

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

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Macronix International Co., Ltd.

Introduction

We have reviewed the accompanying consolidated balance sheets of Macronix International Co., Ltd. (the "Company") and its subsidiaries (collectively, the "Group") as of September 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended September 30, 2019 and 2018 and for the nine months ended September 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the nine months ended September 30, 2019 and 2018, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

Except as stated in the following paragraph, we conducted our reviews in accordance with the Statement on Auditing Standards No.65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Modified Conclusion

As disclosed in Note 11 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, 2019 and 2018, the combined total assets of these insignificant subsidiaries were NT\$3,523,117 thousand and NT\$3,509,479 thousand, respectively, representing 5.53% and 6.17%, respectively, of the consolidated total assets, and the combined total liabilities of these insignificant subsidiaries were NT\$367,208 thousand and NT\$306,885 thousand, respectively, representing 1.15% and 1.10%, respectively, of the consolidated total liabilities. For the three months ended September 30, 2019 and 2018, the combined comprehensive income and loss of these subsidiaries amounted to NT\$66,271 thousand and NT\$6,005 thousand, respectively, representing 3.61% and 0.30%, respectively, of the consolidated total comprehensive income and loss, and for the nine months ended September 2019 and 2018, the combined comprehensive income and loss of these insignificant subsidiaries amounted to NT\$55,352 thousand and NT\$(121,390) thousand, respectively, representing 2.26% and (2.10)% of the consolidated total comprehensive income and loss. These amounts as well as the related financial information of the insignificant subsidiaries as

disclosed in Note 36 to the consolidated financial statements were based on the insignificant subsidiaries' unreviewed financial statements for the same reporting periods as those of the Company.

Modified Conclusion

Based on our reviews, except as discussed in the preceding paragraph whereby the amounts related to the insignificant subsidiaries are based on unreviewed financial statements of the subsidiaries, and except for the effects of the related adjustments, if any, as might have been made had we applied review procedures to the financial statements of the insignificant subsidiaries referred to in the preceding paragraph, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the financial position of the Group as of September 30, 2019 and 2018, its consolidated financial performance for the three months and the nine months then ended, and its consolidated cash flows for the nine months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Deloitte & Touche
Taipei, Taiwan
Republic of China

