811)	(21,716)	(6,475,527)
Other comprehensive income for the year ended December 31, 2014, net of income tax	-	-	-	-	(78,163)	76,364	410,511	-	-	408,712	404	409,116
Total comprehensive income (loss) for the year ended December 31, 2014	-	-	-	-	(6,531,974)	76,364	410,511	-	-	(6,045,099)	(21,312)	(6,066,411)
Issue of ordinary shares under employee share options plans	-	-	-	-	-	-	-	-	-	-	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	(273)	-	-	-	-	(35)	(12,714)	(12,749)
BALANCE AT DECEMBER 31, 2014 AS RESTATED	3,558,774	35,587,740	-	241,652	(13,812,749)	27,223	917,437	(209,813)	(159,061)	22,592,429	13,101	22,605,530
Net loss for the year ended December 31, 2015	-	-	-	-	(4,187,669)	-	-	-	-	(4,187,669)	(8,272)	(4,195,941)
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	(299,324)	21,700	(46,069)	-	-	(323,693)	(42)	(323,735)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	(4,486,993)	21,700	(46,069)	-	-	(4,511,362)	(8,314)	(4,519,676)
Issue of restricted stock to employees	61,278	612,787	-	(216,242)	-	-	-	(396,545)	-	-	-	-
Compensation cost of restricted stock for employees	-	-	-	-	-	-	-	342,951	-	342,951	-	342,951
Retirement of restricted stock for employees	(2,203)	(22,038)	(6,898)	28,936	-	-	-	-	-	-	-	-
Difference between purchase price and carrying amount arising from capital injection of subsidiaries	-	-	-	-	(4,531)	-	-	-	-	(4,531)	4,531	-
Increase (decrease) in non-controlling interests	-	-	-	590	-	-	-	-	-	590	(555)	35
BALANCE AT DECEMBER 31, 2015	3,617,849	\$ 36,178,489	\$ (6,898)	\$ 54,936	\$ (18,304,273)	\$ 48,923	\$ 871,368	\$ (263,407)	\$ (159,061)	\$ 18,420,077	\$ 8,763	\$ 18,428,840

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2015	2014 (Audited after Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (4,180,883)	\$ (6,462,004)
Adjustments for:		
Depreciation expense	5,722,078	7,315,609
Amortization expense	178,988	249,211
Impairment loss recognized on trade receivables	-	271
Finance costs	301,219	281,388
Interest income	(29,641)	(58,375)
Dividend income	(113,853)	(89,780)
Compensation cost of employee share options	-	51
Compensation cost of employee restricted shares	342,951	60,445
Share of loss of associates	26,320	24,097
(Gain) loss on disposal of property, plant and equipment	(7,241)	9,479
Gain on disposal of investments	(7,491)	(39,076)
Impairment loss recognized on financial assets	-	124,785
Impairment loss recognized on non-financial assets	99,009	-
Realized gain on the transactions with associates	(80)	(114)
Loss (gain) on foreign currency exchange	73,965	(91,680)
Changes in operating assets and liabilities		
Decrease in financial assets held for trading	95	1,263
(Increase) decrease in notes receivable and trade receivables	(234,677)	233,408
Decrease in receivables from related parties	80,887	10,990
Decrease (increase) in other receivables	54,468	(18,092)
Decrease (increase) in inventories	317,429	(523,198)
Decrease (increase) in other current assets	17,741	(48,851)
(Decrease) increase in financial liabilities held for trading	(6,396)	7,113
Decrease in notes payable and trade payables	(248,220)	(44,524)
Decrease in payables to related parties	(35,048)	(25,843)
Decrease in other payables	(387,551)	(543,590)
Increase (decrease) in other payables to related parties	256	(14)
Increase in provisions	29,108	9,337
(Decrease) increase in other current liabilities	(8,042)	3,751
Increase in net defined benefit liabilities	4,403	110,862
Cash generated from operations	1,989,794	496,919
Interest received	30,081	58,670
Dividend received	113,496	89,427
Interest paid	(298,774)	(283,104)
Income tax paid	(131,314)	(68,675)
Net cash generated from operating activities	1,703,283	293,237

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	2015	2014 (Audited after Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets measured at cost	\$ -	\$ 5,770
Proceeds from return of capital by financial assets measured at cost	28,209	3,481
Disposal of subsidiaries (Note 30)	-	(29,343)
Payments for property, plant and equipment	(1,461,518)	(1,659,991)
Proceeds from disposal of property, plant and equipment	9,726	6,194
Increase in refundable deposits	(15,926)	(1,340)
Decrease in refundable deposits	17,857	1,063
Payments for intangible assets	(49,804)	(172,671)
Decrease in other financial assets	28,383	1,120
Increase in other non-current assets	<u>(1,883)</u>	<u>(32,180)</u>
Net cash used in investing activities	<u>(1,444,956)</u>	<u>(1,877,897)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	8,458,175	3,593,320
Repayments of short-term borrowings	(9,077,706)	(2,053,590)
Proceeds from long-term borrowings	11,924,309	2,739,172
Repayments of long-term borrowings	(13,600,644)	(7,092,783)
Proceeds from guarantee deposits received	46	14,337
Refund of guarantee deposits received	(13,214)	-
(Decrease) increase in other non-current liabilities	(604)	507
Increase (decrease) in non-controlling interests	<u>35</u>	<u>(126)</u>
Net cash used in financing activities	<u>(2,309,603)</u>	<u>(2,799,163)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>7,623</u>	<u>41,450</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(2,043,653)</u>	<u>(4,342,373)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>7,636,201</u>	<u>11,978,574</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 5,592,548</u>	<u>\$ 7,636,201</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

(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 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 Company’s Board of Directors and authorized for issue on March 17, 2016.

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

- a. Initial application of the amendments to the Regulations 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)

Rule No.1030029342 and Rule No.1030010325 issued by the FSC on April 3, 2014, stipulated that the management of the Company and entities controlled by the Company (collectively, 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version did 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. Refer to Note 12 and 13 for the disclosure requirement in IFRS 12.

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 previous 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 in previous standards, for example, quantitative and qualitative disclosures based on the three-level fair value hierarchy previously required only for financial instruments will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 are applied prospectively from January 1, 2015. Refer to Note 34 for related disclosures.

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 (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under previous IAS 1, there were no such requirements.

The Group retrospectively applied the above amendments starting in 2015. Item not expected to be reclassified to profit or loss is remeasurement of the 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 (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method. The application of the above amendments did not have any impact on the net loss for the year, other comprehensive income for the period (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 eliminates the “corridor approach” permitted under previous IAS 19 and accelerates the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans 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. Remeasurement of the defined benefit plans is presented separately in accumulated deficits.

Furthermore, the interest cost and expected return on plan assets used in previous IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

In addition, the 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 Group’s 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 was previously classified as short-term employee benefits, is 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. This change did 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, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to net defined benefit liabilities and accumulated deficit; the carrying amounts of inventories are not adjusted. In addition, the Group elected not to present 2014 information about the sensitivity of the defined benefit obligation.

The impact in the current year is set out below:

Impact on Assets, Liabilities and Equity	December 31, 2015
Decrease in net defined benefit liabilities	\$ 5,679
Decrease in accumulated deficit	\$ 5,679
Impact on Total Comprehensive Income	For the Year Ended December 31, 2015
Decrease in operating costs	\$ 3,210
Decrease in operating expenses	2,469
Decrease in net loss for the year	\$ 5,679

The impact in the prior year is set out below:

Impact on Assets, Liabilities and Equity	As Originally Stated	Adjustments Arising from Initial Application	Restated
<u>December 31, 2014</u>			
Net defined benefit liabilities	\$ 943,810	\$ 172,698	\$ 1,116,508
Accumulated deficit	\$ (13,640,051)	\$ (172,698)	\$ (13,812,749)
<u>January 1, 2014</u>			
Net defined benefit liabilities	\$ 825,606	\$ 101,604	\$ 927,210
Accumulated deficit	\$ (7,178,843)	\$ (101,659)	\$ (7,280,502)
Non-controlling interests	\$ 47,021	\$ 55	\$ 47,076

Impact on Total Comprehensive Income	As Originally Stated	Adjustments Arising from Initial Application	Restated
For the year ended December 31, 2014			
Operating costs	\$ 19,524,414	\$ (4,190)	\$ 19,520,224
Operating expenses	\$ 9,212,745	\$ (3,207)	\$ 9,209,538
Total effect on net loss for the year	\$ (6,482,924)	\$ 7,397	\$ (6,475,527)
Items that will not be reclassified to profit or loss:			
Remeasurement of defiant benefit plans	\$ -	\$ (78,163)	\$ (78,163)
Total effect on total comprehensive loss for the year	\$ (5,995,645)	\$ (70,766)	\$ (6,066,411)
Impact on net loss attributable to:			
Shareholders of the parent	\$ (6,461,208)	\$ 7,397	\$ (6,453,811)
Non-controlling interests	(21,716)	-	(21,716)
	\$ (6,482,924)	\$ 7,397	\$ (6,475,527)
Impact on total comprehensive loss attributable to:			
Shareholders of the parent	\$ (5,974,333)	\$ (70,766)	\$ (6,045,099)
Non-controlling interests	(21,312)	-	(21,312)
	\$ (5,995,645)	\$ (70,766)	\$ (6,066,411)
Impact on Loss Per Share	As Originally Stated	Adjustments Arising from Initial Application	Restated
For the year ended December 31, 2014			
Basic	\$ (1.84)	\$ 0.01	\$ (1.83)
Diluted	\$ (1.84)	\$ 0.01	\$ (1.83)

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. Refer to Note 34 for related disclosure.

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. Refer to Note 40 for the disclosure requirement in IAS 34.

The initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version in 2015 has material effect on the consolidated balance sheet. In preparing the consolidated financial statements for the year ended December 31, 2015, the Group presented the consolidated balance sheet as of January 1, 2014 in accordance of the above amendments to IAS 1 and disclosed 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 FSC

The Group has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
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”	To be determined by IASB
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, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
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
(Concluded)	

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: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

The 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, their classification and measurement are as follows:

- a) For debt instruments, if they are 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 recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;
- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting 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 shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for 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 the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. 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.

