

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2016 and 2015 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

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

We have reviewed the accompanying consolidated balance sheets of Macronix International Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") as of September 30, 2016 and 2015 and the related consolidated statements of comprehensive income for the three months ended September 30, 2016 and 2015 and for the nine months ended September 30, 2016 and 2015, as well as the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as stated in the following paragraph, we conducted our reviews in accordance with Statement of Auditing Standards No. 36 "Review Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

As disclosed in Note 12 to the consolidated financial statements, the financial statements of some insignificant subsidiaries included in the consolidated financial statements were not reviewed. As of September 30, 2016 and 2015, the combined total assets of these insignificant subsidiaries were NT\$4,105,181 thousand and NT\$4,585,386 thousand, representing 11.61% and 11.82%, respectively, of the consolidated total assets, and the combined total liabilities of these subsidiaries were NT\$875,227 thousand and NT\$817,659 thousand, representing 4.92% and 4.40%, respectively, of the consolidated total liabilities, and for the three months ended September 30, 2016 and 2015, the combined comprehensive income and loss of these subsidiaries amounted to comprehensive income NT\$36,578 thousand and comprehensive loss NT\$141,678 thousand, representing 4.46% and 13.25%, respectively, of the consolidated total comprehensive loss, and for the nine months ended September 2016 and 2015, the combined comprehensive loss of these subsidiaries amounted to NT\$146,318 thousand and NT\$327,493 thousand, representing 14.58% and 12.39%, respectively, of the consolidated total comprehensive loss. As stated in Note 13 to the consolidated financial statements, we did not review the financial statements of equity-method investee as of and for the nine months ended September 30, 2016 and 2015. The carrying value of the related investment as of September 30, 2016 and 2015 were NT\$68 thousand and NT\$20,695 thousand, and the share of comprehensive loss of associate were NT\$3,820 thousand and NT\$4,907 thousand for the three months ended September 30, 2016 and 2015, and the share of comprehensive loss of associate were NT\$12,198 thousand and NT\$18,028 thousand for the nine months ended September 30, 2016 and 2015. These amounts as well as the related financial information of the investee as disclosed in Note 38 to the financial statements were based on the subsidiaries' and associates' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our reviews, except as discussed in the preceding paragraph that the carrying values of the investments in subsidiaries and associates as well as the related disclosures of the investment information were based on unreviewed financial statements of the subsidiaries and associates, and except for the effects of such adjustment, if any, as might have been made had we applied review procedures on the financial statements of the investees referred to in the preceding paragraph, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

October 25, 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 review such consolidated financial statements are those generally applied in the Republic of China.

For the convenience of readers, the independent auditors’ review 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’ review report and consolidated financial statements shall prevail.

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

	September 30, 2016 (Reviewed)		December 31, 2015 (Audited)		September 30, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 33)	\$ 5,393,227	15	\$ 5,592,548	15	\$ 3,819,079	10
Financial assets at fair value through profit or loss - current (Notes 7 and 33)	2,180	-	-	-	-	-
Notes receivable and trade receivables, net (Notes 10 and 33)	3,149,328	9	2,885,039	8	3,210,471	8
Receivables from related parties, net (Notes 33 and 34)	1,418,574	4	397,074	1	480,997	1
Other receivables (Notes 10, 33 and 34)	146,817	-	105,333	-	173,642	-
Inventories (Note 11)	6,760,777	19	9,334,284	25	10,409,749	27
Other current assets (Notes 16 and 18)	236,004	1	210,862	-	253,442	1
Total current assets	<u>17,106,907</u>	<u>48</u>	<u>18,525,140</u>	<u>49</u>	<u>18,347,380</u>	<u>47</u>
NON-CURRENT ASSETS						
Available-for-sale financial assets - non-current (Notes 8 and 33)	1,210,098	3	1,199,468	3	1,098,344	3
Financial assets measured at cost - non-current (Notes 9 and 33)	92,369	-	93,951	-	94,000	-
Investments accounted for using equity method (Note 13)	68	-	12,345	-	20,695	-
Property, plant and equipment (Notes 14 and 35)	15,819,833	45	16,596,123	44	17,886,547	46
Intangible assets (Note 15)	57,727	-	109,017	-	139,207	1
Deferred tax assets (Notes 4 and 27)	911,404	3	909,230	3	910,815	2
Other financial assets - non-current (Notes 17, 33 and 35)	153,646	1	153,511	1	181,622	1
Other non-current assets (Notes 16 and 18)	20,841	-	28,877	-	128,540	-
Total non-current assets	<u>18,265,986</u>	<u>52</u>	<u>19,102,522</u>	<u>51</u>	<u>20,459,770</u>	<u>53</u>
TOTAL	<u>\$ 35,372,893</u>	<u>100</u>	<u>\$ 37,627,662</u>	<u>100</u>	<u>\$ 38,807,150</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 19 and 33)	\$ 1,046,453	3	\$ 1,540,028	4	\$ 1,680,593	4
Financial liabilities at fair value through profit or loss - current (Notes 7 and 33)	482	-	717	-	2,828	-
Notes payable and trade payables (Notes 20 and 33)	2,074,368	6	1,724,139	5	1,903,858	5
Payables to related parties (Notes 33 and 34)	594,845	1	27,131	-	51,649	-
Other payables (Notes 21 and 33)	959,261	3	1,300,335	3	1,040,100	3
Other payables to related parties (Notes 33 and 34)	4,825	-	355	-	10,131	-
Payables for purchase of equipment (Note 33)	123,838	-	206,227	1	154,422	-
Current tax liabilities (Notes 4 and 27)	3,543	-	183,212	1	183,144	1
Provisions - current (Note 22)	258,758	1	180,202	-	209,941	1
Current portion of long-term borrowings (Notes 19 and 33)	4,595,293	13	4,683,784	12	2,311,111	6
Other current liabilities	63,009	-	66,308	-	66,945	-
Total current liabilities	<u>9,724,675</u>	<u>27</u>	<u>9,912,438</u>	<u>26</u>	<u>7,614,722</u>	<u>20</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 19 and 33)	6,641,546	19	7,861,990	21	9,851,300	25
Net defined benefit liabilities (Notes 4 and 23)	1,426,496	4	1,420,235	4	1,118,687	3
Other non-current liabilities	3,610	-	4,159	-	4,622	-
Total non-current liabilities	<u>8,071,652</u>	<u>23</u>	<u>9,286,384</u>	<u>25</u>	<u>10,974,609</u>	<u>28</u>
Total liabilities	<u>17,796,327</u>	<u>50</u>	<u>19,198,822</u>	<u>51</u>	<u>18,589,331</u>	<u>48</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Note 24)						
Share Capital						
Ordinary shares	36,157,168	102	36,178,489	96	36,185,987	93
Capital stock to be cancelled	(3,633)	-	(6,898)	-	(7,498)	-
Total share capital	<u>36,153,535</u>	<u>102</u>	<u>36,171,591</u>	<u>96</u>	<u>36,178,489</u>	<u>93</u>
Capital surplus	76,370	-	54,936	-	26,866	-
Retained earnings						
Accumulated deficit	(19,250,022)	(54)	(18,304,273)	(49)	(16,341,763)	(42)
Other equity	753,049	2	656,884	2	501,050	1
Treasury shares	(159,061)	-	(159,061)	-	(159,061)	-
Equity attributable to shareholders of the parent	<u>17,573,871</u>	<u>50</u>	<u>18,420,077</u>	<u>49</u>	<u>20,205,581</u>	<u>52</u>
NON-CONTROLLING INTERESTS (Note 24)	<u>2,695</u>	<u>-</u>	<u>8,763</u>	<u>-</u>	<u>12,238</u>	<u>-</u>
Total equity	<u>17,576,566</u>	<u>50</u>	<u>18,428,840</u>	<u>49</u>	<u>20,217,819</u>	<u>52</u>
TOTAL	<u>\$ 35,372,893</u>	<u>100</u>	<u>\$ 37,627,662</u>	<u>100</u>	<u>\$ 38,807,150</u>	<u>100</u>

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

(With Deloitte & Touche review report dated October 25, 2016)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 25 and 34)	\$ 7,091,669	100	\$ 5,647,200	100	\$ 17,359,126	100	\$ 15,328,703	100
OPERATING COSTS (Notes 11, 23, 26 and 34)	<u>4,916,153</u>	<u>69</u>	<u>4,860,913</u>	<u>86</u>	<u>13,686,099</u>	<u>79</u>	<u>13,283,434</u>	<u>86</u>
GROSS PROFIT	2,175,516	31	786,287	14	3,673,027	21	2,045,269	14
UNREALIZED GAIN TRANSACTIONS WITH ASSOCIATES	(8)	-	-	-	(22)	-	-	-
REALIZED GAIN TRANSACTIONS WITH ASSOCIATES	<u>-</u>	<u>-</u>	<u>147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>112</u>	<u>-</u>
REALIZED GROSS PROFIT	<u>2,175,508</u>	<u>31</u>	<u>786,434</u>	<u>14</u>	<u>3,673,005</u>	<u>21</u>	<u>2,045,381</u>	<u>14</u>
OPERATING EXPENSES (Notes 23, 26 and 34)								
Selling and marketing expenses	274,132	4	260,093	5	774,129	4	750,350	5
General and administrative expenses	300,538	4	366,783	7	953,157	6	1,115,625	7
Research and development expenses	<u>925,012</u>	<u>13</u>	<u>1,209,401</u>	<u>21</u>	<u>2,921,382</u>	<u>17</u>	<u>3,648,046</u>	<u>24</u>
Total operating expenses	<u>1,499,682</u>	<u>21</u>	<u>1,836,277</u>	<u>33</u>	<u>4,648,668</u>	<u>27</u>	<u>5,514,021</u>	<u>36</u>
INCOME (LOSS) FROM OPERATIONS	<u>675,826</u>	<u>10</u>	<u>(1,049,843)</u>	<u>(19)</u>	<u>(975,663)</u>	<u>(6)</u>	<u>(3,468,640)</u>	<u>(22)</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 26 and 34)	64,432	1	76,014	1	141,637	1	1,100,975	7
Other gains and losses (Note 26)	(27,552)	(1)	112,519	2	(3,462)	-	86,888	-
Finance costs (Note 26)	(73,946)	(1)	(79,758)	(1)	(239,934)	(2)	(218,132)	(1)
Share of loss of associates	<u>(3,820)</u>	<u>-</u>	<u>(4,907)</u>	<u>-</u>	<u>(12,198)</u>	<u>-</u>	<u>(18,028)</u>	<u>-</u>
Total non-operating income and expenses	<u>(40,886)</u>	<u>(1)</u>	<u>103,868</u>	<u>2</u>	<u>(113,957)</u>	<u>(1)</u>	<u>951,703</u>	<u>6</u>
INCOME (LOSS) BEFORE INCOME TAX	634,940	9	(945,975)	(17)	(1,089,620)	(7)	(2,516,937)	(16)
INCOME TAX (EXPENSE) BENEFIT (Notes 4 and 27)	<u>(2,208)</u>	<u>-</u>	<u>(4,892)</u>	<u>-</u>	<u>140,861</u>	<u>1</u>	<u>(12,873)</u>	<u>-</u>
NET INCOME (LOSS) FOR THE PERIOD	<u>632,732</u>	<u>9</u>	<u>(950,867)</u>	<u>(17)</u>	<u>(948,759)</u>	<u>(6)</u>	<u>(2,529,810)</u>	<u>(16)</u>
OTHER COMPREHENSIVE INCOME								
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 24)	(41,204)	-	80,955	1	(68,679)	-	33,678	-
Unrealized gain (loss) on available-for-sale financial assets (Note 24)	228,814	3	(199,788)	(3)	13,615	-	(147,285)	(1)
Share of the other comprehensive loss of associates accounted for using the equity method (Note 24)	<u>(18)</u>	<u>-</u>	<u>49</u>	<u>-</u>	<u>(57)</u>	<u>-</u>	<u>12</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>187,592</u>	<u>3</u>	<u>(118,784)</u>	<u>(2)</u>	<u>(55,121)</u>	<u>-</u>	<u>(113,595)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 820,324</u>	<u>12</u>	<u>\$ (1,069,651)</u>	<u>(19)</u>	<u>\$ (1,003,880)</u>	<u>(6)</u>	<u>\$ (2,643,405)</u>	<u>(17)</u>