October 21, 2019

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, 2019 (Reviewed)		December 31, 2018 (Audited)		September 30, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Notes 6 and 31)	\$ 7,956,937	13	\$ 13,611,502	23	\$ 10,501,562	18
Notes receivable and trade receivables, net (Notes 9 and 31)	4,034,955	6	3,786,498	7	4,368,316	8
Receivables from related parties, net (Notes 31 and 32)	3,246,417	5	695,028	1	2,235,335	4
Other receivables (Notes 9, 31 and 32)	181,047	-	169,916	-	214,879	-
Inventories (Note 10)	15,126,257	24	17,949,234	30	17,159,712	30
Financial assets measured at amortized cost - current (Notes 8 and 31)	26,100	-	26,832	-	26,616	-
Other current assets (Notes 15 and 17)	<u>398,968</u>	<u>1</u>	<u>438,280</u>	<u>1</u>	<u>428,531</u>	<u>1</u>
Total current assets	<u>30,970,681</u>	<u>49</u>	<u>36,677,290</u>	<u>62</u>	<u>34,934,951</u>	<u>61</u>
NON-CURRENT ASSETS						
Financial assets at fair value through other comprehensive income - non-current (Notes 7 and 31)	1,796,964	3	1,601,941	3	2,129,357	4
Financial assets measured at amortized cost - non-current (Notes 8 and 31)	21,750	-	22,360	-	22,180	-
Property, plant and equipment (Notes 12, 33 and 34)	28,352,920	44	19,308,675	33	18,388,994	32
Right-of-use assets (Notes 3, 4 and 13)	1,109,881	2	-	-	-	-
Intangible assets (Note 14)	54,318	-	45,223	-	40,705	-
Deferred tax assets (Note 27)	1,184,183	2	1,184,101	2	1,184,026	2
Other financial assets - non-current (Notes 16, 31 and 33)	171,682	-	190,510	-	188,167	1
Other non-current assets (Notes 15 and 17)	<u>-</u>	<u>-</u>	<u>18,721</u>	<u>-</u>	<u>18,696</u>	<u>-</u>
Total non-current assets	<u>32,691,698</u>	<u>51</u>	<u>22,371,531</u>	<u>38</u>	<u>21,972,125</u>	<u>39</u>
TOTAL	<u>\$ 63,662,379</u>	<u>100</u>	<u>\$ 59,048,821</u>	<u>100</u>	<u>\$ 56,907,076</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term borrowings (Notes 18 and 31)	\$ 1,650,000	3	\$ -	-	\$ -	-
Contract liabilities (Note 25)	81,718	-	14,913	-	10,398	-
Notes payable and trade payables (Notes 19 and 31)	2,283,070	4	2,613,758	4	3,009,588	5
Payables to related parties (Notes 31 and 32)	8,038,045	13	8,926,201	15	9,237,150	16
Accrued employees' compensation and remuneration of directors (Notes 26 and 32)	1,323,207	2	2,292,435	4	1,753,147	3
Payables for purchase of equipment (Note 31)	850,800	1	964,872	2	633,428	1
Other payables (Notes 20 and 31)	1,353,036	2	1,446,095	2	1,374,292	3
Other payables to related parties (Notes 31 and 32)	8,528	-	425	-	-	-
Current tax liabilities (Notes 4 and 27)	241,468	-	187,612	-	192,699	-
Provisions - current (Note 22)	24,622	-	28,517	-	30,862	-
Lease liabilities - current (Notes 3, 4 and 13)	99,342	-	-	-	-	-
Current portion of long-term borrowings (Notes 18, 31 and 33)	3,767,944	6	3,334,772	6	1,985,593	4
Other current liabilities (Note 21)	<u>315,268</u>	<u>-</u>	<u>342,629</u>	<u>1</u>	<u>523,034</u>	<u>1</u>
Total current liabilities	<u>20,037,048</u>	<u>31</u>	<u>20,152,229</u>	<u>34</u>	<u>18,750,191</u>	<u>33</u>
NON-CURRENT LIABILITIES						
Long-term borrowings (Notes 18, 31 and 33)	9,490,769	15	5,885,318	10	7,503,701	13
Lease liabilities - non-current (Notes 3, 4 and 13)	997,596	2	-	-	-	-
Net defined benefit liabilities (Notes 4 and 23)	1,503,746	2	1,640,817	3	1,561,049	3
Other non-current liabilities (Note 21)	<u>10,598</u>	<u>-</u>	<u>10,100</u>	<u>-</u>	<u>10,757</u>	<u>-</u>
Total non-current liabilities	<u>12,002,709</u>	<u>19</u>	<u>7,536,235</u>	<u>13</u>	<u>9,075,507</u>	<u>16</u>
Total liabilities	<u>32,039,757</u>	<u>50</u>	<u>27,688,464</u>	<u>47</u>	<u>27,825,698</u>	<u>49</u>
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT (Notes 24 and 29)						
Share capital						
Ordinary shares	18,400,134	29	18,402,919	31	18,405,740	32
Share capital to be cancelled	(864)	-	(1,249)	-	(2,821)	-
Total share capital	<u>18,399,270</u>	<u>29</u>	<u>18,401,670</u>	<u>31</u>	<u>18,402,919</u>	<u>32</u>
Capital surplus	<u>(52,347)</u>	<u>-</u>	<u>(56,241)</u>	<u>-</u>	<u>(145,756)</u>	<u>-</u>
Retained earnings						
Legal reserve	1,440,661	2	541,360	1	541,360	1
Special reserve	1,007,052	2	74,275	-	74,275	-
Unappropriated earnings	11,679,836	18	13,461,892	23	10,762,889	19
Total retained earnings	<u>14,127,549</u>	<u>22</u>	<u>14,077,527</u>	<u>24</u>	<u>11,378,524</u>	<u>20</u>
Other equity	<u>(693,874)</u>	<u>(1)</u>	<u>(903,872)</u>	<u>(2)</u>	<u>(395,661)</u>	<u>(1)</u>
Treasury shares	<u>(159,061)</u>	<u>-</u>	<u>(159,061)</u>	<u>-</u>	<u>(159,061)</u>	<u>-</u>
Equity attributable to shareholders of the parent	31,621,537	50	31,360,023	53	29,080,965	51
NON-CONTROLLING INTERESTS (Note 24)	<u>1,085</u>	<u>-</u>	<u>334</u>	<u>-</u>	<u>413</u>	<u>-</u>
Total equity	<u>31,622,622</u>	<u>50</u>	<u>31,360,357</u>	<u>53</u>	<u>29,081,378</u>	<u>51</u>
TOTAL	<u>\$ 63,662,379</u>	<u>100</u>	<u>\$ 59,048,821</u>	<u>100</u>	<u>\$ 56,907,076</u>	<u>100</u>