The 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 measurements of the 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.

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, 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, 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, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate, 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 in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors’ interest in the associate, 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, IAS 19 and IAS 34, 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. In addition, the amendments clarify that the offsetting disclosures are not explicitly required for all interim periods.

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).

IAS 34 was amended to clarify that other disclosure information required by IAS 34 should be included in interim financial statements. If the Group includes the information in other statements (such as management commentary or risk report) issued at the same time, it is not required to repeat the disclosure in the interim financial statements. However, it is required to include a cross-reference from the interim financial statements to that issued statements that is available to users on the same terms and at the same time as the interim financial statements.

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.

12) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Group is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Group may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Group should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Group as lessor.

When IFRS 16 becomes effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

13) Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Group expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Group should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value.

The fair value measurements are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are 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
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

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

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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 or a jointly controlled entity.

See Note 12 and Table 4 for the detailed information of subsidiaries (including the percentage of ownership and main business).

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 purpose of presenting consolidated financial statements, the functional currencies of the Company and the Group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currency different from the currency of the Company) are translated into the presentation currency - New Taiwan dollars as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company 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 a joint venture.

The Group uses the equity method to account for its investments in associates.

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.

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 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.

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 - changes in the Group's share of equity of associates. 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.

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 is deducted from investment and the carrying amount is net of impairment loss. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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 recognized accumulated depreciation and accumulated impairment loss.

Depreciation on property, plant and equipment 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.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset 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 and accumulated impairment loss. 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. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

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.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

- a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) The intention to complete the intangible asset and use or sell it;
- c) The ability to use or sell the intangible asset;

- d) How the intangible asset will generate probable future economic benefits;
- e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

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. Corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

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, with the resulting impairment loss recognized in profit or loss.

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 financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. 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.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date or settlement date basis.

a) 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.

i 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.

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 incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 34.

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.

ii 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.

Available-for-sale financial assets are measured at fair value. 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 will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

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

iii Loans and receivables

Loans and receivables (including trade receivables, cash and cash equivalent, 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 time deposits with original maturities within three months from the date of acquisition, 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.

b) 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.

c) 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.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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.

2) 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.

3) Financial liabilities

a) Subsequent measurement

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

i 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 either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities held for trading are stated at fair value, with any gain or loss 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 34.

b) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

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

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.

l. 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. Allowance for sales returns and liability for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when 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.

3) Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. The minimum lease payments are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

If the allocation of the lease payments can be made reliably, each element is accounted for separately in accordance with their classification of lease. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

o. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Other than stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

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

Defined benefit costs (including service cost, net interest and remeasurement) under the defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost) and net interest on the net defined benefit liability are recognized as employee benefits expense in the period they occur. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in accumulated deficit and will not be reclassified to profit or loss.

Net defined benefit liability represents the actual deficit in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Other long-term employee benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

4) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

q. Share-based payment arrangements

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 best estimate of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options or other equity - unearned employee benefit. 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.

When restricted shares for employees are issued, other equity - unearned employee benefits are recognized on the grant date, 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.

r. 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.

s. 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 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, research and development expenditures and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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 period or in the period 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

If some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, to determine whether to engage third party qualified valuers and to determine the appropriate valuation techniques for fair value measurements.

Where Level 1 inputs are not available, the Group would determine appropriate inputs by referring to quoted market rates adjusted for specific features of the instruments. If the actual changes of inputs in the future differ from expectation, fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 34.

d. Impairment of investment in the associate

The Group immediately recognizes impairment loss on its net investment in the associate when there is any indication that the investment may be impaired and the carrying amount may not be recoverable. The Group also takes into consideration the market conditions and industry development to evaluate the appropriateness of assumptions.

e. Useful lives of property, plant and equipment

As described in Note 4 (h), the Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Based on the valuation report provided by China Credit Information Service, Ltd., the actual useful lives of certain items of property, plant and equipment have exceeded their estimated useful lives. Due to the consideration of physical depletion, functional depletion and economic depletion, management determined that the useful lives of machinery equipment and R&D equipment, facility equipment and main buildings should be extended from 6 years to 11 years, 6 years to 15 years and 21 years to 31 years, respectively, from January 1, 2016.

The effect of this reassessment within the next 3 years, assuming the assets are held until the end of their extended useful lives, is to decrease the consolidated depreciation expense for, by the following amounts:

Year ended 2016	\$ 3,775,234
Year ended 2017	2,558,159
Year ended 2018	240,530

f. Income taxes

As of December 31, 2015 and 2014, the carrying amount of deferred tax assets in relation to unused losses carryforward was NT\$909,230 thousand and NT\$912,178 thousand, respectively. As of December 31, 2015 and 2014, no deferred tax asset has been recognized in relation to unused deductible temporary differences, losses carryforward, and investment tax credits amounted to NT\$5,303,043 thousand and NT\$4,489,181 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

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. 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 (m) are satisfied. The Group also records a provision for estimated future returns and other allowances in the same year the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and the Group periodically reviews the adequacy of the percentage used.

As of December 31, 2015 and 2014, the Group recognized provisions for estimated sales returns and other allowances of NT\$101,193 thousand and NT\$73,856 thousand, respectively.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2015	2014
Cash on hand	\$ 264	\$ 452
Checking accounts and demand deposits	3,018,567	1,893,935
Cash equivalent		
Time deposits	<u>2,573,717</u>	<u>5,741,814</u>
	<u>\$ 5,592,548</u>	<u>\$ 7,636,201</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	2014
<u>Financial assets at FVTPL-current</u>		
Financial assets held for trading		
Derivative financial assets (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ -</u>	<u>\$ 95</u>
<u>Financial liabilities at FVTPL-current</u>		
Financial liabilities held for trading		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange forward contracts	<u>\$ 717</u>	<u>\$ 7,113</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, 2015</u>			
Sell	USD/NTD	2016.01	USD11,000/NTD360,937
<u>December 31, 2014</u>			
Sell	USD/NTD	2015.01	USD18,000/NTD562,947

The Group entered into foreign exchange forward contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
<u>Non-current</u>		
Domestic investments		
Listed shares	\$ 900,710	\$ 982,975
Foreign investments		
Listed shares	<u>298,758</u>	<u>260,167</u>
	<u>\$ 1,199,468</u>	<u>\$ 1,243,142</u>

9. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	2014
<u>Non-current</u>		
Domestic unlisted common shares	\$ 58,500	\$ 79,217
Overseas unlisted common shares	<u>35,451</u>	<u>34,182</u>
	<u>\$ 93,951</u>	<u>\$ 113,399</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	<u>\$ 93,951</u>	<u>\$ 113,399</u>

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

10. NOTES RECEIVABLE, TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31	
	2015	2014
<u>Notes receivable</u>		
Operating	<u>\$ 243</u>	<u>\$ 790</u>
<u>Trade receivables</u>		
Operating	2,885,067	2,698,636
Less: Allowance for impairment loss	<u>271</u>	<u>271</u>
	<u>2,884,796</u>	<u>2,698,365</u>
	<u>\$ 2,885,039</u>	<u>\$ 2,699,155</u>
<u>Other receivables</u>		
Tax receivable	\$ 93,660	\$ 148,843
Others	<u>11,673</u>	<u>12,461</u>
	<u>\$ 105,333</u>	<u>\$ 161,304</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 evaluates each customer's credibility and financial position and considered any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

Before trading with any new customer, the Group assesses the potential customer's credit quality and defines credit limits using internal credit scoring system.

For the trade receivables balances that were past due at the end of the reporting period, the Group had not recognized an allowance for impairment loss, because there was not a significant change in credit quality and the amounts were still considered recoverable.

The aging of receivables was as follows:

	December 31	
	2015	2014
Less than 60 days	\$ 2,884,079	\$ 2,690,795
61-120 days	70	6,315
Over 121 days	<u>918</u>	<u>1,526</u>
	<u>\$ 2,885,067</u>	<u>\$ 2,698,636</u>

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

	December 31	
	2015	2014
Past due but not impaired		
Less than 60 days	\$ 22,109	\$ 54,113
61-120 days	70	6,315
Over 121 days	<u>647</u>	<u>1,255</u>
	<u>\$ 22,826</u>	<u>\$ 61,683</u>

The above aging schedule was based on the past due date.

As of December 31, 2015, 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 for Impairment	Assembly Assessed for Impairment	Total
Balance at January 1, 2014	\$ 1,976	\$ -	\$ 1,976
Add: Impairment losses recognized on receivables	271	-	271
Consolidated entity change effects	<u>(1,976)</u>	<u>-</u>	<u>(1,976)</u>
Balance at December 31, 2014 and 2015	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ 271</u>

The carrying amount of trade receivables pledged as collateral for borrowings was disclosed in Note 36.

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.

11. INVENTORIES

	December 31	
	2015	2014
Finished goods and merchandise	\$ 1,321,168	\$ 1,156,530
Work in progress	7,618,542	7,857,969
Raw materials	<u>394,574</u>	<u>637,214</u>
	<u>\$ 9,334,284</u>	<u>\$ 9,651,713</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2015 and 2014 was NT\$18,415,880 thousand and NT\$19,520,224 thousand, respectively. The cost of goods sold included inventory write-downs of NT\$525,576 thousand and NT\$1,053,174 thousand, respectively.

12. SUBSIDIARIES

Subsidiary included in consolidated financial statements

As of December 31, 2015, 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	Nature of Activities	% of Ownership	
			December 31	
			2015	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	Mxtran	Combi-SIM IC and the related service	94.84	94.15
The Company and Run Hong	INFOMAX	Baseband chip, analog baseband chip, and power management chip	99.02	99.02
The Company	MXA	Sales and marketing	100.00	100.00
The Company	MXBVI	Investment holding company	100.00	100.00
Mxtran	Mxtran Samoa	Investment holding company	100.00	100.00
Mxtran Samoa	Mxtran HK	Investment holding company	100.00	100.00
Mxtran HK	Maxtran Beijing	Technical support of Combi-SIM IC	100.00	100.00
INFOMAX	Infomax Samoa	Investment holding company	100.00	100.00
Infomax Samoa	Infomax HK	Investment holding company	100.00	100.00
Infomax HK	Infomax SU	Software, rendering and technical service	100.00	100.00
MXBVI	NTTI	IC design	100.00	100.00
MXBVI	MX Asia	Investment holding 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

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

		December 31	
		2015	2014
Associates			
MoDioTek Co., Ltd. ("MoDioTek")		<u>\$ 12,345</u>	<u>\$ 38,599</u>

Name of Associate	Main Business	Principal Place of Business	% of Ownership	
			December 31, 2015	December 31, 2014
MoDioTek	Wi-Fi video transmission IC and smart security systems	Hsinchu City	23.39	23.39

The associate is accounted for using equity method.