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share) (Reviewed, Not Audited)

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
NET INCOME (LOSS)								
ATTRIBUTABLE TO:								
Shareholders of the parent	\$ 633,288	9	\$ (949,199)	(17)	\$ (945,749)	(6)	\$ (2,524,483)	(16)
Non-controlling interests	<u>(556)</u>	-	<u>(1,668)</u>	-	<u>(3,010)</u>	-	<u>(5,327)</u>	-
	<u>\$ 632,732</u>	<u>9</u>	<u>\$ (950,867)</u>	<u>(17)</u>	<u>\$ (948,759)</u>	<u>(6)</u>	<u>\$ (2,529,810)</u>	<u>(16)</u>
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Shareholders of the parent	\$ 820,942	12	\$ (1,068,152)	(19)	\$ (1,000,677)	(6)	\$ (2,638,132)	(17)
Non-controlling interests	<u>(618)</u>	-	<u>(1,499)</u>	-	<u>(3,203)</u>	-	<u>(5,273)</u>	-
	<u>\$ 820,324</u>	<u>12</u>	<u>\$ (1,069,651)</u>	<u>(19)</u>	<u>\$ (1,003,880)</u>	<u>(6)</u>	<u>\$ (2,643,405)</u>	<u>(17)</u>
EARNINGS (LOSS) PER SHARE								
(Note 28)								
Basic	<u>\$ 0.18</u>		<u>\$ (0.27)</u>		<u>\$ (0.27)</u>		<u>\$ (0.72)</u>	
Diluted	<u>\$ 0.18</u>		<u>\$ (0.27)</u>		<u>\$ (0.27)</u>		<u>\$ (0.72)</u>	

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

(With Deloitte & Touche review report dated October 25, 2016)

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Shareholders of the Parent											
	Capital Stock				Retained Earnings Accumulated Deficit	Other Equity				Non-controlling Interests	Total Equity	
	Share (Thousands)	Share Capital	Capital Stock to be Cancelled	Capital Surplus		Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) from Available-for-sale Financial Assets	Employee Unearned Compensation	Treasury Shares			Total
Balance at January 1, 2015 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 nine months ended September 30, 2015	-	-	-	-	(2,524,483)	-	-	-	-	(2,524,483)	(5,327)	(2,529,810)
Other comprehensive income (loss) for the nine months ended September 30, 2015, net of income tax	-	-	-	-	-	33,636	(147,285)	-	-	(113,649)	54	(113,595)
Total comprehensive income (loss) for the nine months ended September 30, 2015	-	-	-	-	(2,524,483)	33,636	(147,285)	-	-	(2,638,132)	(5,273)	(2,643,405)
Issue of restricted stock to employees	61,278	612,787	-	(236,895)	-	-	-	(375,892)	-	-	-	-
Compensation cost of restricted stock for employees	-	-	-	-	-	-	-	255,744	-	255,744	-	255,744
Retirement of restricted stock for employees	(1,454)	(14,540)	(7,498)	22,038	-	-	-	-	-	-	-	-
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	-	-	-	71	-	-	-	-	-	71	(121)	(50)
BALANCE AT SEPTEMBER 30, 2015	<u>3,618,598</u>	<u>\$ 36,185,987</u>	<u>\$ (7,498)</u>	<u>\$ 26,866</u>	<u>\$ (16,341,763)</u>	<u>\$ 60,859</u>	<u>\$ 770,152</u>	<u>\$ (329,961)</u>	<u>\$ (159,061)</u>	<u>\$ 20,205,581</u>	<u>\$ 12,238</u>	<u>\$ 20,217,819</u>
BALANCE AT JANUARY 1, 2016	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
Net loss for the nine months ended September 30, 2016	-	-	-	-	(945,749)	-	-	-	-	(945,749)	(3,010)	(948,759)
Other comprehensive income (loss) for the nine months ended September 30, 2016, net of income tax	-	-	-	-	-	(68,543)	13,615	-	-	(54,928)	(193)	(55,121)
Total comprehensive income (loss) for the nine months ended September 30, 2016	-	-	-	-	(945,749)	(68,543)	13,615	-	-	(1,000,677)	(3,203)	(1,003,880)
Compensation cost of restricted stock for employees	-	-	-	327	-	-	-	151,093	-	151,420	-	151,420
Retirement of restricted stock for employees	(2,132)	(21,321)	3,265	18,056	-	-	-	-	-	-	-	-
Increase (decrease) in non-controlling interests	-	-	-	3,051	-	-	-	-	-	3,051	(2,865)	186
BALANCE AT SEPTEMBER 30, 2016	<u>3,615,717</u>	<u>\$ 36,157,168</u>	<u>\$ (3,633)</u>	<u>\$ 76,370</u>	<u>\$ (19,250,022)</u>	<u>\$ (19,620)</u>	<u>\$ 884,983</u>	<u>\$ (112,314)</u>	<u>\$ (159,061)</u>	<u>\$ 17,573,871</u>	<u>\$ 2,695</u>	<u>\$ 17,576,566</u>

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

(With Deloitte & Touche review report dated October 25, 2016)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	\$ (1,089,620)	\$ (2,516,937)
Adjustments for:		
Depreciation expense	1,466,354	4,310,537
Amortization expense	69,454	129,182
Impairment loss recognized on trade receivables	17,375	-
Finance costs	239,934	218,132
Interest income	(14,565)	(23,539)
Dividend income	(97,030)	(95,417)
Compensation cost of employee restricted shares	151,420	255,744
Share of loss of associates	12,198	18,028
Gain on disposal of property, plant and equipment	(5,344)	(5,889)
Gain on disposal of investments	-	(7,491)
Unrealized (realized) gain on the transactions with associates	22	(112)
Net loss (gain) on foreign currency exchange	12,949	(100,861)
Changes in operating assets and liabilities		
(Increase) decrease in financial assets held for trading	(2,180)	95
Increase in notes receivable and trade receivables	(335,402)	(499,061)
(Increase) decrease in receivables from related parties	(1,020,095)	7,117
Increase in other receivables	(41,987)	(14,327)
Decrease (increase) in inventories	2,573,507	(758,036)
Increase in other current assets	(25,134)	(24,732)
Decrease in financial liabilities held for trading	(235)	(4,285)
Increase (decrease) in notes payable and trade payables	362,999	(85,889)
Increase (decrease) in payables to related parties	569,795	(13,871)
Decrease in other payables	(333,494)	(644,529)
Increase in other payables to related parties	5,957	10,131
Increase in provisions	84,786	59,324
Decrease in other current liabilities	(3,172)	(7,512)
Increase in net defined benefit liabilities	<u>6,261</u>	<u>2,179</u>
Cash generated from operations	2,604,753	207,981
Interest received	15,178	24,454
Dividend received	97,030	95,063
Interest paid	(242,855)	(217,085)
Income tax paid	<u>(40,982)</u>	<u>(130,782)</u>
Net cash generated from (used in) operating activities	<u>2,433,124</u>	<u>(20,369)</u>

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Nine Months Ended September 30	
	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from return of capital on financial assets measured at cost	\$ -	\$ 28,209
Payments for property, plant and equipment	(808,216)	(1,380,855)
Proceeds from disposal of property, plant and equipment	5,791	8,277
Increase in refundable deposits	(1,612)	(15,893)
Decrease in refundable deposits	256	17,569
Payments for intangible assets	(18,277)	(30,107)
Decrease in other financial assets	1,109	542
Decrease (increase) in other non-current assets	<u>8,036</u>	<u>(2,222)</u>
Net cash used in investing activities	<u>(812,913)</u>	<u>(1,374,480)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,960,037	7,320,798
Repayments of short-term borrowings	(3,429,949)	(7,820,270)
Proceeds from long-term borrowings	3,896,775	10,851,747
Repayments of long-term borrowings	(5,217,398)	(12,911,269)
Proceeds from guarantee deposits received	50	46
Refund of guarantee deposits received	(100)	(13,214)
Increase (decrease) in other non-current liabilities	17	(141)
Increase (decrease) in non-controlling interests	<u>186</u>	<u>(51)</u>
Net cash used in financing activities	<u>(1,790,382)</u>	<u>(2,572,354)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(29,150)</u>	<u>150,081</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(199,321)	(3,817,122)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>5,592,548</u>	<u>7,636,201</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 5,393,227</u>	<u>\$ 3,819,079</u>

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

(With Deloitte & Touche review report dated October 25, 2016)

(Concluded)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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.