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

(With Deloitte & Touche review report dated October 21, 2019)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
NET OPERATING REVENUE (Notes 25, 32 and 37)	\$ 11,906,490	100	\$ 10,030,250	100	\$ 25,414,766	100	\$ 27,971,707	100
OPERATING COSTS (Notes 10, 23, 26 and 32)	<u>8,330,721</u>	<u>70</u>	<u>6,484,505</u>	<u>65</u>	<u>18,305,071</u>	<u>72</u>	<u>16,580,590</u>	<u>59</u>
GROSS PROFIT	<u>3,575,769</u>	<u>30</u>	<u>3,545,745</u>	<u>35</u>	<u>7,109,695</u>	<u>28</u>	<u>11,391,117</u>	<u>41</u>
OPERATING EXPENSES (Notes 23, 26 and 32)								
Selling and marketing expenses	409,492	3	307,502	3	1,133,500	5	911,625	3
General and administrative expenses	438,380	4	409,547	4	1,040,972	4	1,277,709	5
Research and development expenses	<u>949,399</u>	<u>8</u>	<u>1,065,783</u>	<u>10</u>	<u>2,598,172</u>	<u>10</u>	<u>3,306,330</u>	<u>12</u>
Total operating expenses	<u>1,797,271</u>	<u>15</u>	<u>1,782,832</u>	<u>17</u>	<u>4,772,644</u>	<u>19</u>	<u>5,495,664</u>	<u>20</u>
INCOME FROM OPERATIONS	<u>1,778,498</u>	<u>15</u>	<u>1,762,913</u>	<u>17</u>	<u>2,337,051</u>	<u>9</u>	<u>5,895,453</u>	<u>21</u>
NON-OPERATING INCOME AND EXPENSES								
Other income (Notes 13 and 26)	87,970	1	92,793	1	170,558	1	163,088	-
Other gains and losses (Note 26)	42,467	-	95,473	1	65,662	-	195,676	1
Finance costs (Note 26)	<u>(51,581)</u>	<u>(1)</u>	<u>(33,103)</u>	<u>(1)</u>	<u>(141,214)</u>	<u>-</u>	<u>(107,669)</u>	<u>-</u>
Total non-operating income and expenses	<u>78,856</u>	<u>-</u>	<u>155,163</u>	<u>1</u>	<u>95,006</u>	<u>1</u>	<u>251,095</u>	<u>1</u>
INCOME BEFORE INCOME TAX FROM CONTINUING OPERATIONS	1,857,354	15	1,918,076	19	2,432,057	10	6,146,548	22
INCOME TAX EXPENSE (Notes 4 and 27)	<u>(4,454)</u>	<u>-</u>	<u>(1,914)</u>	<u>-</u>	<u>(173,046)</u>	<u>(1)</u>	<u>(21,102)</u>	<u>-</u>
NET INCOME FOR THE PERIOD	<u>1,852,900</u>	<u>15</u>	<u>1,916,162</u>	<u>19</u>	<u>2,259,011</u>	<u>9</u>	<u>6,125,446</u>	<u>22</u>
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized income (loss) on investments in equity instruments at FVTOCI (Notes 24 and 31)	6,659	-	66,274	1	173,562	1	(418,774)	(1)
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations (Note 24)	<u>(23,485)</u>	<u>-</u>	<u>(6,075)</u>	<u>-</u>	<u>17,701</u>	<u>-</u>	<u>71,675</u>	<u>-</u>
Other comprehensive income (loss) for the period, net of income tax	<u>(16,826)</u>	<u>-</u>	<u>60,199</u>	<u>1</u>	<u>191,263</u>	<u>1</u>	<u>(347,099)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>\$ 1,836,074</u>	<u>15</u>	<u>\$ 1,976,361</u>	<u>20</u>	<u>\$ 2,450,274</u>	<u>10</u>	<u>\$ 5,778,347</u>	<u>21</u>
NET INCOME (LOSS) ATTRIBUTABLE TO:								
Shareholders of the parent	\$ 1,852,789	15	\$ 1,916,130	19	\$ 2,258,261	9	\$ 6,125,524	22
Non-controlling interests	<u>111</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>(78)</u>	<u>-</u>
	<u>\$ 1,852,900</u>	<u>15</u>	<u>\$ 1,916,162</u>	<u>19</u>	<u>\$ 2,259,011</u>	<u>9</u>	<u>\$ 6,125,446</u>	<u>22</u>

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MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended September 30				For the Nine Months Ended September 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)								
ATTRIBUTABLE TO:								
Shareholders of the parent	\$ 1,835,963	15	\$ 1,976,331	20	\$ 2,449,524	10	\$ 5,778,426	21
Non-controlling interests	<u>111</u>	<u>-</u>	<u>30</u>	<u>-</u>	<u>750</u>	<u>-</u>	<u>(79)</u>	<u>-</u>
	<u>\$ 1,836,074</u>	<u>15</u>	<u>\$ 1,976,361</u>	<u>20</u>	<u>\$ 2,450,274</u>	<u>10</u>	<u>\$ 5,778,347</u>	<u>21</u>
EARNINGS PER SHARE (Note 28)								
Basic	<u>\$ 1.01</u>		<u>\$ 1.05</u>		<u>\$ 1.23</u>		<u>\$ 3.37</u>	
Diluted	<u>\$ 1.00</u>		<u>\$ 1.02</u>		<u>\$ 1.21</u>		<u>\$ 3.25</u>	

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

(With Deloitte & Touche review report dated October 21, 2019)

(Concluded)