Summarized financial information in respect of MoDioTek is set out below. The summarized financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

		December 31	
		2015	2014
Current assets		\$ 76,161	\$ 167,872
Non-current assets		6,937	19,113
Current liabilities		<u>(30,627)</u>	<u>(21,926)</u>
Equity		<u>\$ 52,471</u>	<u>\$ 165,059</u>
Proportion of the Group's ownership		23.39%	23.39%
Equity attributable to the Group		\$ 12,273	\$ 38,607
Unrealized gain or loss with associates		<u>72</u>	<u>(8)</u>
Carrying amount		<u>\$ 12,345</u>	<u>\$ 38,599</u>

		For the Year Ended December 31	
		2015	2014
Operating revenue		<u>\$ 74,212</u>	<u>\$ 44,454</u>
Net loss for the year		\$ (112,527)	\$ (125,680)
Other comprehensive income		<u>(61)</u>	<u>195</u>
Total comprehensive income for the year		<u>\$ (112,588)</u>	<u>\$ (125,485)</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 years ended December 31, 2015 and 2014 was based on the associates' financial statements audited by the auditors for the same years.

14. PROPERTY, PLANT AND EQUIPMENT

	Years Ended December 31, 2015					
	Balance, Beginning of Year	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Reclassification	Balance, End of Year
<u>Cost</u>						
Freehold land	\$ 1,294,628	\$ -	\$ -	\$ 25,859	\$ -	\$ 1,320,487
Buildings	23,088,007	-	13,082	(5,812)	640,425	23,709,538
Machinery equipment	80,734,087	-	234,072	-	2,041,055	82,541,070
Research and development equipment	6,322,265	5,505	7,412	(832)	(1,150,804)	5,168,722
Transportation equipment	30,323	-	900	(38)	900	30,285
Leasehold improvements	41,247	1,973	2,419	(181)	3,230	43,850
Miscellaneous equipment	1,198,945	8,065	52,153	(1,358)	9,515	1,163,014
Advance payments and construction in progress	1,804,262	1,171,631	-	(86)	(1,549,883)	1,425,924
	<u>114,513,764</u>	<u>\$ 1,187,174</u>	<u>\$ 310,038</u>	<u>\$ 17,552</u>	<u>\$ (5,562)</u>	<u>115,402,890</u>
<u>Accumulated depreciation</u>						
Freehold land	393,380	\$ -	\$ -	\$ 14,604	\$ -	407,984
Buildings	17,930,640	1,225,705	13,082	(901)	-	19,142,362
Machinery equipment	70,414,495	3,755,625	232,481	-	603,770	74,541,409
Research and development equipment	3,520,962	666,137	7,232	(528)	(603,770)	3,575,569
Transportation equipment	22,073	3,603	465	(34)	-	25,177
Leasehold improvements	26,909	5,582	2,419	54	-	30,126
Miscellaneous equipment	1,076,947	65,426	51,874	(797)	(5,562)	1,084,140
	<u>93,385,406</u>	<u>\$ 5,722,078</u>	<u>\$ 307,553</u>	<u>\$ 12,398</u>	<u>\$ (5,562)</u>	<u>98,806,767</u>
Carrying amount at December 31, 2015	<u>\$ 21,128,358</u>					<u>\$ 16,596,123</u>

	Years Ended December 31, 2014						
	Balance, Beginning of Year	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Disposal of Subsidiaries	Reclassification	Balance, End of Year
<u>Cost</u>							
Freehold land	\$ 1,254,023	\$ -	\$ -	\$ 40,605	\$ -	\$ -	\$ 1,294,628
Buildings	22,684,751	-	11,098	14,052	-	400,302	23,088,007
Machinery equipment	78,439,414	-	271,734	-	-	2,566,407	80,734,087
Research and development equipment	6,229,051	7,030	32,439	2,017	(27,899)	144,505	6,322,265
Transportation equipment	30,816	-	1,785	92	-	1,200	30,323
Leasehold improvements	45,496	-	4,685	1,350	(914)	-	41,247
Miscellaneous equipment	1,201,836	14,227	63,096	3,918	(11,747)	53,807	1,198,945
Advance payments and construction in progress	3,289,120	1,681,222	-	141	-	(3,166,221)	1,804,262
	<u>113,174,507</u>	<u>\$ 1,702,479</u>	<u>\$ 384,837</u>	<u>\$ 62,175</u>	<u>\$ (40,560)</u>	<u>\$ -</u>	<u>114,513,764</u>
<u>Accumulated depreciation</u>							
Freehold land	370,449	\$ -	\$ -	\$ 22,931	\$ -	\$ -	393,380
Buildings	16,721,347	1,216,213	8,889	1,969	-	-	17,930,640
Machinery equipment	65,465,651	5,087,549	258,301	-	-	119,596	70,414,495
Research and development equipment	2,780,190	917,435	32,439	1,147	(25,775)	(119,596)	3,520,962
Transportation equipment	19,831	3,944	1,785	83	-	-	22,073
Leasehold improvements	26,528	5,322	4,685	658	(914)	-	26,909
Miscellaneous equipment	1,062,220	85,146	63,065	2,930	(10,284)	-	1,076,947
	<u>86,446,216</u>	<u>\$ 7,315,609</u>	<u>\$ 369,164</u>	<u>\$ 29,718</u>	<u>\$ (36,973)</u>	<u>\$ -</u>	<u>93,385,406</u>
Carrying amount at December 31, 2014	<u>\$ 26,728,291</u>						<u>\$ 21,128,358</u>

The carrying amount of the freehold land in the U.S.A. which is unutilized by the Group as of December 31, 2015 and 2014 were US\$9,579 thousand, respectively.

The above items of property, plant and equipment are depreciated on a straight-line basis over the following estimated useful lives as follows:

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

Property, plant and equipment pledged as collateral for bank borrowings were set out in Note 36.

15. INTANGIBLE ASSETS

Years Ended December 31, 2015							
	Balance, Beginning of Year	Additions	Disposals	Impairment	Effect of Foreign Currency Exchange Differences	Reclassification	Balance, End of Year
<u>Cost</u>							
Software	\$ 643,272	\$ 27,257	\$ 365,105	\$ -	\$ (1,284)	\$ 5,562	\$ 309,702
Licenses	58,913	18,340	117,855	-	-	99,009	58,407
Mask	-	2,535	2,535	-	-	-	-
Others	18,459	1,672	1,440	-	-	-	18,691
	<u>720,644</u>	<u>\$ 49,804</u>	<u>\$ 486,935</u>	<u>\$ -</u>	<u>\$ (1,284)</u>	<u>\$ 104,571</u>	<u>386,800</u>
<u>Accumulated amortization and Impairment</u>							
Software	455,190	\$ 138,129	\$ 365,105	\$ -	\$ (1,160)	\$ 5,562	232,616
Licenses	16,629	34,143	117,855	99,009	-	-	31,926
Mask	-	2,535	2,535	-	-	-	-
Others	10,482	4,181	1,440	-	18	-	13,241
	<u>482,301</u>	<u>\$ 178,988</u>	<u>\$ 486,935</u>	<u>\$ 99,009</u>	<u>\$ (1,142)</u>	<u>\$ 5,562</u>	<u>277,783</u>
Carrying amounts at December 31, 2015	<u>\$ 238,343</u>						<u>\$ 109,017</u>
Years Ended December 31, 2014							
	Balance, Beginning of Year	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Disposal of Subsidiaries	Reclassification	Balance, End of Year
<u>Cost</u>							
Software	\$ 579,412	\$ 120,763	\$ 61,099	\$ 1,934	\$ (111)	\$ 2,373	\$ 643,272
Licenses	38,151	49,211	22,692	-	(10,500)	4,743	58,913
Mask	8,028	83	-	-	(8,111)	-	-
Others	11,545	2,614	3,540	(1,699)	(1,666)	11,205	18,459
	<u>637,136</u>	<u>\$ 172,671</u>	<u>\$ 87,331</u>	<u>\$ 235</u>	<u>\$ (20,388)</u>	<u>\$ 18,321</u>	<u>720,644</u>
<u>Accumulated amortization</u>							
Software	289,649	\$ 222,690	\$ 61,099	\$ 1,672	\$ (95)	\$ 2,373	455,190
Licenses	26,780	16,451	22,692	-	(8,653)	4,743	16,629
Mask	1,857	4,844	-	-	(6,701)	-	-
Others	2,492	5,226	3,540	-	(935)	7,239	10,482
	<u>320,778</u>	<u>\$ 249,211</u>	<u>\$ 87,331</u>	<u>\$ 1,672</u>	<u>\$ (16,384)</u>	<u>\$ 14,355</u>	<u>482,301</u>
Carrying amounts at December 31, 2014	<u>\$ 316,358</u>						<u>\$ 238,343</u>

Intangible assets are amortized on a straight-line basis over the estimated useful lives as follows:

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

16. PREPAYMENTS FOR LEASE

	December 31	
	2015	2014
Current asset (included in other current assets)	\$ 572	\$ 585
Non-current asset (included in other non-current assets)	<u>22,877</u>	<u>23,994</u>
	<u>\$ 23,449</u>	<u>\$ 24,579</u>

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

17. OTHER FINANCIAL ASSETS

	December 31	
	2015	2014
<u>Non-current</u>		
Restricted time deposits (Note 36)	\$ 139,970	\$ 165,799
Refundable deposits	11,435	13,088
Long-term receivables	<u>2,106</u>	<u>3,770</u>
	<u>\$ 153,511</u>	<u>\$ 182,657</u>