Due to suffering from impacts of the global economic recovery was soft and overall demand was weak. As of September 30, 2016, the Company accumulated deficit was \$19,250,022 thousand. The accumulated deficit incurred by the Company aggregated to one-half of its paid-in capital, but the Company considers that it will not affect the operation. The Company implements plans to improve the operating results and financial condition; the plan includes the following:

- a. Developing of the market aggressively: The Company is a leading manufacturer of non-volatile memory integrated components our products are widely applied in areas including consumer, communications, computers, automotive electronics, internet communications and more, with market share assuming a leading position in the world memory market. To satisfy the constantly increasing market demands for internet of things and intelligent wearable devices, the current demand for the automotive communications market. In response to the aerospace defense market’s strict requirement for high reliability, we successfully developed the world’s first high-efficiency products in succession. After years of comprehensive basic development in areas such as I/A/I (Industrial/automotive/infrastructure), we have laid the groundwork for these to become main drivers for growth this year. It is exactly this commitment to the highest product quality and long-term reliable production that has won for Macronix the trust of customers around the world.
- b. Improving technology to reduce production costs: The NOR Flash process will advance from the 55 nm to 48 nm this year; in SLC NAND Flash, the 36 nm products are already in mass production and we are pushing quickly towards to 19 nm. Above all the policy is to promote process technology and reduce product cost.
- c. Cost-controlling strategy: We implement strict control policy of costs and expenses. Streamlining human resources policy is one of the strategies for cost control.
- d. Improving financial liquidity by stock clearance: Drop down the amount of inventory by adjusting the policy of inventory control. By doing so, it will improve operational performance and generate sufficient net cash inflow.

Through carrying out the above plan, management believes that the Company have improved its performance. Thus, the Group prepares the consolidated financial statements as of and for the nine months ended September 30, 2016 on a going concern basis.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors and authorized for issue on October 25, 2016.

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

- a. International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Rule No. 1050026834 issued by the FSC endorsed the following IFRS, IAS, IFRIC and SIC (collectively, the "IFRSs") for application starting January 1, 2017.

New, Amended or Revised Standards and Interpretations (the "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
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

Note 1: Unless stated otherwise, the above New or amended 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.

Except for the following, the initial application of the above New or amended IFRSs in 2017 would not have any material impact on the Group's accounting policies:

1) Amendment to IAS 36 "Recoverable Amount Disclosures for Non-financial Assets"

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Group is required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively.

2) 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. The share-based payment arrangements with market conditions, non-market conditions or non-vesting conditions will be accounted for differently, and the aforementioned amendment will be applied prospectively to those share-based payments granted on or after January 1, 2017.

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 amendment will be applied prospectively to business combination with acquisition date on or after January 1, 2017.

The amended IFRS 8 requires the Group 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. The judgements made in applying aggregation criteria should be disclosed retrospectively upon initial application of the amendment in 2017.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured 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.

3) 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.

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 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. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

4) 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” stipulates 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.

5) 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 amendment will be applied prospectively to transactions that occur on or after January 1, 2017.

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). The amendment will be applied from January 1, 2016, and any adjustment arising from the initial application of the amendment will be recognized in net defined benefit liabilities, deferred tax asset and retained earnings.

6) 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. Prior to the amendments, the associate or joint venture measures its interest in subsidiaries at fair value but the fair value is unwound, and instead, those subsidiaries are consolidated in the associate’s or joint venture’s result in order to be equity-accounted by the Group. When the amendments become effective, the Group will elect to retain the measurement applied by the associate or joint venture to its interest in subsidiaries.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments will have on the Group’s financial position and financial performance, and will disclose these other impacts when the assessment is completed.

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

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

New IFRSs	Effective Date Announced by IASB (Note)
Amendment to IFRS 2 “Classification and Measurement of Share-based Payment Transactions”	January 1, 2018
Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	January 1, 2018
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
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarification of IFRS 15”	January 1, 2018
IFRS 16 “Leases”	January 1, 2019
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017

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

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 the above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in 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.

Impairment of financial assets

IFRS 9 requires impairment loss on financial assets to be 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) IFRS 15 “Revenue from Contracts with Customers” and related amendment

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 contract; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 and related amendment are 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.

3) 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.

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

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34 “Interim Financial Reporting” as endorsed by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of consolidation

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

c. Other important accounting policies

The accounting policies described in the consolidated financial statements were consistent with those applied in the consolidated financial statements for the year ended December 31, 2015, except for the following:

1) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

2) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The critical accounting judgments and key sources of estimation uncertainty described in the consolidated financial statements were consistent with those applied in the consolidated financial statements for the year ended December 31, 2015, except for the following:

a. Useful lives of property, plant and equipment

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 is to decrease the consolidated depreciation expense described in the consolidated financial statements for the year ended December 31, 2015.

6. CASH AND CASH EQUIVALENTS

	September 30, 2016	December 31, 2015	September 30, 2015
Cash on hand	\$ 321	\$ 264	\$ 341
Checking accounts and demand deposits	3,383,175	3,018,567	2,325,544
Cash equivalent			
Time deposits	<u>2,009,731</u>	<u>2,573,717</u>	<u>1,493,194</u>
	<u>\$ 5,393,227</u>	<u>\$ 5,592,548</u>	<u>\$ 3,819,079</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets at FVTPL - current</u>			
Financial assets held for trading			
Derivative financial assets (not under hedge accounting)			
Foreign exchange forward contracts	\$ 2,180	\$ -	\$ -
<u>Financial liabilities at FVTPL - current</u>			
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange forward contracts	\$ 482	\$ 717	\$ 2,828

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

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>September 30, 2016</u>			
Sell	JPY/NTD	2016.10	USD2,400,000/NTD747,280
<u>December 31, 2015</u>			
Sell	USD/NTD	2016.01	USD11,000/NTD360,937
<u>September 30, 2015</u>			
Sell	USD/NTD	2015.10	USD8,000/NTD262,254
Sell	JPY/NTD	2015.10	JPY400,000/NTD108,600

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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Non-current</u>			
Domestic investments			
Listed shares	\$ 909,204	\$ 900,710	\$ 813,664
Foreign investments			
Listed shares	300,894	298,758	284,680
	<u>\$ 1,210,098</u>	<u>\$ 1,199,468</u>	<u>\$ 1,098,344</u>

9. FINANCIAL ASSETS MEASURED AT COST

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Non-current</u>			
Domestic unlisted common shares	\$ 58,500	\$ 58,500	\$ 58,500
Overseas unlisted common shares	<u>33,869</u>	<u>35,451</u>	<u>35,500</u>
	<u>\$ 92,369</u>	<u>\$ 93,951</u>	<u>\$ 94,000</u>
Classified according to financial asset measurement categories			
Available-for-sale financial assets	<u>\$ 92,369</u>	<u>\$ 93,951</u>	<u>\$ 94,000</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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Notes receivable and Trade receivables</u>			
Notes receivable	\$ -	\$ 243	\$ 478
Trade receivables	3,166,703	2,885,067	3,210,264
Less: Allowance for impairment loss	<u>(17,375)</u>	<u>(271)</u>	<u>(271)</u>
	<u>\$ 3,149,328</u>	<u>\$ 2,885,039</u>	<u>\$ 3,210,471</u>
<u>Other receivables</u>			
Tax receivable	\$ 133,799	\$ 93,660	\$ 123,098
Others	<u>13,018</u>	<u>11,673</u>	<u>50,544</u>
	<u>\$ 146,817</u>	<u>\$ 105,333</u>	<u>\$ 173,642</u>

a. Notes Receivable and 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 assess the potential customer's credit quality and defines credit limits uses an 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.

Aging of notes receivable and trade receivables were as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Neither past due nor impaired	\$ 3,089,650	\$ 2,862,213	\$ 3,160,341
Past due but not impaired			
Within 60 days	54,060	22,109	49,482
61-120 days	5,618	70	-
Over 121 days	<u>-</u>	<u>647</u>	<u>648</u>
	<u>\$ 3,149,328</u>	<u>\$ 2,885,039</u>	<u>\$ 3,210,471</u>

As of September 30, 2016, the Group did not hold collateral for most of the receivables.

Movements of the allowance for doubtful trade receivables were as follows:

	Individually Assessed for Impairment	Collectively Assessed for Impairment	Total
Balance at January 1 and September 30, 2015	<u>\$ 271</u>	<u>\$ -</u>	<u>\$ 271</u>
Balance at January 1, 2016	\$ 271	\$ -	\$ 271
Add: Impairment losses recognized on receivables	17,375	-	17,375
Less: Amounts written off during the period as uncollectible	<u>(271)</u>	<u>-</u>	<u>(271)</u>
Balance at September 30, 2016	<u>\$ 17,375</u>	<u>\$ -</u>	<u>\$ 17,375</u>

The Group recognized impairment loss on trade receivables amounting to \$16,727 thousand as of September 30, 2016. These amounts mainly related to customers that were in severe financial difficulties. The Group did not hold any collateral over these balances.

The carrying amount of trade receivables pledged as collateral for borrowings was disclosed in Note 35.

b. Other receivables

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

11. INVENTORIES

	September 30, 2016	December 31, 2015	September 30, 2015
Finished goods and merchandise	\$ 1,133,819	\$ 1,321,168	\$ 1,718,221
Work in progress	5,302,464	7,618,542	8,228,508
Raw materials	<u>324,494</u>	<u>394,574</u>	<u>463,020</u>
	<u>\$ 6,760,777</u>	<u>\$ 9,334,284</u>	<u>\$ 10,409,749</u>

Write-down of inventories to net realizable value and reversal of inventory write-downs resulting from the increase in net realizable value were included in the cost of goods sold, which were as follows. Previous write-downs were reversed as a result of stock clearance.