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														
	Retained Earnings							Other Equity							
	Shares (In Thousands)	Share Capital Ordinary Shares	Share Capital to be Cancelled	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange Differences on Translating Foreign Operations	Unrealized Gain (Loss) from Available-for- -sale Financial Assets	Unrealized Gain (Loss) on Financial Assets at FVTOCI	Unearned Employees' Compensation	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2018	1,804,939	\$ 18,049,385	\$ (1,627)	\$ (207,088)	\$ -	\$ -	\$ 5,413,602	\$ (85,183)	\$ 1,731,234	\$ -	\$ (85,600)	\$ (159,061)	\$ 24,655,662	\$ 685	\$ 24,656,347
Effect of retrospective application	-	-	-	-	-	-	2,158,766	(146,758)	(1,731,234)	112,903	-	-	393,677	-	393,677
ADJUSTED BALANCE AT JANUARY 1, 2018	1,804,939	18,049,385	(1,627)	(207,088)	-	-	7,572,368	(231,941)	-	112,903	(85,600)	(159,061)	25,049,339	685	25,050,024
Legal reserve	-	-	-	-	541,360	-	(541,360)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	74,275	(74,275)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - \$1 per share	-	-	-	-	-	-	(1,804,776)	-	-	-	-	-	(1,804,776)	-	(1,804,776)
Share dividends distributed by the Company - \$0.2 per share	36,096	360,955	-	-	-	-	(360,955)	-	-	-	-	-	-	-	-
Net income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	6,125,524	-	-	-	-	-	6,125,524	(78)	6,125,446
Other comprehensive income (loss) for the nine months ended September 30, 2018, net of income tax	-	-	-	-	-	-	-	71,675	-	(418,774)	-	-	(347,099)	1	(347,098)
Total comprehensive income (loss) for the nine months ended September 30, 2018	-	-	-	-	-	-	6,125,524	71,675	-	(418,774)	-	-	5,778,425	(77)	5,778,348
Disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(99,070)	-	-	99,070	-	-	-	-	-
Compensation costs of restricted shares for employees	-	-	-	53,619	-	-	(54,567)	-	-	-	57,006	-	56,058	-	56,058
Retirement of restricted shares for employees	(460)	(4,600)	(1,194)	5,794	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in non-controlling interests	-	-	-	1,919	-	-	-	-	-	-	-	-	1,919	(195)	1,724
BALANCE AT SEPTEMBER 30, 2018	1,840,575	\$ 18,405,740	\$ (2,821)	\$ (145,756)	\$ 541,360	\$ 74,275	\$ 10,762,889	\$ (160,266)	\$ -	\$ (206,801)	\$ (28,594)	\$ (159,061)	\$ 29,080,965	\$ 413	\$ 29,081,378
BALANCE AT JANUARY 1, 2019	1,804,292	\$ 18,402,919	\$ (1,249)	\$ (56,241)	\$ 541,360	\$ 74,275	\$ 13,461,892	\$ (137,132)	\$ -	\$ (746,762)	\$ (19,978)	\$ (159,061)	\$ 31,360,023	\$ 334	\$ 31,360,357
Effect of retrospective application	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ADJUSTED BALANCE AT JANUARY 1, 2019	1,804,292	18,402,919	(1,249)	(56,241)	541,360	74,275	13,461,892	(137,132)	-	(746,762)	(19,978)	(159,061)	31,360,023	334	31,360,357
Legal reserve	-	-	-	-	899,301	-	(899,301)	-	-	-	-	-	-	-	-
Special reserve	-	-	-	-	-	932,777	(932,777)	-	-	-	-	-	-	-	-
Cash dividends distributed by the Company - \$1.2 per share	-	-	-	-	-	-	(2,208,200)	-	-	-	-	-	(2,208,200)	-	(2,208,200)
Net income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	2,258,261	-	-	-	-	-	2,258,261	750	2,259,011
Other comprehensive income (loss) for the nine months ended September 30, 2019, net of income tax	-	-	-	-	-	-	-	17,701	-	173,562	-	-	191,263	-	191,263
Total comprehensive income (loss) for the nine months ended September 30, 2019	-	-	-	-	-	-	2,258,261	17,701	-	173,562	-	-	2,449,524	750	2,450,274
Compensation costs of restricted shares for employees	-	-	-	(854)	-	-	(39)	-	-	-	18,735	-	17,842	-	17,842
Retirement of restricted shares for employees	(279)	(2,785)	385	2,400	-	-	-	-	-	-	-	-	-	-	-
Dividends paid to subsidiaries to adjust capital surplus	-	-	-	2,348	-	-	-	-	-	-	-	-	2,348	-	2,348
Increase (decrease) in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1
BALANCE AT SEPTEMBER 30, 2019	1,804,013	\$ 18,400,134	\$ (864)	\$ (52,347)	\$ 1,440,661	\$ 1,007,052	\$ 11,679,836	\$ (119,431)	\$ -	\$ (573,200)	\$ (1,243)	\$ (159,061)	\$ 31,621,537	\$ 1,085	\$ 31,622,622