18. OTHER ASSETS

	December 31	
	2015	2014
<u>Current</u>		
Prepayments	\$ 179,177	\$ 197,475
Offset against business tax payable	31,092	29,530
Prepayments for lease	572	585
Others	<u>21</u>	<u>659</u>
	<u>\$ 210,862</u>	<u>\$ 228,249</u>
<u>Non-current</u>		
Prepayments for lease	\$ 22,877	\$ 23,994
Prepayments	<u>6,000</u>	<u>102,009</u>
	<u>\$ 28,877</u>	<u>\$ 126,003</u>

19. BORROWINGS

a. Short-term borrowings

	December 31	
	2015	2014
Import loans	\$ 540,028	\$ 535,039
Unsecured borrowings	<u>1,000,000</u>	<u>1,599,000</u>
	<u>\$ 1,540,028</u>	<u>\$ 2,134,039</u>
Interest rate	1.24%-2.02%	1.09%-1.92%

b. Long-term borrowings

	December 31	
	2015	2014
<u>Secured borrowings</u>		
Loans from financial institution	\$ 10,671,943	\$ 9,822,258
<u>Unsecured borrowings</u>		
Loans from financial institution	<u>1,913,333</u>	<u>4,405,000</u>
	12,585,276	14,227,258
Less: Current portion	4,683,784	12,143,430
Less: Arrangement fee	<u>39,502</u>	<u>10,322</u>
Long-term borrowings: Non-current	<u>\$ 7,861,990</u>	<u>\$ 2,073,506</u>
Interest rate	1.73%-2.91%	1.57%-2.52%

	Repayment Terms	December 31	
		2015	2014
Secured syndicated loan denominated in NT\$	From June 2015 to June 2018.	\$ 7,267,500	\$ -
Unsecured bank borrowing denominated in NT\$	From September 2015 to October 2016.	1,000,000	-
Secured bank borrowing denominated in NT\$	From December 2015 to March 2016.	800,000	-
Secured bank borrowing denominated in NT\$	From September 2015 to September 2018.	650,000	-
Secured bank borrowing denominated in NT\$	From October 2013 to October 2018.	600,000	800,000
Unsecured bank borrowing denominated in NT\$	From April 2014 to March 2016.	540,000	855,000
Secured bank borrowing denominated in NT\$	From December 2013 to December 2018.	490,240	646,799
Secured bank borrowing denominated in NT\$	From January 2015 to January 2020.	251,900	-

(Continued)

		December 31	
	Repayment Terms	2015	2014
Unsecured borrowing denominated in NT\$	From October 2015 to December 2016.	\$ 240,000	\$ -
Secured bank borrowing denominated in NT\$	From September 2015 to September 2017.	220,000	-
Secured bank borrowing denominated in NT\$	From July 2014 to July 2017.	200,000	320,000
Unsecured bank borrowing denominated in NT\$	From September 2014 to September 2017.	133,333	200,000
Secured bank borrowing denominated in JPY	From March 2014 to March 2019.	91,508	109,280
Secured bank borrowing denominated in NT\$	From August 2015 to February 2018.	78,000	-
Secured bank borrowing denominated in NT\$	From April 2001 to April 2016.	22,795	91,179
Unsecured bank borrowing denominated in NT\$	Pay off in March 2015.	-	1,200,000
Unsecured bank borrowing denominated in NT\$	Pay off in March 2015.	-	50,000
Secured syndicated loan denominated in NT\$	Pay off in June 2015.	-	7,855,000
Unsecured syndicated loan denominated in NT\$	Pay off in June 2015.	-	1,500,000
Unsecured bank borrowing denominated in NT\$	Pay off in September 2015.	-	600,000
Less: Current portion		4,683,784	12,143,430
Arrangement fee		<u>39,502</u>	<u>10,322</u>
Total long-term borrowings		<u>\$ 7,861,990</u>	<u>\$ 2,073,506</u> (Concluded)

To repay the vested liabilities, the Company has entered into a 3-year syndicated loan agreement with 15 financial institutions including Taiwan Cooperative Bank in June 2015. The total amount of 7.65 billion of the syndicated loan has been fully used as of December 31, 2015.

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, 2015, the Group had met the financial ratio requirements.

The details of assets pledged as collaterals for long-term loans were set in Note 36.

20. NOTES PAYABLE AND TRADE PAYABLES

	December 31	
	2015	2014
<u>Notes payable</u>		
Operating	\$ 4,815	\$ 30
<u>Trade payables</u>		
Operating	<u>1,719,324</u>	<u>1,995,973</u>
	<u>\$ 1,724,139</u>	<u>\$ 1,996,003</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	
	2015	2014
Payable for bonus	\$ 264,690	\$ 282,949
Payable for maintenance and repair	189,336	183,195
Payable for Insurance premium	156,560	67,381
Payable for pension	57,531	58,305
Payable for legal fees	57,240	561,109
Payable for rework fees	41,126	41,172
Payable for royalties	19,363	18,937
Others	<u>514,489</u>	<u>469,650</u>
	<u>\$ 1,300,335</u>	<u>\$ 1,682,698</u>

22. PROVISIONS

	December 31	
	2015	2014
<u>Current</u>		
Employee benefits (a)	\$ 79,009	\$ 76,761
Customer returns and rebates (b)	<u>101,193</u>	<u>73,856</u>
	<u>\$ 180,202</u>	<u>\$ 150,617</u>
	Employee Benefits	Customer Returns and Rebates
		Total
Balance at January 1, 2015	\$ 76,761	\$ 73,856
Additional provisions recognized	66,630	230,483
Reversing un-usage balances/usage	(64,553)	(204,096)
Net exchange differences	<u>171</u>	<u>950</u>
Balance at December 31, 2015	<u>\$ 79,009</u>	<u>\$ 101,193</u>
		<u>\$ 180,202</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. Under 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 defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contributes amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. Pension contributions are deposited in the Bank of Taiwan in the committee's name and are managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans were as follows:

	December 31,	
	2015	2014
Present value of defined benefit obligation	\$ 1,799,856	\$ 1,576,706
Fair value of plan assets	<u>(790,797)</u>	<u>(839,728)</u>
Net defined benefit liability	<u>\$ 1,009,059</u>	<u>\$ 736,978</u>

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Assets)
Balance at January 1, 2014	<u>\$ 1,466,736</u>	<u>\$ 797,238</u>	<u>\$ 669,498</u>
Service cost			
Current service cost	6,450	-	6,450
Net interest expense	32,944	-	32,944
Return on plan assets	<u>-</u>	<u>18,247</u>	<u>(18,247)</u>
Recognized in profit or loss	<u>39,394</u>	<u>18,247</u>	<u>21,147</u>
Remeasurement			
Actuarial loss - experience adjustments	<u>76,340</u>	<u>(1,823)</u>	<u>78,163</u>
Recognized in other comprehensive income	<u>76,340</u>	<u>(1,823)</u>	<u>78,163</u>
Contributions from the employer	<u>-</u>	<u>31,830</u>	<u>(31,830)</u>
Benefits paid	<u>(5,764)</u>	<u>(5,764)</u>	<u>-</u>
Balance at December 31, 2014	<u>1,576,706</u>	<u>839,728</u>	<u>736,978</u>
Service cost			
Current service cost	7,301	-	7,301
Net interest expense	35,389	-	35,389
Return on plan assets	<u>-</u>	<u>19,176</u>	<u>(19,176)</u>
Recognized in profit or loss	<u>42,690</u>	<u>19,176</u>	<u>23,514</u>
Remeasurement			
Actuarial loss - experience adjustments	193,303	(6,563)	199,866
Actuarial loss - change in financial assumptions	<u>80,955</u>	<u>-</u>	<u>80,955</u>
Recognized in other comprehensive income	<u>274,258</u>	<u>(6,563)</u>	<u>280,821</u>
Contributions from the employer	<u>-</u>	<u>32,254</u>	<u>(32,254)</u>
Benefits paid	<u>(93,798)</u>	<u>(93,798)</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 1,799,856</u>	<u>\$ 790,797</u>	<u>\$ 1,009,059</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2015	2014
Operating costs	\$ 13,214	\$ 16,116
Selling and marketing expenses	1,235	1,508
General administration expenses	4,073	4,634
Research and development expenses	<u>4,992</u>	<u>6,615</u>
	<u>\$ 23,514</u>	<u>\$ 28,873</u>

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic/ foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government/corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate	1.90%	2.25%
Expected rate of salary increase	3.00%	3.00%
Expected return on plan assets increase	1.90%	2.25%

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

	For the Year Ended December 31, 2015
Discount rate	
0.50% increase	<u>\$ (80,955)</u>
0.50% decrease	<u>\$ 164,001</u>
Expected rate of salary increase	
0.50% increase	<u>\$ 161,783</u>
0.50% decrease	<u>\$ (80,162)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2015	2014
The expected contributions to the plan for the next year	<u>\$ 33,222</u>	<u>\$ 32,785</u>
The average duration of the defined benefit obligation	13 years	14 years

The Company maintains a separate executive pension plan and the net periodic pension costs were \$17,178 thousand and \$121,471 thousand for the years ended December 31, 2015 and 2014, respectively.