	Three Months Ended September 30		Nine Months Ended September 30	
	2016	2015	2016	2015
Inventory losses (reversal of inventory write-downs)	<u>\$ (558,318)</u>	<u>\$ 232,086</u>	<u>\$ (790,185)</u>	<u>\$ 518,831</u>

12. SUBSIDIARIES

Subsidiary included in consolidated financial statements

As of September 30, 2016, 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		
			September 30, 2016	December 31, 2015	September 30, 2015
The Company	Run Hong	Investment company	100.00	100.00	100.00
The Company	Hui Ying	Investment company	100.00	100.00	100.00
The Company and Run Hong	Mxtran	Combi-SIM IC and the related service	94.84	94.84	94.84
The Company and Run Hong	INFOMAX	Baseband chip, analog baseband chip, and power management chip	99.02	99.02	99.02
The Company	MXA	Sales and marketing	100.00	100.00	100.00
The Company	MXBVI	Investment holding company	100.00	100.00	100.00
Mxtran	Mxtran Samoa	Investment holding company	100.00	100.00	100.00
Mxtran Samoa	Mxtran HK	Investment holding company	100.00	100.00	100.00
Mxtran HK	Maxtran Beijing	Technical support of Combi-SIM IC	100.00	100.00	100.00
INFOMAX	Infomax Samoa	Investment holding company	100.00	100.00	100.00
Infomax Samoa	Infomax HK	Investment holding company	100.00	100.00	100.00
Infomax HK	Infomax SU	Software, rendering and technical service	100.00	100.00	100.00
MXBVI	NTTI	IC design	100.00	100.00	100.00
MXBVI	MX Asia	Investment holding company	100.00	100.00	100.00
MXBVI	MPL	After-sales service	100.00	100.00	100.00
MXBVI	MXE	After-sales service	100.00	100.00	100.00
MXBVI	MXHK	Sales and marketing	100.00	100.00	100.00
MXHK	MXm	Development of integrated circuit system and software	100.00	100.00	100.00

Subsidiaries included in consolidated financial statements are immaterial, and its' financial statements have not been reviewed.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	September 30, 2016	December 31, 2015	September 30, 2015
Associates			
MoDioTek Co., Ltd. ("MoDioTek")	\$ <u>68</u>	\$ <u>12,345</u>	\$ <u>20,695</u>

Name of Associate	Main Business	Principal Place of Business	% of Ownership		
			September 30, 2016	December 31, 2015	September 30, 2015
MoDioTek	Wi-Fi video transmission IC and smart security systems	Hsinchu City	23.39	23.39	23.39

The investments accounted for using equity method and the share of profit or loss and other comprehensive income of those investments were based on unreviewed financial statements for the same reporting period.

14. PROPERTY, PLANT AND EQUIPMENT

	Nine Months Ended September 30, 2016					
	Balance, Beginning of Period	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Reclassification	Balance, End of Period
<u>Cost</u>						
Freehold land	\$ 1,320,487	\$ -	\$ -	\$ (32,241)	\$ -	\$ 1,288,246
Buildings	23,709,538	-	11,324	(17,916)	699,382	24,379,680
Machinery equipment	82,541,070	-	167,199	-	218,847	82,592,718
Research and development equipment	5,168,722	3,629	4,845	(2,594)	563,450	5,728,362
Transportation equipment	30,285	-	5,152	(118)	-	25,015
Leasehold improvements	43,850	14	-	(1,164)	-	42,700
Miscellaneous equipment	1,163,014	3,159	17,389	(5,230)	2,260	1,145,814
Advance payments and construction in progress	1,425,924	714,292	-	41	(1,483,939)	656,318
	<u>115,402,890</u>	<u>\$ 721,094</u>	<u>\$ 205,909</u>	<u>\$ (59,222)</u>	<u>\$ -</u>	<u>115,858,853</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	407,984	\$ -	\$ -	\$ (18,208)	\$ -	389,776
Buildings	19,142,362	260,471	11,324	(3,431)	-	19,388,078
Machinery equipment	74,541,409	976,856	167,169	-	3,671	75,354,767
Research and development equipment	3,575,569	183,903	4,503	(1,757)	(2,954)	3,750,258
Transportation equipment	25,177	2,569	5,152	(106)	-	22,488
Leasehold improvements	30,126	4,591	-	(802)	-	33,915
Miscellaneous equipment	1,084,140	37,964	17,314	(4,335)	(717)	1,099,738
	<u>98,806,767</u>	<u>\$ 1,466,354</u>	<u>\$ 205,462</u>	<u>\$ (28,639)</u>	<u>\$ -</u>	<u>100,039,020</u>
Carrying amount at September 30, 2016	<u>\$ 16,596,123</u>					<u>\$ 15,819,833</u>

Nine Months Ended September 30, 2015

	Balance, Beginning of Period	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Reclassification	Balance, End of Period
<u>Cost</u>						
Freehold land	\$ 1,294,628	\$ -	\$ -	\$ 26,850	\$ -	\$ 1,321,478
Buildings	23,088,007	-	13,081	(258)	613,754	23,688,422
Machinery equipment	80,734,087	-	212,597	-	2,000,343	82,521,833
Research and development equipment	6,322,265	5,099	7,127	(41)	(1,221,583)	5,098,613
Transportation equipment	30,323	-	900	(2)	900	30,321
Leasehold improvements	41,247	420	2,419	373	3,230	42,851
Miscellaneous equipment	1,198,945	7,764	14,327	192	13,286	1,205,860
Advance payments and construction in progress	1,804,262	1,046,709	-	(42)	(1,409,930)	1,440,999
	<u>114,513,764</u>	<u>\$ 1,059,992</u>	<u>\$ 250,451</u>	<u>\$ 27,072</u>	<u>\$ -</u>	<u>115,350,377</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	393,380	\$ -	\$ -	\$ 15,164	\$ -	408,544
Buildings	17,930,640	919,357	13,081	45	-	18,836,961
Machinery equipment	70,414,495	2,834,540	211,005	-	597,284	73,635,314
Research and development equipment	3,520,962	498,968	6,947	17	(597,284)	3,415,716
Transportation equipment	22,073	2,709	465	(2)	-	24,315
Leasehold improvements	26,909	4,132	2,419	388	-	29,010
Miscellaneous equipment	1,076,947	50,831	14,146	338	-	1,113,970
	<u>93,385,406</u>	<u>\$ 4,310,537</u>	<u>\$ 248,063</u>	<u>\$ 15,950</u>	<u>\$ -</u>	<u>97,463,830</u>
Carrying amounts at September 30, 2015	<u>\$ 21,128,358</u>					<u>\$ 17,886,547</u>

The carrying amount of the freehold land in the U.S.A. which is unutilized by the Group as of September 30, 2016, December 31, 2015 and September 30, 2015 were US\$9,579 thousand, respectively.

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

Buildings	
Main buildings	21-40 years
Electronic equipment	11-20 years
Facility equipment	6-15 years
Landscape engineering	20 years
Machinery equipment	4-11 years
Research and development equipment	5-11 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 35.

15. INTANGIBLE ASSETS

Nine Months Ended September 30, 2016					
	Balance, Beginning of Period	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Balance, End of Period
<u>Cost</u>					
Software	\$ 309,702	\$ 11,864	\$ 137,166	\$ (1,538)	\$ 182,862
Licenses	58,407	6,000	2,202	-	62,205
Others	18,691	413	3,349	(4)	15,751
	<u>386,800</u>	<u>\$ 18,277</u>	<u>\$ 142,717</u>	<u>\$ (1,542)</u>	<u>260,818</u>
<u>Accumulated amortization and impairment</u>					
Software	232,616	\$ 51,018	\$ 137,166	\$ (1,425)	145,043
Licenses	31,926	13,754	2,202	-	43,478
Others	13,241	4,682	3,349	(4)	14,570
	<u>277,783</u>	<u>\$ 69,454</u>	<u>\$ 142,717</u>	<u>\$ (1,429)</u>	<u>203,091</u>
Carrying amounts at September 30, 2016	<u>\$ 109,017</u>				<u>\$ 57,727</u>

Nine Months Ended September 30, 2015					
	Balance, Beginning of Period	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Balance, End of Period
<u>Cost</u>					
Software	\$ 643,272	\$ 23,368	\$ 300,702	\$ (802)	\$ 365,136
Licenses	58,913	2,859	-	-	61,772
Mask	-	2,535	-	-	2,535
Others	18,459	1,345	1,274	-	18,530
	<u>720,644</u>	<u>\$ 30,107</u>	<u>\$ 301,976</u>	<u>\$ (802)</u>	<u>447,973</u>
<u>Accumulated amortization</u>					
Software	455,190	\$ 110,574	\$ 300,702	\$ (741)	264,321
Licenses	16,629	13,667	-	-	30,296
Mask	-	1,268	-	-	1,268
Others	10,482	3,673	1,274	-	12,881
	<u>482,301</u>	<u>\$ 129,182</u>	<u>\$ 301,976</u>	<u>\$ (741)</u>	<u>308,766</u>
Carrying amounts at September 30, 2015	<u>\$ 238,343</u>				<u>\$ 139,207</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

	September 30, 2016	December 31, 2015	September 30, 2015
Current asset (included in other current assets)	\$ 531	\$ 572	\$ 585
Non-current asset (included in other non-current assets)	<u>20,841</u>	<u>22,877</u>	<u>23,531</u>
	<u>\$ 21,372</u>	<u>\$ 23,449</u>	<u>\$ 24,116</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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Non-current</u>			
Restricted time deposits (Note 35)	\$ 138,861	\$ 139,970	\$ 166,951
Refundable deposits	12,384	11,435	11,705
Long-term receivables	<u>2,401</u>	<u>2,106</u>	<u>2,966</u>
	<u>\$ 153,646</u>	<u>\$ 153,511</u>	<u>\$ 181,622</u>

18. OTHER ASSETS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Current</u>			
Prepayments	\$ 198,832	\$ 179,177	\$ 222,053
Offset against business tax payable	31,448	31,092	30,747
Prepayments for lease	531	572	585
Others	<u>5,193</u>	<u>21</u>	<u>57</u>
	<u>\$ 236,004</u>	<u>\$ 210,862</u>	<u>\$ 253,442</u>
<u>Non-current</u>			
Prepayments for lease	\$ 20,841	\$ 22,877	\$ 23,531
Prepayments	<u>-</u>	<u>6,000</u>	<u>105,009</u>
	<u>\$ 20,841</u>	<u>\$ 28,877</u>	<u>\$ 128,540</u>

19. BORROWINGS

a. Short-term borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Unsecured borrowings</u>			
Import loans	\$ 246,453	\$ 540,028	\$ 730,593
Unsecured borrowings	<u>800,000</u>	<u>1,000,000</u>	<u>950,000</u>
	<u>\$ 1,046,453</u>	<u>\$ 1,540,028</u>	<u>\$ 1,680,593</u>
Interest rate	1.39%-1.91%	1.24%-2.02%	1.07%-1.90%

b. Long-term borrowings

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Secured borrowings</u>			
Loans from financial institution	\$ 9,612,415	\$ 10,671,943	\$ 10,437,491
<u>Unsecured borrowings</u>			
Loans from financial institution	<u>1,646,667</u>	<u>1,913,333</u>	<u>1,763,333</u>
	11,259,082	12,585,276	12,200,824
Less: Current portion	4,595,293	4,683,784	2,311,111
Less: Arrangement fee	<u>22,243</u>	<u>39,502</u>	<u>38,413</u>
Long-term borrowings	<u>\$ 6,641,546</u>	<u>\$ 7,861,990</u>	<u>\$ 9,851,300</u>
Interest rate	1.52%-2.81%	1.73%-2.91%	1.80%-3.02%