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

(With Deloitte & Touche review report dated October 21, 2019)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 2,432,057	\$ 6,146,548
Adjustments for:		
Depreciation expense	1,951,427	1,524,030
Amortization expense	24,214	20,351
Finance costs	141,214	107,669
Interest income	(28,747)	(30,619)
Dividend income	(109,016)	(105,698)
Compensation cost of employee restricted shares	17,842	56,058
Gain on disposal of property, plant and equipment	(324,412)	(17,919)
Loss on disposal of investments	(7,404)	-
Net loss (gain) on foreign currency exchange	96,389	(96,351)
Changes in operating assets and liabilities		
Trade receivables	(256,768)	642,346
Receivables from related parties	(2,608,455)	(1,533,537)
Other receivables	(4,081)	(82,093)
Inventories	2,822,977	(7,287,542)
Other current assets	39,632	(244,359)
Contract liabilities	66,805	(42,285)
Notes payable and trade payables	(328,072)	219,511
Payables to related parties	(1,071,360)	5,854,934
Payables for employees' compensation and directors' remuneration	(969,228)	622,985
Other payables	(72,264)	(76,240)
Other payables to related parties	9,622	-
Provisions	(3,895)	(29,323)
Other current liabilities	(26,071)	212,996
Net defined benefit liabilities	(137,071)	(49,389)
Cash generated from operations	1,655,335	5,812,073
Interest received	29,103	29,839
Dividends received	108,189	105,695
Interest paid	(147,462)	(118,794)
Income tax paid	(119,272)	(16,795)
Net cash generated from operating activities	<u>1,525,893</u>	<u>5,812,018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the disposal of financial assets at fair value through other comprehensive income	-	43,582
Payments for financial assets measured at amortized cost	-	(22,965)
Payments for property, plant and equipment	(11,032,339)	(3,710,445)
Proceeds from disposal of property, plant and equipment	338,729	18,985
Increase in refundable deposits	-	(71)

(Continued)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	For the Nine Months Ended September 30	
	2019	2018
Decrease in refundable deposits	\$ 10	\$ 215
Payments for intangible assets	(33,434)	(15,298)
Decrease (increase) in other financial assets	18,678	(19,772)
Decrease in other non-current assets	<u>-</u>	<u>930</u>
Net cash used in investing activities	<u>(10,708,356)</u>	<u>(3,704,839)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	2,450,000	-
Repayments of short-term borrowings	(800,000)	-
Proceeds from long-term borrowings	7,776,000	4,200,000
Repayments of long-term borrowings	(3,737,845)	(2,751,845)
Proceeds from guarantee deposits received	550	3,153
Refund of guarantee deposits received	(150)	(210)
Increase in other non-current liabilities	1	22
Repayment of leased liabilities	(87,922)	-
Distribution of cash dividends	(2,205,852)	(1,804,776)
Increase in non-controlling interests	<u>1</u>	<u>2,363</u>
Net cash generated from (used in) financing activities	<u>3,394,783</u>	<u>(351,293)</u>
EFFECT OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>133,115</u>	<u>112,493</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	<u>(5,654,565)</u>	<u>1,868,379</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>13,611,502</u>	<u>8,633,183</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>\$ 7,956,937</u>	<u>\$ 10,501,562</u>

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

(With Deloitte & Touche review report dated October 21, 2019)

(Concluded)

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018 (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 (ICs) 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 (TWSE) since March 15, 1995.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were reported to the Company’s board of directors on October 21, 2019.

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

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) (collectively, “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the FSC would not have any material impact on the Group’s accounting policies:

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17, IFRIC4 and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The Group elects to apply IFRS 16 using the modified retrospective approach with the application of this standard recognized in remaining durable life of opening balance on January 1, 2019. Comparative information is not restated.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.65%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of operating lease commitments on December 31, 2018	\$ 1,234,323
Less: Recognition exemption for short-term leases	(7,710)
Recognition exemption for leases of low-value assets	<u>(258)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 1,226,355</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 1,091,482</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 1,091,482</u>

The Group as lessor

Except for sublease transactions, the Group does not make any adjustments for leases in which it is a lessor, and it accounts for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold park dormitories in the Science Park to a third party. Such sublease was classified as an operating lease under IAS 17. The Group determines the sublease is classified as an operating lease on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases - current	\$ 506	\$ (506)	\$ -
Prepayments for leases - non-current	18,721	(18,721)	-
Right-of-use assets	<u>-</u>	<u>1,110,709</u>	<u>1,110,709</u>
Total effect on assets	<u>\$ 19,227</u>	<u>\$ 1,091,482</u>	<u>\$ 1,110,709</u>
Lease liabilities - current	\$ -	\$ 96,611	\$ 96,611
Lease liabilities - non-current	<u>-</u>	<u>994,871</u>	<u>994,871</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 1,091,482</u>	<u>\$ 1,091,482</u>

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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.

- c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021

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

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 and issued into effect 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 consolidated financial statements.

b. Basis of preparation

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

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

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- 3) Level 3 inputs are unobservable inputs for the asset or liability.

c. Basis of consolidation

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

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

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

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

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

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii)

the assets (including any goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

See Note 11 and Table 5 for detailed information on subsidiaries (including the percentages of ownership and main businesses).

d. Other important accounting policies

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2018. For the summary of other significant accounting policies, refer to the consolidated financial statements for the year ended December 31, 2018.

1) Leases

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

For a contract that contains a lease component and non-lease components, the Group allocates the consideration in the contract to each component on the basis of the relative stand-alone price and accounts for each component separately.

a) The Group as lessor

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

When the Group subleases a right-of-use assets, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. However, if leases transfer ownership of the underlying assets to the Group by the end of the lease terms or if the costs of right-of-use assets reflect that the Group will exercise a purchase option, the Group depreciates the right-of-use assets from the commencement dates to the end of the useful lives of the underlying assets.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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

a) The Group as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortized on a straight-line basis over the lease term.

b) The Group as lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheets as a finance lease obligation.