Movements in net defined benefit liability were as follows:

	Present Value of Defined Benefit Obligation
Balance at January 1, 2014	\$ 258,400
Service cost	
Current service cost	<u>121,471</u>
Balance at December 2014	<u>379,871</u>
Service cost	
Current service cost	10,227
Net interest expense	<u>6,951</u>
Recognized in profit or loss	<u>17,178</u>
Remeasurement	
Actuarial loss - experience adjustments	16,704
Actuarial loss - changes in financial assumptions	<u>1,570</u>
Recognized in other comprehensive income	<u>18,274</u>
Benefits paid	<u>(4,147)</u>
Balance at December 31, 2015	<u>\$ 411,176</u>

An analysis by function of the amounts recognized in profit or loss in respect of the defined benefit plans is as follows:

	For the Year Ended December 31	
	2015	2014
General administration expenses	<u>\$ 17,178</u>	<u>\$ 121,471</u>

The actuarial valuations of the present value of the defined benefit obligation of executive pension plan were carried out by qualified actuaries. The principal assumptions used for the purposes of the actuarial valuations were as follows:

	December 31	
	2015	2014
Discount rate	1.90%	2.25%
Expected rate of salary increase	-	-
Expected return on plan assets increase	1.90%	2.25%

24. EQUITY

a. Share capital

Ordinary shares

	December 31	
	2015	2014
Numbers of shares authorized (in thousands)	<u>6,550,000</u>	<u>6,550,000</u>
Share authorized	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>3,617,849</u>	<u>3,558,774</u>
Shares issued	<u>\$ 36,178,489</u>	<u>\$ 35,587,740</u>

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

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

b. Capital surplus

	December 31	
	2015	2014
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)</u>		
Arising from issuance of common shares	\$ 285,217	\$ 317,204
Arising from donations	37	37
Arising from treasury share transactions	<u>6,422</u>	<u>6,422</u>
	<u>\$ 291,676</u>	<u>\$ 323,663</u>
<u>May be used to offset a deficit only (2)</u>		
Arising from changes in percentage of ownership interest in subsidiaries	\$ 1,251	\$ 661
Arising from treasury share transactions	<u>20,080</u>	<u>20,080</u>
	<u>\$ 21,331</u>	<u>\$ 20,741</u>
<u>May not be used for any purpose</u>		
Arising from employee restricted shares	<u>\$ (258,071)</u>	<u>\$ (102,752)</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 the effect of changes in ownership interest in a subsidiary resulted from equity transactions other than actual disposal or acquisition, or 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. The remaining amount will be distributed in the following order:

- 1) Employees' bonus - 15%;
- 2) Directors' remuneration - 2%;
- 3) Shareholders' dividends - any remaining amount will be added to the undistributed earnings from previous years.

The Company is classified as capital intensive industry. In accordance with the long-term financial program of the Company, shareholders' dividends may be retained as undistributed earnings, and distributed in the future, as determined by the shareholders at Annual General Meeting.

Distributions 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.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been approved by the annual shareholders' meeting on June 18, 2015. Due to the net loss for the years ended December 31, 2015 and 2014, there were no accruals for bonus to employees and remuneration to directors.

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.

Information on the bonus to employees, directors and supervisors proposed by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

As of December 31, 2015, the accumulated losses incurred by the Company aggregated to one-half of its paid-in capital. Under Article 211 of the Company Act, the board of directors shall convene and make a report to a meeting of shareholders.

d. Others equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Year Ended December 31	
	2015	2014
Balance at January 1	\$ 27,223	\$ (49,141)
Exchange differences arising on translating the financial statements of foreign operations	<u>21,700</u>	<u>76,364</u>
Balance at December 31	<u>\$ 48,923</u>	<u>\$ 27,223</u>

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

	For the Year Ended December 31	
	2015	2014
Balance at January 1	\$ 917,437	\$ 506,926
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	<u>(46,069)</u>	<u>410,511</u>
Balance at December 31	<u>\$ 871,368</u>	<u>\$ 917,437</u>

3) Employee unearned 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 Year Ended December 31	
	2015	2014
Balance at January 1	\$ (209,813)	\$ -
Issuance of shares	(396,545)	(270,258)
Share-based payment expenses recognized	<u>342,951</u>	<u>60,445</u>
Balance at December 31	<u>\$ (263,407)</u>	<u>\$ (209,813)</u>

e. Non-controlling interests

	For the Year Ended December 31	
	2015	2014
Balance at January 1	\$ 13,101	\$ 47,021
Effect of retrospective application and retrospective restatement	-	55
Attributable to non-controlling interests:		
Share of loss for the year	(8,272)	(21,716)
Issuance of employee share options by subsidiaries	-	51
Exchange difference arising on translation of foreign operations	(42)	404
Non-controlling interest arising from acquisition at a percentage different from its earlier ownership percentage of subsidiaries (Note 31)	4,531	-
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	(555)	-
Disposal of subsidiaries	<u>-</u>	<u>(12,714)</u>
Balance at December 31	<u>\$ 8,763</u>	<u>\$ 13,101</u>

f. Treasury shares

By the years ended of December 31, 2015 and 2014, the Company's shares held by its subsidiaries were as follows:

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>December 31, 2015</u>			
Hui Ying	3,899	\$ 159,061	\$ 18,639
<u>December 31, 2014</u>			
Hui Ying	3,899	159,061	27,023

The company's shares held by subsidiaries are regarded as treasury shares; shareholder's 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	
	2015	2014
Revenue from the sale of goods	\$ 20,905,341	\$ 22,385,997
Royalty revenue and others	<u>22,429</u>	<u>28,216</u>
	<u>\$ 20,927,770</u>	<u>\$ 22,414,213</u>

The analysis of the Group's revenue and main products was disclosed in Note 40.

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

Net loss from continuing operations:

a. Other income

	For the Year Ended December 31	
	2015	2014
Intellectual property rights income	\$ 951,300	\$ -
Interest income	29,641	58,375
Dividend income	113,853	89,780
Others	<u>44,296</u>	<u>30,074</u>
	<u>\$ 1,139,090</u>	<u>\$ 178,229</u>

b. Other gains and losses

	For the Year Ended December 31	
	2015	2014
Net foreign exchange gains	\$ 127,560	\$ 72,904
Net (loss) gain arising on financial assets designated as at FVTPL	(8,376)	18,392
Gain on disposal of investment	7,491	39,076
Impairment losses	(99,009)	(124,785)
Others	<u>(16,324)</u>	<u>(24,900)</u>
	<u>\$ 11,342</u>	<u>\$ (19,313)</u>

c. Finance costs

	For the Year Ended December 31	
	2015	2014
Interest on loans	\$ 308,768	\$ 305,026
Others	10	16
Less: Amounts included in the cost of qualifying assets	<u>7,559</u>	<u>23,654</u>
	<u>\$ 301,219</u>	<u>\$ 281,388</u>

Information about capitalized interest was as follows:

	For the Year Ended December 31	
	2015	2014
Capitalized interest	\$ 7,559	\$ 23,654
Capitalization rate	1.66%	1.90%
d. Impairment losses on financial assets		
	For the Year Ended December 31	
	2015	2014
Trade receivables	\$ -	\$ 271
Available-for-sale financial assets	<u>-</u>	<u>124,785</u>
	<u>\$ -</u>	<u>\$ 125,056</u>
e. Depreciation and amortization		
	For the Year Ended December 31	
	2015	2014
Property, plant and equipment	\$ 5,722,078	\$ 7,315,609
Intangible assets	<u>178,988</u>	<u>249,211</u>
	<u>\$ 5,901,066</u>	<u>\$ 7,564,820</u>
An analysis of depreciation by function		
Operating costs	\$ 4,936,331	\$ 6,220,079
Operating expenses	<u>785,747</u>	<u>1,095,530</u>
	<u>\$ 5,722,078</u>	<u>\$ 7,315,609</u>
An analysis of amortization by function		
Operating costs	\$ 105,456	\$ 151,700
Selling and marketing expenses	594	702
General administration expenses	24,066	61,555
Research and development expenses	<u>48,872</u>	<u>35,254</u>
	<u>\$ 178,988</u>	<u>\$ 249,211</u>
f. Employee benefits expense		
	For the Year Ended December 31	
	2015	2014
Post-employment benefits (Note 23)		
Defined contribution plans	\$ 246,468	\$ 251,830
Defined benefit plans	<u>40,692</u>	<u>150,344</u>
	287,160	402,174
		(Continued)

	<u>For the Year Ended December 31</u>	
	2015	2014
Share-based payments		
Equity-settled	\$ 342,951	\$ 60,496
Other employee benefits	<u>5,610,637</u>	<u>5,683,227</u>
Total employee benefits expense	<u>\$ 6,240,748</u>	<u>\$ 6,145,897</u>
An analysis of employee benefits expense by function		
Operating costs	\$ 2,735,290	\$ 2,908,183
Operating expenses	<u>3,505,458</u>	<u>3,237,714</u>
	<u>\$ 6,240,748</u>	<u>\$ 6,145,897</u>
		(Concluded)

g. Gain or loss on foreign currency exchange

	<u>For the Year Ended December 31</u>	
	2015	2014
Foreign exchange gains	\$ 196,778	\$ 514,934
Foreign exchange losses	<u>(69,218)</u>	<u>(442,030)</u>
	<u>\$ 127,560</u>	<u>\$ 72,904</u>

h. Impairment losses on non-financial assets

	<u>For the Year Ended December 31</u>	
	2015	2014
Intangible assets (included in other gains and losses)	<u>\$ 99,009</u>	<u>\$ -</u>

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Major components of tax expense recognized in profit or loss

	<u>For the Year Ended December 31</u>	
	2015	2014
Current tax		
In respect of the current year	\$ 12,109	\$ 15,697
Adjustments for prior years	1	(33)
Deferred tax		
In respect of the current year	<u>2,948</u>	<u>(2,141)</u>
Income tax expense recognized in profit or loss	<u>\$ 15,058</u>	<u>\$ 13,523</u>

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

	For the Year Ended December 31	
	2015	2014
Loss before tax from continuing operations	<u>\$ (4,180,883)</u>	<u>\$ (6,462,004)</u>
Income tax expense calculated at the statutory rate	\$ (785,684)	\$ (1,170,774)
Nondeductible expenses in determining taxable income	16,930	(28,284)
Unrecognized deductible temporary differences	250,516	(4,526)
Unrecognized loss carryforwards	533,295	1,218,397
Adjustments for prior years' tax	1	(33)
Others	<u>-</u>	<u>(1,257)</u>
Income tax expense recognized in profit or loss	<u>\$ 15,058</u>	<u>\$ 13,523</u>

The tax rate used above is the applicable corporate tax rate of 17% payable by the Group in the 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	
	2015	2014
Current tax assets		
Tax refund receivable	<u>\$ 7,985</u>	<u>\$ 18,782</u>
Current tax liabilities		
Income tax payables	<u>\$ 183,212</u>	<u>\$ 302,416</u>

c. Deferred tax assets and liabilities

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

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2015

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized expense and losses	\$ 5,806	\$ (2,188)	\$ 3,618
Write-down of inventories	760	(760)	-
	6,566	(2,948)	3,618
Loss carrforward	<u>905,612</u>	<u>-</u>	<u>905,612</u>
	<u>\$ 912,178</u>	<u>\$ (2,948)</u>	<u>\$ 909,230</u>