	Repayment Terms	September 30, 2016	December 31, 2015	September 30, 2015
Secured syndicated loan denominated in NT\$	From June 2015 to June 2018.	\$ 6,885,000	\$ 7,267,500	\$ 7,650,000
Unsecured bank borrowing denominated in NT\$	From September 2015 to March 2017.	1,000,000	1,000,000	1,000,000
Secured bank borrowing denominated in NT\$	From December 2015 to September 2017.	800,000	800,000	-
Secured bank borrowing denominated in NT\$	From September 2015 to September 2018.	515,000	650,000	650,000
Unsecured bank borrowing denominated in NT\$	From March 2016 to January 2018.	500,000	-	-
Secured bank borrowing denominated in NT\$	From October 2013 to October 2018.	450,000	600,000	650,000
Secured bank borrowing denominated in NT\$	From December 2013 to December 2018.	370,752	490,240	529,719

(Continued)

	Repayment Terms	September 30, 2016	December 31, 2015	September 30, 2015
Secured bank borrowing denominated in NT\$	From January 2015 to January 2020.	\$ 220,412	\$ 251,900	\$ 251,900
Secured bank borrowing denominated in NT\$	From September 2015 to September 2017.	130,000	220,000	250,000
Secured bank borrowing denominated in NT\$	From July 2014 to July 2017.	110,000	200,000	230,000
Secured bank borrowing denominated in JPY	From March 2014 to March 2019.	80,251	91,508	98,981
Unsecured bank borrowing denominated in NT\$	From October 2015 to December 2016.	80,000	240,000	-
Unsecured bank borrowing denominated in NT\$	From September 2014 to September 2017.	66,667	133,333	133,333
Secured bank borrowing denominated in NT\$	From August 2015 to February 2018.	51,000	78,000	87,000
Secured bank borrowing denominated in NT\$	Pay off in April 2016.	-	22,795	39,891
Unsecured bank borrowing denominated in NT\$	Pay off in March 2016.	-	540,000	630,000
Less: Current portion		4,595,293	4,683,784	2,311,111
Arrangement fee		<u>22,243</u>	<u>39,502</u>	<u>38,413</u>
Total long-term borrowings		<u>\$ 6,641,546</u>	<u>\$ 7,861,990</u>	<u>\$ 9,851,300</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 September 30, 2016.

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 based on semi-annual and annual consolidated financial statements. The Group's financial ratios during the first half of 2016 conform to the required ratios, except for the times interest earned. According to the loan contract, it will be considered to breach the contract when the borrower does not conform to any of the required financial ratios two times consecutively. Therefore, the financial ratios of the first half of 2016 which didn't meet the restrictions will not be considered to a breach of contract owing to occur only ones.

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

20. NOTES PAYABLE AND TRADE PAYABLES

	September 30, 2016	December 31, 2015	September 30, 2015
Notes payable	\$ 7	\$ 4,815	\$ 7
Trade payables	<u>2,074,361</u>	<u>1,719,324</u>	<u>1,903,851</u>
	<u>\$ 2,074,368</u>	<u>\$ 1,724,139</u>	<u>\$ 1,903,858</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

	September 30, 2016	December 31, 2015	September 30, 2015
Payable for maintenance and repair	\$ 148,292	\$ 189,336	\$ 168,169
Payable for bonus	137,792	264,690	141,806
Payable for Insurance premium	69,447	156,560	96,603
Payable for pension	56,611	57,531	57,992
Payable for patents	51,891	-	-
Payable for legal fees	51,406	57,240	48,037
Others	<u>443,822</u>	<u>574,978</u>	<u>527,493</u>
	<u>\$ 959,261</u>	<u>\$ 1,300,335</u>	<u>\$ 1,040,100</u>

22. PROVISIONS

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Current</u>			
Employee benefits (a)	\$ 84,664	\$ 79,009	\$ 78,436
Customer returns and rebates (b)	<u>174,094</u>	<u>101,193</u>	<u>131,505</u>
	<u>\$ 258,758</u>	<u>\$ 180,202</u>	<u>\$ 209,941</u>
	Employee Benefits	Customer Returns and Rebates	Total
Balance at January 1, 2016	\$ 79,009	\$ 101,193	\$ 180,202
Additional provisions recognized	77,241	256,459	333,700
Reversing un-usage balances/usage	(71,039)	(176,509)	(247,548)
Net exchange differences	<u>(547)</u>	<u>(7,049)</u>	<u>(7,596)</u>
Balance at September 30, 2016	<u>\$ 84,664</u>	<u>\$ 174,094</u>	<u>\$ 258,758</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

Employee benefit expenses in respect of the Group's defined benefit retirement plans were \$6,504 thousand and \$9,821 thousand for the three months ended September 30, 2016 and 2015 and \$19,511 thousand and \$30,870 thousand for the nine months ended September 30, 2016 and 2015, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2015 and 2014.

The Group maintains a separate executive pension plan and the net periodic pension costs were \$3,089 thousand and \$3,943 thousand for the three months ended September 30, 2016 and 2015 and \$9,266 thousand and \$13,235 thousand for the nine months ended September 30, 2016 and 2015.

24. EQUITY

a. Share capital

Ordinary shares

	September 30, 2016	December 31, 2015	September 30, 2015
Numbers of shares authorized (in thousands)	<u>6,550,000</u>	<u>6,550,000</u>	<u>6,550,000</u>
Share authorized	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>	<u>\$ 65,500,000</u>
Numbers of shares issued and fully paid (in thousands)	<u>3,615,717</u>	<u>3,617,849</u>	<u>3,618,598</u>
Shares issued	<u>\$ 36,157,168</u>	<u>\$ 36,178,489</u>	<u>\$ 36,185,987</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

	September 30, 2016	December 31, 2015	September 30, 2015
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Arising from issuance of common shares	\$ 186,358	\$ 285,217	\$ 285,278
Arising from donations	37	37	37
Arising from treasury share transactions	<u>6,422</u>	<u>6,422</u>	<u>6,422</u>
	<u>\$ 192,817</u>	<u>\$ 291,676</u>	<u>\$ 291,737</u>
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interest in subsidiaries (2)	\$ 4,302	\$ 1,251	\$ 732
Arising from treasury share transactions	<u>20,080</u>	<u>20,080</u>	<u>20,080</u>
	<u>\$ 24,382</u>	<u>\$ 21,331</u>	<u>\$ 20,812</u>
<u>May not be used for any purpose</u>			
Arising from employee restricted shares	<u>\$ (140,829)</u>	<u>\$ (258,071)</u>	<u>\$ (285,683)</u>

- 1) Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's paid-in capital and once a year).
- 2) Such capital surplus arises from changes in capital surplus of subsidiaries accounted for by using equity method.

c. Retained earnings and dividend policy

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 and been approved by the annual shareholders' meeting on June 18, 2015. Due to the net loss for the nine months ended September 30, 2016 and 2015, there were no accrual for bonus to employees and remuneration to directors.

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, the above shareholders' dividends can retain as undistributed earnings, and distribute in 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.

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 employees' compensation and remuneration to directors and supervisors for 2015 resolved by the Company's board of directors in 2016 is available on the Market Observation Post System website of the Taiwan Stock Exchange.

As of September 30, 2016, the accumulated loss incurred by the Company aggregates to one half of its paid-in capital. Under the Article 211 of the Company Act, the board of directors had made a report to the annual shareholder's meeting in 2016.

d. Others equity items

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

	For the Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ 48,923	\$ 27,223
Exchange differences arising on translating the financial statements of foreign operations	<u>(68,543)</u>	<u>33,636</u>
Balance at September 30	<u>\$ (19,620)</u>	<u>\$ 60,859</u>

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

	For the Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ 871,368	\$ 917,437
Unrealized gain (loss) arising on revaluation of available-for-sale financial assets	<u>13,615</u>	<u>(147,285)</u>
Balance at September 30	<u>\$ 884,983</u>	<u>\$ 770,152</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 Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ (263,407)	\$ (209,813)
Issuance of shares	-	(375,892)
Share-based payment expenses recognized	151,420	255,744
Adjustment for change of turnover rate	<u>(327)</u>	<u>-</u>
Balance at September 30	<u>\$ (112,314)</u>	<u>\$ (329,961)</u>

e. Non-controlling interests

	For the Nine Months Ended September 30	
	2016	2015
Balance at January 1	\$ 8,763	\$ 13,101
Attributable to non-controlling interests:		
Share of loss for the period	(3,010)	(5,327)
Exchange difference arising on translation of foreign operations	(193)	54
Non-controlling interest relating to outstanding vested share options held by the employees of subsidiaries	(2,865)	(121)
Non-controlling interest arising from acquisition at a percentage different from its earlier ownership percentage of subsidiaries (Note 30)	<u>-</u>	<u>4,531</u>
Balance at September 30	<u>\$ 2,695</u>	<u>\$ 12,238</u>

f. Treasury shares

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

Name of Subsidiary	Number of Shares Held (In Thousands)	Carrying Amount	Market Price
<u>September 30, 2016</u>			
Hui Ying	3,899	\$ 159,061	\$ 16,338
<u>December 31, 2015</u>			
Hui Ying	3,899	159,061	18,639
<u>September 30, 2015</u>			
Hui Ying	3,899	159,061	16,377

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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Revenue from the sale of goods	\$ 7,088,682	\$ 5,640,333	\$ 17,350,382	\$ 15,313,499
Royalty income and others	<u>2,987</u>	<u>6,867</u>	<u>8,744</u>	<u>15,204</u>
	<u>\$ 7,091,669</u>	<u>\$ 5,647,200</u>	<u>\$ 17,359,126</u>	<u>\$ 15,328,703</u>

The analysis of the Group's revenue and main products was disclosed in Note 39.