Finance expenses implicit in lease payments for each period are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets; in which case, they are capitalized.

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

2) Retirement 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.

3) 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. The effect of a change in the tax rate resulting from a change in the tax law is recognized in accordance with the accounting for the transaction itself for which the tax consequence arises from and is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The same critical accounting judgments and key sources of estimates uncertainty have been followed in these consolidated financial statements as were applied in the preparation of the consolidated financial statements for the year ended December 31, 2018.

6. CASH AND CASH EQUIVALENTS

	September 30, 2019	December 31, 2018	September 30, 2018
Cash on hand	\$ 107	\$ 74	\$ 148
Checking accounts and demand deposits	5,398,316	8,890,666	7,091,656
Cash equivalents			
Time deposits	<u>2,558,514</u>	<u>4,720,762</u>	<u>3,409,758</u>
	<u>\$ 7,956,937</u>	<u>\$ 13,611,502</u>	<u>\$ 10,501,562</u>

7. FINANCIAL ASSETS AT FVTOCI

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Investments in equity instruments at FVTOCI			
Domestic investments			
Listed shares	\$ 1,065,635	\$ 1,002,225	\$ 1,376,454
Unlisted shares	<u>344,385</u>	<u>295,529</u>	<u>326,243</u>
	1,410,020	1,297,754	1,702,697
Foreign investments			
Listed shares	349,304	264,804	388,500
Unlisted shares	<u>37,640</u>	<u>39,383</u>	<u>38,160</u>
	<u>\$ 1,796,964</u>	<u>\$ 1,601,941</u>	<u>\$ 2,129,357</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

The Group sold their holdings of ordinary shares in Key ASIC Bhd at a fair value of \$43,582 thousand in July and August 2018. The related unrealized loss on financial assets at FVTOCI of NT\$99,070 thousand under other equity was transferred to retained earnings.

The Group recognized dividend income of NT\$61,359 thousand and NT\$62,051 thousand for the three months ended September 30, 2019 and 2018, respectively. It recognized dividend income of NT\$109,016 thousand and NT\$105,698 thousand for the nine months ended September 30, 2019 and 2018, respectively. As of September 30, 2019 and 2018, the Group's related investments still held amounted to NT\$1,410,020 thousand and NT\$1,702,697, respectively.

8. FINANCIAL ASSETS AT AMORTIZED COST

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Time deposits with original maturities exceeding 1 year	\$ <u>26,100</u>	\$ <u>26,832</u>	\$ <u>26,616</u>
<u>Non-current</u>			
Time deposits with original maturities exceeding 1 year	\$ <u>21,750</u>	\$ <u>22,360</u>	\$ <u>22,180</u>

The interest rate for time deposits with original maturities exceeding 1 year was 2.73% per annum as of September 30, 2019, December 31, 2018 and September 30, 2018.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Trade receivables</u>			
Total amounts of trade receivable measured at amortized cost	\$ 4,051,767	\$ 3,803,310	\$ 4,385,128
Less: Allowance for impairment loss	<u>(16,812)</u>	<u>(16,812)</u>	<u>(16,812)</u>
	\$ <u>4,034,955</u>	\$ <u>3,786,498</u>	\$ <u>4,368,316</u>
<u>Other receivables</u>			
Tax receivable	\$ 140,752	\$ 107,305	\$ 171,036
Others	<u>40,295</u>	<u>62,611</u>	<u>43,843</u>
	\$ <u>181,047</u>	\$ <u>169,916</u>	\$ <u>214,879</u>

a. Trade receivables

The average credit period for sales of goods was 60 days.

In determining the recoverability of a trade receivable, the Group evaluates each customer's credibility and financial position and considers any change in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECLs.

The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience with the respective debtors and an analysis of the debtors' current financial positions, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecasted direction of conditions at the reporting date. The Group estimates expected credit losses based on the number of days for which receivables are past due. As the Group's historical credit loss experience shows significantly different loss patterns for different customer segments, the provision for losses based on past due status of receivables is not further distinguished according to different segments of the Group's customer base.

The aging of trade receivables was as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Neither past due nor impaired	\$ 3,864,454	\$ 3,495,246	\$ 4,231,524
Past due but not impaired			
Within 60 days	170,240	278,639	124,328
61-120 days	261	137	71
Over 120 days	<u>-</u>	<u>12,476</u>	<u>12,393</u>
	<u>\$ 4,034,955</u>	<u>\$ 3,786,498</u>	<u>\$ 4,368,316</u>

The above aging schedule was based on the past due days from the end of the credit term.

As of September 30, 2019 and 2018, the Group did not hold collateral for most of its receivables.

As of September 30, 2019 and 2018, the allowance for doubtful trade receivables were NT\$16,812 thousand.

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.