For the year ended December 31, 2014

	Opening Balance	Recognized in Profit or Loss	Closing Balance
<u>Deferred tax assets</u>			
Temporary differences			
Unrealized expense and losses	\$ 4,068	\$ 1,738	\$ 5,806
Write - down of inventories	<u>357</u>	<u>403</u>	<u>760</u>
	4,425	2,141	6,566
Loss carrforward	<u>905,612</u>	<u>-</u>	<u>905,612</u>
	<u>\$ 910,037</u>	<u>\$ 2,141</u>	<u>\$ 912,178</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	
	2015	2014
<u>Loss carryforwards</u>		
Expire in 2015	\$ -	\$ 20,184
Expire in 2016	66,581	66,581
Expire in 2017	200,436	200,436
Expire in 2018	278,215	278,215
Expire in 2019	826,960	826,960
Expire in 2020	230,345	238,123
Expire in 2021	293,819	301,201
Expire in 2022	386,532	389,967
Expire in 2023	4,637,750	5,047,583
Expire in 2024	6,791,874	7,098,093
Expire in 2025	<u>3,049,282</u>	<u>-</u>
	<u>\$ 16,761,794</u>	<u>\$ 14,467,343</u>
Investment credits		
Investment credits for stockholder	<u>\$ 160,890</u>	<u>\$ 123,832</u>
Deductible temporary differences	<u>\$ 14,271,687</u>	<u>\$ 11,815,775</u>

The unrecognized investment credit will expire in 2017.

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

As of December 31, 2015, investment credits comprised of:

Law and Statutes	Tax Credit Source	Remaining Creditable Amount	Expiry Year
Statute for Upgrading Industries	Investment credits for stockholder	\$ 131,193	2016
		<u>29,697</u>	2017
		<u>\$ 160,890</u>	

Loss carryforwards as of December 31, 2015 comprised of:

Unused Amount	Expiry Year
\$ 11,319	2016
34,074	2017
47,297	2018
140,583	2019
39,159	2020
49,949	2021
646,319	2022
1,113,420	2023
1,154,619	2024
<u>518,378</u>	2025
<u>\$ 3,755,117</u>	

f. Integrated income tax

	December 31	
	2015	2014
Accumulated deficit		
Generated before January 1, 1998	\$ -	\$ -
Generated on and after January 1, 1998	<u>(18,304,273)</u>	<u>(13,812,749)</u>
	<u>\$ (18,304,273)</u>	<u>\$ (13,812,749)</u>
Imputation Credit Account	<u>\$ 421,581</u>	<u>\$ 289,482</u>

No tax creditable ratios were calculated for accumulated deficit of 2015 and 2014.

g. Income tax assessments

The Company's tax returns through 2013 have been assessed by the tax authorities. The Company disagreed with the tax authorities' assessment on its 2013, 2012 and 2010 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 accrued extra income tax base on the assessment by the tax authorities.

28. LOSS PER SHARE

	Unit: NT\$ Per Share	
	For the Year Ended December 31	
	2015	2014
Basic and diluted loss per share	<u>\$ (1.19)</u>	<u>\$ (1.83)</u>

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

Net Loss for the Year

	For the Year Ended December 31	
	2015	2014
Loss for the year attributable to owners of the company	<u>\$ (4,187,669)</u>	<u>\$ (6,453,811)</u>

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

	For the Year Ended December 31	
	2015	2014
Weighted average number of ordinary shares in computation of basic and diluted loss per share	<u>3,522,495</u>	<u>3,517,574</u>

As disclosed in Note 29 to the financial statements in determining whether the share-based payments are potential ordinary shares. The aforementioned stock options were anti - dilutive and excluded from the computation of diluted loss per share for the year ended December 31, 2015 and 2014.

29. SHARE-BASED PAYMENT ARRANGEMENTS

a. Employee share option plan

Mxtran

Approved by the Board of Directors of Mxtran on August 12, 2011, Mxtran was authorized to issue employee stock options for 2,344 thousand units. 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.

Information on employee share options was as follows:

	For the Year Ended December 31			
	2015		2014	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,309	\$ 10.00	1,732	\$ 10.00
Options cancelled	<u>(128)</u>	-	<u>(423)</u>	-
Balance at December 31	<u>1,181</u>	10.00	<u>1,309</u>	10.00

As of December 31, 2015, information about Mxtran's outstanding and exercisable option was as follows:

Range of Exercise Price (NT\$)	Options Issued on or After August 12, 2011 and Outstanding			Options Exercisable	
	Number Outstanding Options (Thousand)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable Options (Thousand)	Exercise Price (NT\$/Per Share)
\$ 10	<u>1,181</u>	1.61	\$ 10.00	<u>1,181</u>	\$ 10.00

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

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

For the years ended December 31, 2015 and 2014, the compensation cost recognized was NT\$0 and NT\$51 thousand, respectively. As of December 31, 2015 and 2014, the estimated percentages of forfeiture due to termination of employment over the remaining vesting period were 10.28% and 6%, respectively.

INFOMAX

Approved by the Board of Directors of INFOMAX on December 21, 2007, April 2, 2010 and January 26, 2011, INFOMAX was authorized to issue employee stock options for 1,910 thousand units, 8,654 thousand units and 1,346 thousand units, respectively. Each stock option may subscribe for one new share of common stock of INFOMAX. The options authorized on December 21, 2007 are valid for eight years. The options authorized on April 2, 2010 and January 26, 2011 are valid for the earlier of six years to the grant dates or two months to the date of application for share listing on the TSE or Taipei Exchange. 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 made capital deduction 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			
	2015		2014	
	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted-average Exercise Price (NT\$)
Balance at January 1	7,116	\$ 31.87	7,341	\$ 31.87
Options cancelled	<u>(1,995)</u>	-	<u>(225)</u>	-
Balance at December 31	<u>5,121</u>	31.87	<u>7,116</u>	31.87

As of December 31, 2015, information about INFOMAX's outstanding and exercisable option was as follows:

Range of Exercise Price (NT\$)	Options Issued on or After April 2, 2010 and Outstanding			Options Exercisable	
	Number Outstanding Options (Thousand)	Remaining Contractual Life (In Years)	Exercise Price (NT\$/Per Share)	Number Exercisable Options (Thousand)	Exercise Price (NT\$/Per Share)
\$ 31.87	4,662	0.25	\$ 31.87	4,662	\$ 31.87
31.87	<u>459</u>	1.07	31.87	<u>459</u>	31.87
	<u>5,121</u>			<u>5,121</u>	

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

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

For the years ended December 31, 2015 and 2014, the compensation cost recognized both were NT\$0. As of December 31, 2015 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. The board of directors approved a restricted stock plan were as below:

Grant Date	Grant Shares (Thousand)	Fair Value	Issued Date	Issued Shares (Thousand)
2014/08/28	38,365	\$ 7.76	2014/12/25	37,301
2015/03/16	62,213	6.82	2015/07/22	61,279

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.

Information on restricted stock plan for employees was as follows:

	Number of Shares (In Thousands)	
	For the Year Ended December 31	
	2015	2014
Balance at January 1	\$ 37,301	\$ -
Granted (Note 1)	62,213	38,365
Vested	(14,280)	-
Forfeited (Note 2 and 3)	<u>(3,827)</u>	<u>(1,064)</u>
Balance at December 31	<u>\$ 81,407</u>	<u>\$ 37,301</u>

Note 1: The number of granted shares in this year is not equal to the actual issued shares.

Note 2: The forfeited shares in this period were consisted of 690 thousand shares which will be cancelled, 2,203 thousand shares have been cancelled and 934 thousand shares were the difference between granted and issued on March 16, 2015.

Note 3: The forfeited shares in the period were consisted of 1,064 thousand shares which was difference between granted and issued on August 28, 2014.

For the years ended December 31, 2015 and 2014, the compensation cost recognized was NT\$342,951 thousand and NT\$60,445 thousand, respectively.

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 Magic Pixel Inc. ("MPI"), the disposal was completed on September 10, 2014, on which date control of MPI passed to the acquirer.

MoDioTek

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

April 23, 2014

Current assets	
Cash and cash equivalents	\$ 50,687
Trade receivables	4,163
Other receivables	3,538
Inventories	2,412
Others	603
Non-current assets	
Property, plant and equipment	2,599
Intangible assets	2,100
Others	1,665
Current liabilities	
Trade payables	(2,948)
Other payables	(4,464)
Others	<u>(2,449)</u>
Net assets disposed of	<u>\$ 57,906</u>

b. Gain on disposal of subsidiary

**For the Year
Ended
December 31,
2014**

Fair value of interest retained	\$ 64,205
Net assets disposed of	(57,906)
Non-controlling interests	<u>9,179</u>
Gain on disposal	<u>\$ 15,478</u>

MPI

a. Consideration received from the disposal

**September 10,
2014**

Consideration received in cash and cash equivalents	<u>\$ 32,448</u>
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b. Analysis of assets and liabilities on the date control was lost

	September 10, 2014
Current assets	
Cash and cash equivalents	\$ 11,104
Trade receivables	2,697
Other receivables	168
Inventories	5,163
Others	2,087
Non-current assets	
Property, plant and equipment	988
Intangible assets	1,904
Others	1,054
Current liabilities	
Trade payables	(1,822)
Other payables	(5,049)
Others	<u>(1,362)</u>
Net assets disposed of	<u>\$ 16,932</u>

c. Gain on disposal of subsidiary

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

d. Net cash inflow on disposal of subsidiary

	For the Year Ended December 31, 2014
Consideration received in cash and cash equivalents	\$ 32,448
Less: Cash and cash equivalent balances disposed of	<u>11,104</u>
	<u>\$ 21,344</u>

31. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

On April 30, 2015, the Group subscribed for additional new shares of Mxtran at a percentage different from its existing ownership percentage, raising its continuing interest from 94.15% to 94.84%.