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

a. Other income

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Dividend income	\$ 48,839	\$ 60,018	\$ 97,030	\$ 95,417
Interest income	4,072	5,121	14,565	23,539
Intellectual property rights income	-	-	-	951,300
Others	<u>11,521</u>	<u>10,875</u>	<u>30,042</u>	<u>30,719</u>
	<u>\$ 64,432</u>	<u>\$ 76,014</u>	<u>\$ 141,637</u>	<u>\$ 1,100,975</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Net foreign exchange (loss) gain	\$ (37,675)	\$ 134,668	\$ (7,381)	\$ 102,295
Net gain (loss) arising on financial assets at FVTPL	14,318	(7,175)	16,307	(7,051)
Gain on disposal of investment	-	-	-	7,491
Others	<u>(4,195)</u>	<u>(14,974)</u>	<u>(12,388)</u>	<u>(15,847)</u>
	<u>\$ (27,552)</u>	<u>\$ 112,519</u>	<u>\$ (3,462)</u>	<u>\$ 86,888</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Interest on loans	\$ 70,991	\$ 81,342	\$ 238,007	\$ 224,032
Other interest expense	3,965	-	3,987	-
Less: Amounts included in the cost of qualifying assets	<u>(1,010)</u>	<u>(1,584)</u>	<u>(2,060)</u>	<u>(5,900)</u>
	<u>\$ 73,946</u>	<u>\$ 79,758</u>	<u>\$ 239,934</u>	<u>\$ 218,132</u>

Information about capitalized interest was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Capitalized interest	\$ 1,010	\$ 1,584	\$ 2,060	\$ 5,900
Capitalization rate	1.80%	1.57%	1.33%	1.67%

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Property, plant and equipment	\$ 489,206	\$ 1,423,454	\$ 1,466,354	\$ 4,310,537
Intangible assets	<u>21,281</u>	<u>37,022</u>	<u>69,454</u>	<u>129,182</u>
	<u>\$ 510,487</u>	<u>\$ 1,460,476</u>	<u>\$ 1,535,808</u>	<u>\$ 4,439,719</u>
An analysis of depreciation by function				
Operating costs	\$ 387,320	\$ 1,236,308	\$ 1,157,641	\$ 3,733,040
Operating expenses	<u>101,886</u>	<u>187,146</u>	<u>308,713</u>	<u>577,497</u>
	<u>\$ 489,206</u>	<u>\$ 1,423,454</u>	<u>\$ 1,466,354</u>	<u>\$ 4,310,537</u>
An analysis of amortization by function				
Operating costs	\$ 11,839	\$ 23,701	\$ 39,346	\$ 84,284
Selling and marketing expenses	149	151	451	447
General administration expenses	1,821	4,938	7,286	19,648
Research and development expenses	<u>7,472</u>	<u>8,232</u>	<u>22,371</u>	<u>24,803</u>
	<u>\$ 21,281</u>	<u>\$ 37,022</u>	<u>\$ 69,454</u>	<u>\$ 129,182</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Post-employment benefits (Note 23)				
Defined contribution plans	\$ 60,848	\$ 62,805	\$ 184,120	\$ 186,996
Defined benefit plans	<u>9,593</u>	<u>9,821</u>	<u>28,777</u>	<u>30,870</u>
	70,441	72,626	212,897	217,866
Share-based payments				
Equity-settled	34,676	99,070	151,420	255,744
Other employee benefits	<u>1,320,084</u>	<u>1,388,410</u>	<u>4,043,308</u>	<u>4,225,741</u>
Total employee benefits expense	<u>\$ 1,425,201</u>	<u>\$ 1,560,106</u>	<u>\$ 4,407,625</u>	<u>\$ 4,699,351</u>
An analysis of employee benefits expense by function				
Operating costs	\$ 634,003	\$ 626,811	\$ 1,942,573	\$ 2,082,549
Operating expenses	<u>791,198</u>	<u>933,295</u>	<u>2,465,052</u>	<u>2,616,802</u>
	<u>\$ 1,425,201</u>	<u>\$ 1,560,106</u>	<u>\$ 4,407,625</u>	<u>\$ 4,699,351</u>

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. The major components of income tax expense (benefit) recognized in profit or loss

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Current tax				
In respect of the current period	\$ 2,382	\$ 5,236	\$ 6,613	\$ 11,509
Adjustments for prior periods	(291)	-	(145,300)	1
Deferred tax				
In respect of the current period	<u>117</u>	<u>(344)</u>	<u>(2,174)</u>	<u>1,363</u>
Income tax expense (benefit) recognized in profit or loss	<u>\$ 2,208</u>	<u>\$ 4,892</u>	<u>\$ (140,861)</u>	<u>\$ 12,873</u>

b. Integrated income tax

	September 30, 2016	December 31, 2015	September 30, 2015
Accumulated deficit			
Generated before January 1, 1998	\$ -	\$ -	\$ -
Generated on and after January 1, 1998	<u>(19,250,022)</u>	<u>(18,304,273)</u>	<u>(16,341,763)</u>
	<u>\$ (19,250,022)</u>	<u>\$ (18,304,273)</u>	<u>\$ (16,341,763)</u>
Imputation credits accounts	<u>\$ 473,568</u>	<u>\$ 421,581</u>	<u>\$ 421,581</u>

No tax creditable ratios were calculated for accumulated deficit as of September 30, 2016, December 31, 2015 and September 30, 2015, respectively.

c. Income tax assessments

The tax returns through 2014 have been assessed by the tax authorities.

28. EARNINGS (LOSS) PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Basic earnings (loss) per share	<u>\$0.18</u>	<u>\$(0.27)</u>	<u>\$(0.27)</u>	<u>\$(0.72)</u>
Diluted earnings (loss) per share	<u>\$0.18</u>	<u>\$(0.27)</u>	<u>\$(0.27)</u>	<u>\$(0.72)</u>

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

Net Income (Loss) for the Period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Income (loss) for the period attributable to owners of the Company	<u>\$ 633,288</u>	<u>\$(949,199)</u>	<u>\$(945,749)</u>	<u>\$(2,524,483)</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Weighted average number of ordinary shares in computation of basic earnings (loss) per share	<u>3,559,336</u>	<u>3,522,841</u>	<u>3,550,352</u>	<u>3,519,349</u>
Weighted average number of ordinary shares in computation of diluted earnings (loss) per share	<u>3,582,533</u>	<u>3,522,841</u>	<u>3,550,352</u>	<u>3,519,349</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 nine months ended September 30, 2016 and 2015.

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 Nine Months Ended September 30			
	2016		2015	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	1,181	\$ 10.00	1,309	\$ 10.00
Options cancelled	<u>(493)</u>	-	<u>(52)</u>	-
Balance at September 30	<u>688</u>	10.00	<u>1,257</u>	10.00

As of September 30, 2016, 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)
\$ 10.00	<u>688</u>	0.86	\$ 10.00	<u>688</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 three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015, the compensation cost recognized were NT\$0, respectively. As of September 30, 2016 and 2015, the estimated percentages of forfeiture due to termination of employment over the remaining vesting period were 52.76% and 4.1%, respectively.

INFOMAX

Approved by the Board of Directors of INFOMAX on January 26, 2011, INFOMAX was authorized to issue employee stock options for 1,346 thousand units. Each stock option may subscribe for one new share of common stock of INFOMAX. The options 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 Nine Months Ended September 30			
	2016		2015	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	5,121	\$ 31.87	7,116	\$ 31.87
Options cancelled	<u>(4,742)</u>	-	<u>(93)</u>	-
Balance at September 30	<u>379</u>	31.87	<u>7,023</u>	31.87

As of September 30, 2016, information about INFOMAX's outstanding and exercisable option was as follows:

Range of Exercise Price (NT\$)	Options Issued on or After January 26, 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)
\$ 31.87	<u>379</u>	0.32	\$ 31.87	<u>379</u>	\$ 31.87

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 three months ended September 30, 2016 and 2015, and the nine months ended September 30, 2016 and 2015, the compensation cost weren't recognized because of small. As of September 30, 2016 and 2015, the estimated percentages of forfeiture due to termination of employment over the remaining vesting period were both 3%.

b. Restricted Stock Plan for employees

Information on Stock Plan for employees were as below:

Approved Date	Grant Shares (Thousand)	The Board of Directors Grant Shares (Thousand)	Grant Date	Issued Date	Issued Shares (Thousand)	Fair Value
2014/06/18	123,251	38,365	2014/08/28	2014/12/25	37,301	\$ 7.76
		62,213	2015/03/16	2015/07/22	61,279	6.82
2016/06/16	123,535	Note	Note	Note	Note	Note

Note: The application is approved by the FSC and has become effective on October 17, 2016, the Company would issue the new shares on one or more times basis as needed.

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 Nine Months Ended September 30	
	2016	2015
Balance at January 1	81,407	37,301
Granted (Note 1)	-	62,213
Vested	(34,174)	(14,253)
Forfeited (Notes 2 and 3)	<u>(1,806)</u>	<u>(3,138)</u>
Balance at September 30	<u>45,427</u>	<u>82,123</u>

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

Note 2: The forfeited shares for the nine months ended September 30, 2016 consisted of 363 thousand shares not yet cancelled and 1,443 thousand shares already cancelled.

Note 3: The forfeited shares for the nine months ended September 30, 2015 consisted of 750 thousand shares not yet cancelled, 1,454 thousand shares already cancelled and 934 thousand shares representing the difference between granted and issued on March 16, 2015.

For the three months ended September 30, 2016 and 2015, the compensation cost recognized were NT\$34,676 thousand and NT\$99,070 thousand, respectively. For the nine months ended September 30, 2016 and 2015, the compensation cost recognized was NT\$151,420 thousand and NT\$255,744 thousand, respectively.

30. EQUITY TRANSACTIONS WITH NONCONTROLLING INTERESTS

On April 30, 2015, the Group subscribed for additional new shares of Mxtran at a percentage different from its exiting 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>

31. OPERATING LEASE ARRANGEMENTS

a. The Group as lessee

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

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

	September 30, 2016	December 31, 2015	September 30, 2015
Not later than 1 year	\$ 89,346	\$ 65,630	\$ 40,176
Later than 1 year and not later than 5 years	327,949	219,824	123,169
Later than 5 years	<u>902,562</u>	<u>551,786</u>	<u>201,470</u>
	<u>\$ 1,319,857</u>	<u>\$ 837,240</u>	<u>\$ 364,815</u>

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

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Minimum lease payment	<u>\$ 30,333</u>	<u>\$ 25,460</u>	<u>\$ 100,441</u>	<u>\$ 79,251</u>

b. The Group as lessor

Operating leases relate to the building owned by the Group with lease terms between 2 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:

	September 30, 2016	December 31, 2015	September 30, 2015
Not later than 1 year	\$ 1,823	\$ 3,720	\$ 4,142
Later than 1 year and not later than 5 years	<u>667</u>	<u>1,030</u>	<u>1,649</u>
	<u>\$ 2,490</u>	<u>\$ 4,750</u>	<u>\$ 5,791</u>

32. 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.