10. INVENTORIES

	September 30, 2019	December 31, 2018	September 30, 2018
Finished goods and merchandise	\$ 1,100,846	\$ 1,368,130	\$ 1,538,148
Work in progress	13,019,464	15,664,313	14,734,402
Raw materials	<u>1,005,947</u>	<u>916,791</u>	<u>887,162</u>
	<u>\$ 15,126,257</u>	<u>\$ 17,949,234</u>	<u>\$ 17,159,712</u>

The costs of inventories recognized as cost of goods sold included inventory loss resulting from the write-downs of inventory to net realizable value listed as below.

	Three Months Ended September 30		Nine Months Ended September 30	
	2019	2018	2019	2018
Inventory loss	\$ 413,859	\$ 563,139	\$ 2,353,660	\$ 1,121,345

11. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements

As of September 30, 2019, 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), Macronix America, Inc. (MXA), Macronix (BVI) Co., Ltd. (MXBVI), Mxtran Holding (Samoa) Co., Ltd. (Mxtran Samoa), Mxtran (H.K.) Holding Co., Limited (MxtranHK), New Trend Technology Inc. (NTTI), Macronix (Asia) Limited (MX Asia), Macronix Pte Ltd. (MPL), Macronix Europe N.V. (MXE), Macronix (Hong Kong) Co., Limited. (MXHK) and Macronix Microelectronics (Suzhou) Co., Ltd. (MXm).

Investor	Investee	Nature of Activities	% of Ownership		
			September 30, 2019	December 31, 2018	September 30, 2018
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	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
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

Except MXHK, the subsidiaries included in the consolidated financial statements are immaterial, and their financial statements have not been reviewed.

12. PROPERTY, PLANT AND EQUIPMENT

	September 30, 2019
Assets used by the Group	\$ 28,352,920

a. Assets used by the Group - 2019

	Nine Months Ended September 30, 2019					
	Balance, Beginning of Period	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Reclassification	Balance, End of Period
<u>Cost</u>						
Freehold land	\$ 1,273,924	\$ -	\$ -	\$ 7,151	\$ -	\$ 1,281,075
Buildings	24,888,772	-	-	(6,038)	264,315	25,147,049
Machinery equipment	87,236,824	-	1,659,040	-	3,644,142	89,221,926
Research and development equipment	3,844,510	2,092	51,103	(946)	(266,908)	3,527,645
Transportation equipment	23,983	-	1,140	(53)	5,871	28,661
Leasehold improvements	40,157	639	-	(424)	-	40,372
Miscellaneous equipment	1,198,924	6,356	60,110	(1,726)	25,818	1,169,262
Advance payments and construction in progress	4,135,257	10,922,039	-	14	(3,673,238)	11,384,072
	<u>122,642,351</u>	<u>\$ 10,931,126</u>	<u>\$ 1,771,393</u>	<u>\$ (2,022)</u>	<u>\$ -</u>	<u>131,800,062</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	381,632	\$ -	\$ -	\$ 4,039	\$ -	385,671
Buildings	20,209,450	295,336	-	(1,806)	-	20,502,980
Machinery equipment	79,576,058	1,375,812	1,644,801	-	239,194	79,546,263
Research and development equipment	1,989,499	167,778	51,077	(717)	(239,194)	1,866,289
Transportation equipment	15,838	2,175	1,140	(17)	-	16,856
Leasehold improvements	38,402	493	-	(440)	-	38,455
Miscellaneous equipment	1,122,797	29,351	60,058	(1,462)	-	1,090,628
	<u>103,333,676</u>	<u>\$ 1,870,945</u>	<u>\$ 1,757,076</u>	<u>\$ (403)</u>	<u>\$ -</u>	<u>103,447,142</u>
Carrying amount at September 30, 2019	<u>\$ 19,308,675</u>					<u>\$ 28,352,920</u>

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

Buildings	
Main buildings	31-40 years
Electronic equipment	11-20 years
Facility equipment	15 years
Landscape engineering	20 years
Machinery equipment	11 years
Research and development equipment	5-11 years
Transportation equipment	5 years
Leasehold improvements	6-16 years
Miscellaneous equipment	2-16 years

For the nine months ended September 30, 2019, there was no indication of an impairment loss; therefore, the Group did not perform impairment assessment.

The carrying amount of the freehold land in the U.S.A. which was unutilized by the Group as of September 30, 2019 was US\$9,579 thousand.

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 33.