The above transactions were accounted for as equity transactions since the Group did not cease to have control over the subsidiary.

	Mxtran
Cash consideration paid	\$ (89,995)
The proportionate share of the carrying amount of the net assets of the subsidiary	<u>85,464</u>
Difference arising from equity transactions	<u>\$ (4,531)</u>
<u>Line items adjusted for equity transaction</u>	
Accumulated deficits	<u>\$ (4,531)</u>

32. 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 expiration of the lease periods.

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

	December 31	
	2015	2014
Not later than 1 year	\$ 65,630	\$ 62,176
Later than 1 year and not later than 5 years	219,824	119,670
Later than 5 years	<u>551,786</u>	<u>217,055</u>
	<u>\$ 837,240</u>	<u>\$ 398,901</u>

The lease payments, recognized in profit or loss for the current year, were as follows:

	For the Year Ended December 31	
	2015	2014
Minimum lease payment	<u>\$107,084</u>	<u>\$107,569</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 expiration of the lease period.

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

	December 31	
	2015	2014
Not later than 1 year	\$ 3,720	\$ 4,433
Later than 1 year and not later than 5 years	<u>1,030</u>	<u>4,509</u>
	<u>\$ 4,750</u>	<u>\$ 8,942</u>

33. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the Group will be able to operate under the premises of going concerns 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.

34. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments that are not measured 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.

b. Fair value of financial instruments that are measured at fair value

1) Fair value hierarchy

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
- non-current				
Securities listed in ROC	\$ 900,710	\$ -	\$ -	\$ 900,710
Securities listed in other countries	<u>298,758</u>	<u>-</u>	<u>-</u>	<u>298,758</u>
	<u>\$ 1,199,468</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,199,468</u>
Financial liabilities at FVTPL				
Derivative financial instruments	<u>\$ -</u>	<u>\$ 717</u>	<u>\$ -</u>	<u>\$ 717</u>

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instruments	\$ -	\$ 95	\$ -	\$ 95
Available-for-sale financial assets				
- non-current				
Securities listed in ROC	\$ 982,975	\$ -	\$ -	\$ 982,975
Securities listed in other countries	260,167	-	-	260,167
	<u>\$ 1,243,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,243,142</u>
Financial liabilities at FVTPL				
Derivative financial instruments	\$ -	\$ 7,113	\$ -	\$ 7,113

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

- 2) Valuation techniques and inputs applied for the purpose of measuring Level 2 fair value measurement

Financial Instruments	Valuation Techniques and Inputs
Derivatives - foreign currency forward contracts	Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates.

c. Categories of financial instruments

	December 31	
	2015	2014
<u>Financial assets</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	\$ -	\$ 95
Loans and receivables (i)	9,133,505	11,162,496
Available-for-sale financial assets (ii)	1,293,419	1,356,541
<u>Financial liabilities</u>		
Fair value through profit or loss (FVTPL)		
Held for trading	717	7,113
Measured at amortized cost (iii)	17,343,989	20,568,146

- i) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables, other receivables (including receivables from related parties) and other financial assets (including current and non-current).
- 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 (including other payables to related parties), payable for purchase of equipment and long-term loans (including current portion).

d. 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 the Group 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 end of each reporting period.

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

	Currency USD Impact		Currency JPY Impact	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2015	2014	2015	2014
Pre-tax loss	<u>\$ 24,536</u>	<u>\$ 10,683</u>	<u>\$ 31,716</u>	<u>\$ 34,766</u>

b) Interest rate risk

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

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

	December 31	
	2015	2014
Fair value interest rate risk		
Financial assets	\$ 2,636,746	\$ 4,868,205
Financial liabilities	1,924,119	1,599,000
Cash flow interest rate risk		
Financial assets	3,095,509	2,933,344
Financial liabilities	12,161,683	14,751,975

Sensitivity 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 increased/decreased by 50 basis points, the Group's pre-tax loss for the years ended December 31, 2015 and 2014 would have increased/decreased by \$60,808 thousand and \$73,760 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.

Sensitivity 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 increased/decreased by 10%, equity for the years ended December 31, 2015 and 2014 would have increased/decreased by \$119,947 thousand and \$124,314 thousand, respectively, as a result of the changes in fair value of available-for-sale investments.

2) Credit risk

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

Business related credit risk

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

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

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

As of December 31, 2015 and 2014, the Group's ten largest customers accounted for 48% 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, 2015 and 2014, the Group had available unutilized overdraft and short-term bank loan facilities of approximately \$2,504,580 thousand and \$3,922,524 thousand, respectively.

Liquidity and interest rate risk 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, 2015

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 3,258,187	\$ -	\$ -	\$ -	\$ 3,258,187
Variable interest rate liabilities	5,458,910	8,002,062	86,192	-	13,547,164
Fixed interest rate liabilities	1,029,375	-	-	-	1,029,375
	<u>\$ 9,746,472</u>	<u>\$ 8,002,062</u>	<u>\$ 86,192</u>	<u>\$ -</u>	<u>\$ 17,834,726</u>

December 31, 2014

	On Demand or Less than 1 Year	1-3 Years	3-5 Years	5+ Years	Total
<u>Non-derivative financial liabilities</u>					
Non-interest bearing	\$ 4,217,171	\$ -	\$ -	\$ -	\$ 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>

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.

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, 2015

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	5+ Years
<u>Gross settled</u>					
Foreign exchange forward contracts					
Inflows	\$ 360,937	\$ -	\$ -	\$ -	\$ -
Outflows	361,654	-	-	-	-

December 31, 2014

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

35. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have 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	
		2015	2014
Sales	Key management personnel	\$ 3,056,579	\$ 5,322,675
	Associates	3,066	2,319
	Others	<u>1,680</u>	<u>2,321</u>
		<u>\$ 3,061,325</u>	<u>\$ 5,327,315</u>

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

b. Purchases

Related Parties Categories	For the Year Ended December 31	
	2015	2014
Key management personnel	<u>\$ 40,092</u>	<u>\$ 187,672</u>

Materials purchased from related parties were for 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	
		2015	2014
Receivables from related parties, net	Key management personnel	\$ 396,937	\$ 482,213
	Associates	93	784
	Others	<u>44</u>	<u>182</u>
		<u>\$ 397,074</u>	<u>\$ 483,179</u>
Other receivables	The Group is its major management authority	\$ 2,388	\$ 32
	Associates	327	217
	Others	<u>32</u>	<u>-</u>
		<u>\$ 2,747</u>	<u>\$ 249</u>

The outstanding trade receivables from related parties are unsecured. For the years ended December 31, 2015 and 2014, no impairment loss was recognized for trade receivables from related parties.

d. Trade payables to related parties

Listed Account	Related Parties Categories	December 31	
		2015	2014
Payables to related parties	Key management personnel	\$ 15,574	\$ -
	The Group is its major management authority	11,557	62,957
	Associates	-	228
		<u>\$ 27,131</u>	<u>\$ 63,185</u>
Other payables to related parties	Associates	<u>\$ 355</u>	<u>\$ -</u>

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

e. Other transactions with related parties

Listed Account	Related Parties Categories	For the Year Ended December 31	
		2015	2014
Manufacturing expense	The Group is its major management authority	<u>\$ 189,803</u>	<u>\$ 275,775</u>
Operating expense	Others	\$ 22,200	\$ 24,000
	Key management personnel	4,359	2,011
	Associates	1,536	212
	The Group is its major management authority	<u>748</u>	<u>321</u>
		<u>\$ 28,843</u>	<u>\$ 26,544</u>
Software and pattern revenue	The Group is its major management authority	\$ 2,643	\$ 189
	Associates	<u>1,479</u>	<u>1,710</u>
		<u>\$ 4,122</u>	<u>\$ 1,899</u>
Rental revenue	Associates	<u>\$ 6,427</u>	<u>\$ 3,792</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			
		Price		Gain (Loss) on Disposal	
		2015	2014	2015	2014
Gain on disposal investment	Associates	\$ -	\$ 32,448	\$ -	\$ 17,827

g. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term benefits	\$ 127,553	\$ 127,599
Post-employment benefits	17,286	121,793
Share-based payments	32,099	6,176
Other long-term employee benefits	<u>387</u>	<u>134</u>
	<u>\$ 177,325</u>	<u>\$ 255,702</u>

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

36. 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	
	2015	2014
Property, plant and equipment, net	\$ 12,527,602	\$ 14,573,603
Trade receivables	781,982	-
Pledge deposits (classified as other financial assets - non-current)	<u>139,970</u>	<u>165,799</u>
	<u>\$ 13,449,554</u>	<u>\$ 14,739,402</u>

37. 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, 2015 were as follows:

- a. As of December 31, 2015 and 2014, unused letters of credit amounted to approximately \$0 and \$6,647 thousand, respectively.

- b. Unrecognized commitments are as follows:

	December 31	
	2015	2014
Acquisition of property, plant and equipment	<u>\$ 339,954</u>	<u>\$ 639,834</u>
c. The Company entered into the Phase-change memory technology agreement with IBM Company in January 2010, and the agreement has been renewed every three years. Under the agreement, both parties have to share the related expenditures of the technology development. The term of the second agreement was from January 2013 to January 2016. As of December 31, 2015, the Company has made all the payment for the second agreement. In addition, the Company entered into another Phase-change memory technology agreement with IBM Company in January 2016, and the term of the agreement is from January 2016 to January 2019.		
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.		

38. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

December 31, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 1,841,746	0.2727	\$ 502,244
USD	80,628	32.825	<u>2,646,614</u>
			<u>\$ 3,148,858</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	678,724	0.2727	\$ 185,088
USD	44,712	32.825	<u>1,467,671</u>
			<u>\$ 1,652,759</u>

December 31, 2014

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 3,208,671	0.2646	\$ 849,014
USD	87,965	31.65	<u>2,784,092</u>
			<u>\$ 3,633,106</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	1,894,756	0.2646	\$ 501,352
USD	58,714	31.65	<u>1,858,298</u>
			<u>\$ 2,359,650</u>

For the years ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains were \$127,560 thousand and \$72,904 thousand, respectively. It is impractical to disclose net foreign exchange gains by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

39. 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 and associates): 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)

l. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment gains or losses, carrying amount of the investment at the end of the period, repatriated investment gains or losses, 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

40. 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 under IFRS 8: "Operating Segment" were as follows:

Memory products and wafer fabrication
IC design

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

a. Segment revenues and results

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

	Segment Net Operating Revenue		Segment Loss from Operations and Net Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2015	2014	2015	2014
Memory products and wafer fabrication	\$ 20,909,766	\$ 22,359,776	\$ (4,600,530)	\$ (5,822,481)
IC design	<u>18,004</u>	<u>54,437</u>	<u>(403,246)</u>	<u>(492,954)</u>
Loss from operations	<u>\$ 20,927,770</u>	<u>\$ 22,414,213</u>	(5,003,776)	(6,315,435)
Other income			1,139,090	178,229
Other gains and losses			11,342	(19,313)
Finance costs			(301,219)	(281,388)
Share of loss of associates			<u>(26,320)</u>	<u>(24,097)</u>
Loss before tax (continuing operations)			<u>\$ (4,180,883)</u>	<u>\$ (6,462,004)</u>

b. Segment total assets and liabilities

	December 31	
	2015	2014
<u>Segment assets</u>		
Memory products and wafer fabrication	\$ 37,280,467	\$ 44,087,905
IC design	<u>347,195</u>	<u>754,670</u>
Consolidated total assets	<u>\$ 37,627,662</u>	<u>\$ 44,842,575</u>
<u>Segment liabilities</u>		
Memory products and wafer fabrication	\$ 19,143,129	\$ 22,176,137
IC design	<u>55,693</u>	<u>60,908</u>
Consolidated total liabilities	<u>\$ 19,198,822</u>	<u>\$ 22,237,045</u>

c. Geographical information

The Group operates in two principal geographical areas - 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	
	2015	2014	2015	2014
Taiwan	\$ 16,496,844	\$ 19,041,271	\$ 16,141,543	\$ 20,925,510
China	3,665,366	2,757,094	271,036	296,082
Others	<u>765,560</u>	<u>615,848</u>	<u>321,438</u>	<u>271,112</u>
	<u>\$ 20,927,770</u>	<u>\$ 22,414,213</u>	<u>\$ 16,734,017</u>	<u>\$ 21,492,704</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	
	2015	2014
Customer A	<u>\$ 3,056,579</u>	<u>\$ 5,322,675</u>

Note: Revenue from Memory products and wafer fabrication.

TABLE 1**MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY****MARKETABLE SECURITIES HELD****DECEMBER 31, 2015****(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, 2015				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	35,595,830	\$ 848,961	7.40	\$ 848,961	Note 1
	United Industrial Gases Co., Ltd.	None	Financial assets measured at cost - non-current	6,671,877	58,500	3.06	151,732	Note 2
	Aetas Technology Inc.	None	Financial assets measured at cost - non-current	145,850	-	0.29	-	-
	Zowie Technology Co., Ltd.	None	Financial assets measured at cost - non-current	20,426	-	0.18	23	Note 2
	Quality Test System Inc.	None	Financial assets measured at cost - non-current	4,538,333	-	14.64	-	-
	Honbond Venture Capital Co., Ltd.	None	Financial assets measured at cost - non-current	1,803,526	-	15.00	-	-
MXBVI	<u>Stock</u> Chipbond Technology Corporation	None	Available-for-sale financial assets - non-current	1,088,319	51,749	0.17	51,749	Note 1
	Key ASIC Bhd	None	Available-for-sale financial assets - non-current	26,924,500	28,818	3.25	28,818	Note 1
	Tower Semiconductor Ltd.	None	Available-for-sale financial assets - non-current	584,893	269,940	0.71	269,940	Note 1
	Global Strategic Investment Fund (Cayman)	None	Financial assets measured at cost - non-current	490,000	-	2.52	12,619	Note 2
	Global Strategic Investment Fund (Samoa)	None	Financial assets measured at cost - non-current	1,739,783	35,451	4.90	62,177	Note 2
Hui Ying	<u>Stock</u> Macronix International Co., Ltd.	The Company	Available-for-sale financial assets - non-current	3,899,382	18,639	0.11	18,639	Note 1
	Raio Technology Co., Ltd.	None	Financial assets measured at cost - non-current	947,125	-	10.43	22,734	Note 2

Note 1: The market value was based on the closing price as of December 31, 2015.

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 Market is net value, which calculated by closing rate.

TABLE 2

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, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Buyer	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Receivable (Payable)		Note
			Purchase/ Sale	Amount	% to Total	Payment Terms	Unit Price	Payment Term	Ending Balance	% to Total	
The Company	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	Sales	\$ 3,056,579	15	30 days after monthly closing	Note 35	Note 35	\$ 396,937	12	-
	MXHK MXA	Indirect subsidiary Subsidiary	Sales	3,381,257	16	45 days after monthly closing	Note 35	Note 35	520,375	15	-
			Sales	675,958	3	Net 60 days	Note 35	Note 35	55,247	2	-
MXHK	The Company	Indirect subsidiary	Purchase	US\$ 106,837	100	45 days after monthly closing	No material difference	No material difference	US\$ 15,853	100	-
MXA	The Company	Subsidiary	Purchase	US\$ 21,365	100	Net 60 days	No material difference	No material difference	US\$ 1,326	100	-

TABLE 3

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, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	\$ 396,937	6.95 times	\$ -	-	JPY 1,376,575 thousand	\$ -
	MXHK	Indirect subsidiary	520,375	7.72 times	-	-	US\$ 9,654 thousand	-

TABLE 4

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2015			Net Income (Loss) of the Investee (Note 3)	Share of Profit (Loss)	Note
				December 31, 2015 (Note 1)	December 31, 2014 (Note 1)	Shares	Percentage of Ownership	Carrying Amount (Note 2)			
The Company	MXA	San Jose, California, U.S.A.	Sales and marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 163,422	\$ (58,361)	\$ (58,361)	
	MXBVI	Tortola, British Virgin Islands	Investment holding company	6,977,791	7,348,057	212,048,000	100.00	1,643,021	28,310	28,310	
	Hui Ying	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	23,551	(687)	(687)	
	Run Hong	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	20,336	(12,511)	(12,511)	
	INFOMAX	Hsinchu, Taiwan	Baseband chip, analog baseband chip, and power management chip	1,502,711	1,502,711	150,271,240	97.25	227,523	(413,909)	(402,527)	
	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and the related service	697,374	607,379	69,627,323	90.43	48,599	(78,190)	(70,375)	
MXBVI	MoDioTek	Hsinchu, Taiwan	Wi-Fi video transmission IC and smart security systems	59,944	59,944	5,994,371	20.61	10,886	(112,527)	(23,191)	
	NTTI	San Jose, California, U.S.A.	IC design	858,641	850,637	26,100,000	100.00	317,770	(7,843)	Note 4	
	MXE	Belgium	After-sales service	2,106	2,106	999	100.00	95,676	6,858	Note 4	
	MPL	Singapore	After-sales service	3,291	3,291	174,000	100.00	17,195	805	Note 4	
	MXHK	Hong Kong	Sales and marketing	378,427	378,427	89,700,000	100.00	500,178	(1,233)	Note 4	
	MX Asia	Cayman Island	Investment holding company	23,035	26,325	700,000	100.00	51,682	3,476	Note 4	
Run Hong	INFOMAX	Hsinchu, Taiwan	Baseband chip, analog baseband chip, and power management chip	27,423	27,423	2,742,506	1.77	4,141	(413,909)	Note 4	
	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and the related service	34,271	34,271	3,393,200	4.41	2,375	(78,190)	Note 4	
	MoDioTek	Hsinchu, Taiwan	Wi-Fi video transmission IC and smart security systems	4,241	4,241	403,245	1.39	729	(112,527)	Note 4	
Hui Ying	MoDioTek	Hsinchu, Taiwan	Wi-Fi video transmission IC and smart security systems	4,241	4,241	403,245	1.39	729	(112,527)	Note 4	
INFOMAX	Infomax Samoa	Samoa	Investment holding company	292,997	264,448	9,470,000	100.00	9,475	(32,056)	Note 4	
Infomax Samoa	Infomax HK	Hong Kong	Investment holding company	97,521	97,521	23,352,500	100.00	6,690	(924)	Note 4	
Mxtran	Mxtran Samoa	Samoa	Investment holding company	35,979	27,809	1,170,000	100.00	1,151	(8,044)	Note 4	
Mxtran Samoa	Mxtran HK	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	502	(417)	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, 2015

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, 2015.

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

TABLE 5

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2015
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Counterparty	Relationship (Note 1)		Transaction Summary		
			Account	Amount	Payment Terms	% to Total Revenues or Assets
MXIC	MXHK	2	Sales	\$ 3,381,257	Note 2	16
			Notes receivable and trade receivables	520,375		1
	MXE	2	Operating expenses	117,750		1
			Other payables	32,897		-
	MXA	1	Sales	675,958	Note 2	3
			Operating expenses	147,727		1
			Notes receivable and trade receivables	55,247		-
			Other payables	58,376		-
	Mxtran	1	Rental revenue	3,129	Note 3	-
	MX Asia	2	Operating expenses	93,978		-
			Other payables	27,406		-
	INFOMAX	1	Rental revenue	7,527	Note 3	-

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

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

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

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

TABLE 6

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2015
(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, 2015 (Note 3)	Investment Flows		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2015 (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, 2015 (Note 6)	Accumulated Inward Remittance of Investment Income as of December 31, 2015
					Outward (Note 3)	Inward						
MXm	Development of integrated circuit system and software	\$ 296,160	(Note 1)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 18,090	100.00	\$ 18,090	\$ 364,556	\$ -
Infomax SU	Software, rendering and technical service	82,415	(Note 2)	82,415	-	-	82,415	(173)	99.02	(171)	5,803	-
Maxtran Beijing	Technical support of Combi-SIM IC	23,435	(Note 2)	23,435	-	-	23,435	(417)	94.84	(395)	22	-

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$ 402,010 (Note 3)	\$ 402,010 (Note 3)	\$ 11,052,046

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 year ended December 31, 2015.

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, 2015.