33. 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 on a recurring basis

1) Fair value hierarchy

September 30, 2016

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
derivative financial instruments	\$ <u>-</u>	\$ <u>2,180</u>	\$ <u>-</u>	\$ <u>2,180</u>
Available-for-sale financial assets				
Securities listed in ROC	\$ 909,204	\$ -	\$ -	\$ 909,204
Securities listed in other countries	<u>300,894</u>	<u>-</u>	<u>-</u>	<u>300,894</u>
	<u>\$ 1,210,098</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,210,098</u>
Financial liabilities at FVTPL				
Derivative financial instruments	\$ <u>-</u>	\$ <u>482</u>	\$ <u>-</u>	\$ <u>482</u>

December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
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>

September 30, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Securities listed in ROC	\$ 813,664	\$ -	\$ -	\$ 813,664
Securities listed in other countries	<u>284,680</u>	<u>-</u>	<u>-</u>	<u>284,680</u>
	<u>\$ 1,098,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,098,344</u>
Financial liabilities at FVTPL				
Derivative financial instruments	<u>\$ -</u>	<u>\$ 2,828</u>	<u>\$ -</u>	<u>\$ 2,828</u>

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

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Financial assets</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	\$ 2,180	\$ -	\$ -
Loans and receivables (i)	10,261,592	9,133,505	7,865,811
Available-for-sale financial assets (ii)	1,302,467	1,293,419	1,192,344
<u>Financial liabilities</u>			
Fair value through profit or loss (FVTPL)			
Held for trading	482	717	2,828
Measured at amortized cost (iii)	16,040,429	17,343,989	17,003,164

- i) The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, notes receivable and trade receivables (including receivables from related parties), other receivables and other financial assets (including current and non-current).
 - 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 Nine Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2016	2015	2016	2015
Pre-tax loss increase	<u>\$ 62,478</u>	<u>\$ 26,565</u>	<u>\$ 14,552</u>	<u>\$ 19,236</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:

	September 30, 2016	December 31, 2015	September 30, 2015
Fair value interest rate risk			
Financial assets	\$ 2,109,263	\$ 2,636,746	\$ 1,575,525
Financial liabilities	792,488	1,027,786	1,500,234
Cash flow interest rate risk			
Financial assets	3,422,504	3,095,509	2,410,164
Financial liabilities	11,513,047	13,097,518	12,381,183

Sensitive analysis

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

If interest rates had been 50 basis points higher/lower, the Group's pre-tax loss for the nine months ended September 30, 2016 and 2015 would increase/decrease by \$43,091 thousand and \$46,285 thousand, respectively.

c) Other price risk

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

Sensitive analysis

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

If equity prices had been 10% higher/lower, equity for the nine months ended September 30, 2016 and 2015 would have increased/decreased by \$121,010 thousand and \$109,834 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 a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk mainly arises from trade receivables - operating, bank deposits, and other financial instruments. Credit risk is managed separately for business related and financial related exposures.

Business related credit risk

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

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

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

As of September 30, 2016, December 31, 2015 and September 30, 2015, the Group's ten largest customers accounted for 58%, 48% and 47% 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 September 30, 2016, December 31, 2015 and September 30, 2015, the Group had available unutilized overdraft and short-term bank loan facilities of approximately \$2,760,056 thousand, \$2,504,580 thousand and \$2,375,728 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.

September 30, 2016

	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	\$ 3,757,137	\$ -	\$ -	\$ -	\$ 3,757,137
Variable interest rate liabilities	5,043,097	6,701,242	31,516	-	11,775,855
Fixed interest rate liabilities	<u>792,703</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>792,703</u>
	<u>\$ 9,592,937</u>	<u>\$ 6,701,242</u>	<u>\$ 31,516</u>	<u>\$ -</u>	<u>\$ 16,325,695</u>

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	<u>1,029,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,029,375</u>
	<u>\$ 9,746,472</u>	<u>\$ 8,002,062</u>	<u>\$ 86,192</u>	<u>\$ -</u>	<u>\$ 17,834,726</u>

September 30, 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	\$ 3,160,160	\$ -	\$ -	\$ -	\$ 3,160,160
Variable interest rate liabilities	2,768,864	9,934,521	201,738	-	12,905,123
Fixed interest rate liabilities	<u>1,503,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,503,440</u>
	<u>\$ 7,432,464</u>	<u>\$ 9,934,521</u>	<u>\$ 201,738</u>	<u>\$ -</u>	<u>\$ 17,568,723</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.

September 30, 2016

	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	\$ 747,280	\$ -	\$ -	\$ -	\$ -
Outflows	745,582	-	-	-	-

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	-	-	-	-

September 30, 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	\$ 370,854	\$ -	\$ -	\$ -	\$ -
Outflows	373,682	-	-	-	-

e. Transfers of financial assets

According to the contract of discounted trade receivables, if the trade receivables are not paid at maturity, the bank has the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these trade receivables, it continues to recognize the full carrying amount of the receivables and has recognized the cash received on the transfer as a secured borrowing. As of September 30, 2016, the carrying amount of the trade receivables that have been transferred but have not been derecognized amounted to \$187,651 thousand. As the Group has not discounted trade receivables to a bank for cash proceeds, any liabilities haven't been recognized.

34. 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 Three Months Ended September 30		For the Nine Months Ended September 30	
		2016	2015	2016	2015
Sales	Key management personnel	\$ 2,047,062	\$ 937,062	\$ 3,136,577	\$ 1,994,512
	Others	229	-	2,251	1,447
	Associates	<u>171</u>	<u>1,594</u>	<u>1,631</u>	<u>2,616</u>
		<u>\$ 2,047,462</u>	<u>\$ 938,656</u>	<u>\$ 3,140,459</u>	<u>\$ 1,998,575</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 Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Key management personnel	<u>\$ 548,789</u>	<u>\$ -</u>	<u>\$ 550,290</u>	<u>\$ 24,419</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. Receivables from related parties

Line Items	Related Parties Categories	September 30, 2016	December 31, 2015	September 30, 2015
Receivables from related parties, net	Key management personnel	\$ 1,418,497	\$ 396,937	\$ 479,717
	Associates	77	93	1,280
	Others	<u>-</u>	<u>44</u>	<u>-</u>
		<u>\$ 1,418,574</u>	<u>\$ 397,074</u>	<u>\$ 480,997</u>
Other receivables	Associates	\$ 155	\$ 327	\$ 277
	The Group is its major management authority	-	2,388	91
	Others	<u>114</u>	<u>32</u>	<u>-</u>
		<u>\$ 269</u>	<u>\$ 2,747</u>	<u>\$ 368</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2016 and 2015, no impairment loss was recognized for trade receivables from related parties.

d. Payables to related parties

Line Items	Related Parties Categories	September 30, 2016	December 31, 2015	September 30, 2015
Payables to related parties	Key management personnel	\$ 549,183	\$ 15,574	\$ -
	The Group is its major management authority	<u>45,662</u>	<u>11,557</u>	<u>51,649</u>
		<u>\$ 594,845</u>	<u>\$ 27,131</u>	<u>\$ 51,649</u>
Other payables to related parties	Others	\$ 4,825	\$ -	\$ 9,770
	Associates	<u>-</u>	<u>355</u>	<u>361</u>
		<u>\$ 4,825</u>	<u>\$ 355</u>	<u>\$ 10,131</u>

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

e. Other transactions with related parties

Line Items	Related Parties Categories	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2016	2015	2016	2015
Manufacturing expense	The Group is its major management authority	<u>\$ 41,826</u>	<u>\$ 59,213</u>	<u>\$ 86,448</u>	<u>\$ 180,166</u>
Operating expense	Others	\$ 882	\$ 5,550	\$ 11,765	\$ 16,650
	Key management personnel	-	-	2,430	2,727
	Associates	<u>-</u>	<u>450</u>	<u>303</u>	<u>1,281</u>
		<u>\$ 882</u>	<u>\$ 6,000</u>	<u>\$ 14,498</u>	<u>\$ 20,658</u>
Software and pattern revenue	The Group is its major management authority	\$ -	\$ 140	\$ 1,951	\$ 355
	Associates	161	-	558	1,202
	Key management personnel	<u>-</u>	<u>282</u>	<u>4</u>	<u>-</u>
		<u>\$ 161</u>	<u>\$ 422</u>	<u>\$ 2,513</u>	<u>\$ 1,557</u>
Rental revenue	Associates	<u>\$ 1,141</u>	<u>\$ 1,606</u>	<u>\$ 3,672</u>	<u>\$ 4,820</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. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2016	2015	2016	2015
Short-term benefits	\$ 26,074	\$ 25,885	\$ 96,791	\$ 89,210
Post-employment benefits	3,116	3,969	9,347	11,909
Share-based payments	3,986	9,076	17,075	24,800
Other long-term employee benefits	<u>(107)</u>	<u>18</u>	<u>25</u>	<u>193</u>
	<u>\$ 33,069</u>	<u>\$ 38,948</u>	<u>\$ 123,238</u>	<u>\$ 126,112</u>

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

35. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

	September 30, 2016	December 31, 2015	September 30, 2015
Property, plant and equipment, net	\$ 11,576,074	\$ 12,527,602	\$ 13,691,542
Trade receivables	861,274	781,982	-
Pledge deposits (classified as other financial assets - non-current)	<u>138,861</u>	<u>139,970</u>	<u>166,951</u>
	<u>\$ 12,576,209</u>	<u>\$ 13,449,554</u>	<u>\$ 13,858,493</u>

36. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

In addition to those disclosed in other notes, significant commitments and contingencies of the Group as of September 30, 2016 were as follows:

- As of September 30, 2016, December 31 2015 and September 30, 2015, unused letters of credit amounted to approximately \$42,734 thousand, \$0 and \$0 thousand, respectively.
- Unrecognized commitments are as follows:

	September 30, 2016	December 31, 2015	September 30, 2015
Acquisition of property, plant and equipment	<u>\$ 204,418</u>	<u>\$ 339,954</u>	<u>\$ 411,508</u>

- The Company entered into the Phase-change memory technology agreement with IBM Company in January 2010, and the agreement has been renewed in every three years. Under the agreement, both parties have to share the related expenditures of the technology development. The term of the second agreement is from January 2013 to January 2016. As of September 30, 2016, 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. As of September 30, 2016, the unrecognized commitment is US\$6,200 thousand.

37. 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:

September 30, 2016

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 5,211,069	0.3109	\$ 1,620,121
USD	105,057	31.36	<u>3,294,588</u>
			<u>\$ 4,914,709</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	2,343,022	0.3109	\$ 728,446
USD	38,648	31.36	<u>1,212,001</u>
			<u>\$ 1,940,447</u>

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>

September 30, 2015

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 2,252,008	0.2739	\$ 616,825
USD	87,208	32.87	<u>2,866,527</u>
			<u>\$ 3,483,352</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	1,139,578	0.2739	\$ 312,130
USD	52,269	32.87	<u>1,718,082</u>
			<u>\$ 2,030,212</u>

For the three and the nine months ended September 30, 2016, realized and unrealized net foreign exchange loss were \$37,675 thousand and \$7,381 thousand, respectively. For the three and the nine months ended September 30, 2015, realized and unrealized net foreign exchange gains were \$134,668 thousand and \$102,295 thousand, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

38. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

- a. Financing provided to others: None
- b. Endorsements/guarantees provided: None
- c. Marketable securities held (excluding investment in subsidiaries, associates and joint ventures):
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

39. 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 Three Months Ended		For the Nine Months Ended		For the Three Months Ended		For the Nine Months Ended	
	September 30	September 30	September 30	September 30	September 30	September 30	September 30	September 30
	2016	2015	2016	2015	2016	2015	2016	2015
Memory products and wafer fabrication	\$ 7,084,052	\$ 5,644,713	\$ 17,345,692	\$ 15,312,101	\$ 712,674	\$ (958,302)	\$ (797,169)	\$ (3,188,260)
IC design	7,617	2,487	13,434	16,602	(36,848)	(91,541)	(178,494)	(280,380)
Total	<u>\$ 7,091,669</u>	<u>\$ 5,647,200</u>	<u>\$ 17,359,126</u>	<u>\$ 15,328,703</u>	675,826	(1,049,843)	(975,663)	(3,468,640)
Other income					64,432	76,014	141,637	1,100,975
Other gains and losses					(27,552)	112,519	(3,462)	86,888
Finance costs					(73,946)	(79,758)	(239,934)	(218,132)
Share of loss of associates					(3,820)	(4,907)	(12,198)	(18,028)
Income (loss) before tax (continuing operations)					<u>\$ 634,940</u>	<u>\$ (945,975)</u>	<u>\$ (1,089,620)</u>	<u>\$ (2,516,937)</u>

b. Segment total assets and liabilities

	September 30, 2016	December 31, 2015	September 30, 2015
<u>Segment assets</u>			
Memory products and wafer fabrication	\$ 35,233,223	\$ 37,280,467	\$ 38,253,696
IC design	<u>139,670</u>	<u>347,195</u>	<u>553,454</u>
Consolidated total assets	<u>\$ 35,372,893</u>	<u>\$ 37,627,662</u>	<u>\$ 38,807,150</u>
<u>Segment liabilities</u>			
Memory products and wafer fabrication	\$ 17,776,476	\$ 19,143,129	\$ 18,546,367
IC design	<u>19,851</u>	<u>55,693</u>	<u>42,964</u>
Consolidated total liabilities	<u>\$ 17,796,327</u>	<u>\$ 19,198,822</u>	<u>\$ 18,589,331</u>

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

MARKETABLE SECURITIES HELD

SEPTEMBER 30, 2016

(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	September 30, 2016				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	35,951,871	\$ 859,250	7.40	\$ 859,250	Note 1
	United Industrial Gases Co., Ltd.	None	Financial assets measured at cost - non-current	6,671,877	58,500	3.06	147,830	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	7	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	49,954	0.17	49,954	Note 1
	Key ASIC Bhd	None	Available-for-sale financial assets - non-current	26,924,500	22,459	3.23	22,459	Note 1
	Tower Semiconductor Ltd.	None	Available-for-sale financial assets - non-current	584,893	278,435	0.65	278,435	Note 1
	Global Strategic Investment Fund (Cayman)	None	Financial assets measured at cost - non-current	490,000	-	2.52	16,067	Note 2
	Global Strategic Investment Fund (Samoa)	None	Financial assets measured at cost - non-current	1,739,783	33,869	4.90	35,141	Note 2
Hui Ying	<u>Stock</u> Macronix International Co., Ltd.	The Company	Available-for-sale financial assets - non-current	3,899,382	16,338	0.11	16,338	Note 1
	Raio Technology Co., Ltd.	None	Financial assets measured at cost - non-current	1,018,159	-	10.33	24,095	Note 2

Note 1: The market value was based on the closing price as of September 30, 2016.

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.

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 NINE MONTHS ENDED SEPTEMBER 30, 2016
 (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	\$ 3,136,577	18	30 days after monthly closing	Note 34	Note 34	\$ 1,418,497	30	-
	MXHK	Indirect subsidiary	Sales	2,639,544	15	45 days after monthly closing	Note 34	Note 34	572,916	12	-
	MXA	Subsidiary	Sales	595,441	3	Net 60 days	Note 34	Note 34	112,963	2	-
	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	Purchase	550,290	16	30 days after monthly closing	Note 34	Note 34	549,183	21	-
MXHK	The Company	Indirect subsidiary	Purchase	US\$ 81,595	100	45 days after monthly closing	No material difference	No material difference	US\$ 18,272	100	-
MXA	The Company	Subsidiary	Purchase	US\$ 18,408	100	Net 60 days	No material difference	No material difference	US\$ 2,722	100	-

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

SEPTEMBER 30, 2016

(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	Actions Taken		
The Company	MegaChips Corporation	Its subsidiary, Shun Ying Investment, is represented in MXIC's board of directors	\$ 1,418,497	4.61 times	\$ 1	-	JPY 4,186,007 thousand	\$ -
	MXHK	Indirect subsidiary	572,916	6.44 Times	-	-	US\$ 11,209 thousand	-
	MXA	Subsidiary	112,963	9.44 times	-	-	US\$ 1,894 thousand	-

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of September 30, 2016			Net Income (Loss) of the Investee (Note 3)	Share of Profits (Loss)	Note
				September 30, 2016 (Note 1)	December 31, 2015 (Note 1)	Shares	%	Carrying Amount (Note 2)			
The Company	MXA	San Jose, California, U.S.A.	Sales and marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 113,754	\$ (38,859)	\$ (38,858)	
	MXBVI	Tortola, British Virgin Islands	Investment holding company	6,977,791	6,977,791	212,048,000	100.00	1,605,230	32,187	32,187	
	Hui Ying	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	23,607	60	60	
	Run Hong	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	15,723	(4,656)	(4,656)	
	INFOMAX	Hsinchu, Taiwan	Baseband chip, analog baseband chip, and power management chip	1,502,711	1,502,711	150,271,240	97.25	94,564	(139,355)	(135,523)	
	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and the related service	697,374	697,374	69,627,323	90.43	19,870	(31,875)	(28,824)	
	MoDioTek	Hsinchu, Taiwan	Wi-Fi video transmission IC and smart security systems	59,944	59,944	5,994,371	20.61	66	(52,728)	(10,748)	
MXBVI	NTTI	San Jose, California, U.S.A.	IC design	866,796	858,641	26,350,000	100.00	307,493	(4,065)	Note 4	
	MXE	Belgium	After-sales service	2,106	2,106	999	100.00	98,912	5,512	Note 4	
	MPL	Singapore	After-sales service	3,291	3,291	174,000	100.00	17,656	666	Note 4	
	MXHK	Hong Kong	Sales and marketing	378,427	378,427	89,700,000	100.00	480,180	12,372	Note 4	
	MX Asia	Cayman Island	Investment holding company	23,035	23,035	700,000	100.00	59,638	3,109	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	1,721	(139,355)	Note 4	
	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and the related service	34,271	34,271	3,393,200	4.41	969	(31,875)	Note 4	
	MoDioTek	Hsinchu, Taiwan	Wi-Fi video transmission IC and smart security systems	4,241	4,241	403,245	1.39	1	(52,728)	Note 4	
Hui Ying	MoDioTek	Hsinchu, Taiwan	Wi-Fi video transmission IC and smart security systems	4,241	4,241	403,245	1.39	1	(52,728)	Note 4	
INFOMAX	Infomax Samoa	Samoa	Investment holding company	306,036	292,997	9,870,000	100.00	6,303	(15,809)	Note 4	
Infomax Samoa	Infomax HK	Hong Kong	Investment holding company	97,521	97,521	23,352,500	100.00	3,896	(2,468)	Note 4	
Mxtran	Mxtran Samoa	Samoa	Investment holding company	35,979	35,979	1,170,000	100.00	1,086	(14)	Note 4	
Mxtran Samoa	Mxtran HK	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	466	(14)	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 unreviewed financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the exchange rate on September 30, 2016

Note 3: The foreign currency amount was based on unreviewed financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the average exchange rate for the nine months ended September 30, 2016.

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Counterparty	Relationship (Note 1)	Financial Statement Accounts	Transaction Details		
				Amount	Payment Terms	% to Total Revenues or Assets
MXIC	MXHK	2	Sales	\$ 2,639,544	Note 2	15%
			Notes receivable and trade receivables	572,916		2%
	MXE	2	Operating expenses	95,045		1%
			Other payables	30,170		-
	MXA	1	Sales	595,441	Note 2	3%
			Operating expenses	115,445		1%
			Notes receivable and trade receivables	112,963		-
			Other payables	58,087		-
	Mxtran	1	Rental revenue	1,926	Note 3	-
	MX Asia	2	Operating expenses	78,665		1%
			Other payables	22,592		-
INFOMAX	1	Rental revenue	3,744	Note 3	-	

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

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

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

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

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 3)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2016 (Note 3)	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2016 (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 September 30, 2016 (Note 6)	Accumulated Repatriation of Investment Income as of September 30, 2016
					Outward (Note 3)	Inward						
MXm	Development of integrated circuit system and software	\$ 296,160	(Note 1)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 8,637	100.00	\$ 8,637	\$ 346,724	\$ -
Infomax SU	Software, rendering and technical service	82,415	(Note 2)	82,415	-	-	82,415	(2,331)	99.02	(2,308)	3,184	-
Maxtran Beijing	Technical support of Combi-SIM IC	23,435	(Note 2)	23,435	-	-	23,435	(13)	94.84	(13)	8	-

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA
\$ 402,010 (Note 3)	\$ 402,010 (Note 3)	\$ 10,544,322

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 unreviewed financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the average exchange rate for the nine months ended September 30, 2016.

Note 6: The foreign currency amount was based on unreviewed financial statements for the same reporting period; the amount was converted into New Taiwan dollars at the exchange rate on September 30, 2016.