b. 2018

Nine Months Ended September 30, 2018						
	Balance, Beginning of Period	Additions	Disposals	Effect of Foreign Currency Exchange Differences	Reclassification	Balance, End of Period
<u>Cost</u>						
Freehold land	\$ 1,252,911	\$ -	\$ -	\$ 16,832	\$ -	\$ 1,269,743
Buildings	24,472,226	-	3,162	(6,384)	315,860	24,778,540
Machinery equipment	85,198,564	-	379,615	-	1,371,894	86,190,843
Research and development equipment	3,229,384	1,190	40	(870)	519,036	3,748,700
Transportation equipment	23,224	2,020	8,294	(63)	7,080	23,967
Leasehold improvements	40,132	-	-	(398)	-	39,734
Miscellaneous equipment	1,157,900	5,396	6,871	(833)	23,721	1,179,313
Advance payments and construction in progress	2,587,750	3,644,575	-	14	(2,237,591)	3,994,748
	<u>117,962,091</u>	<u>\$ 3,653,181</u>	<u>\$ 397,982</u>	<u>\$ 8,298</u>	<u>\$ -</u>	<u>121,225,588</u>
<u>Accumulated depreciation and impairment</u>						
Freehold land	369,767	\$ -	\$ -	\$ 9,505	\$ -	379,272
Buildings	19,837,641	280,265	3,162	(1,687)	-	20,113,057
Machinery equipment	78,465,322	1,082,026	379,615	-	29,531	79,197,264
Research and development equipment	1,872,724	136,351	40	(692)	(29,531)	1,978,812
Transportation equipment	21,575	1,033	7,362	35	-	15,281
Leasehold improvements	37,191	939	-	(411)	-	37,719
Miscellaneous equipment	1,099,249	23,416	6,737	(739)	-	1,115,189
	<u>101,703,469</u>	<u>\$ 1,524,030</u>	<u>\$ 396,916</u>	<u>\$ 6,011</u>	<u>\$ -</u>	<u>102,836,594</u>
Carrying amount at September 30, 2018	<u>\$ 16,258,622</u>					<u>\$ 18,388,994</u>

For the nine months ended September 30, 2018, there was no indication of an impairment loss; therefore, the Group did not perform impairment assessment.

The carrying amount of the freehold land in the U.S.A. which was unutilized by the Group as of December 31, 2018 and September 30, 2018 were both US\$9,579 thousand, respectively.

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

Buildings	
Main buildings	31-40 years
Electronic equipment	11-20 years
Facility equipment	15 years
Landscape engineering	20 years
Machinery equipment	11 years
Research and development equipment	5-11 years
Transportation equipment	5 years
Leasehold improvements	6-16 years
Miscellaneous equipment	2-16 years

Property, plant and equipment pledged as collateral for bank borrowings are set out in Note 33.

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	September 30, 2019	
<u>Carrying amounts</u>		
Freehold land	\$	970,495
Buildings		131,437
Machinery equipment		6,951
Miscellaneous equipment		<u>998</u>
		<u>\$ 1,109,881</u>
	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Additions to right-of-use assets	<u>\$ 79,133</u>	<u>\$ 80,912</u>
Depreciation charge for right-of-use assets		
Freehold land	\$ 17,622	\$ 52,872
Buildings	8,469	23,098
Machinery equipment	971	3,015
Miscellaneous equipment	<u>499</u>	<u>1,497</u>
	<u>\$ 27,561</u>	<u>\$ 80,482</u>
Income from the subleasing of right-of-use assets (included in other income)	<u>\$ (940)</u>	<u>\$ (2,835)</u>

b. Lease liabilities - 2019

	September 30, 2019	
<u>Carrying amounts</u>		
Current	\$	<u>99,342</u>
Non-current		<u>\$ 997,596</u>

Range of discount rate for lease liabilities was as follows:

	September 30, 2019
Freehold land	1.67%
Buildings	1.22%-4.31%
Machinery equipment	1.22%
Miscellaneous equipment	1.22%

c. Material lease-in activities and terms

The Group also leased certain land and buildings for the use as plant and office in a period of one to twenty years. The Group does not have bargain purchase options to acquire the leasehold land and buildings at the end of the lease terms. In addition, the Group is prohibited from subleasing or transferring all or any portion of the underlying assets without the lessor's consent.

d. Other lease information

2019

	For the Three Months Ended September 30, 2019	For the Nine Months Ended September 30, 2019
Expenses relating to short-term leases	\$ <u>2,007</u>	\$ <u>8,305</u>
Expenses relating to low-value asset leases	\$ <u>77</u>	\$ <u>155</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>2,273</u>	\$ <u>7,769</u>
Total cash outflow for leases	\$ <u>(33,965)</u>	\$ <u>(104,151)</u>

The Group leases certain office buildings which qualify as short-term leases and certain office equipment which qualifies as low-value asset leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

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

	December 31, 2018	September 30, 2018
Not later than 1 year	\$ 101,377	\$ 91,051
Later than 1 year and not later than 5 years	319,190	313,940
Later than 5 years	<u>752,158</u>	<u>771,252</u>
	\$ <u>1,172,725</u>	\$ <u>1,176,243</u>

The lease payments and sublease payments recognized in profit or loss were as follows:

	For the Three Months Ended September 30, 2018	For the Nine Months Ended September 30, 2018
Minimum lease payments	\$ <u>36,316</u>	\$ <u>103,064</u>

14. INTANGIBLE ASSETS

Nine Months Ended September 30, 2019					
	Balance, Beginning of Period	Additions	Disposals	Net Exchange Differences	Balance, End of Period
<u>Cost</u>					
Software	\$ 86,874	\$ 33,434	\$ 9,432	\$ (547)	\$ 110,329
Others	13,000	-	-	-	13,000
	<u>99,874</u>	<u>\$ 33,434</u>	<u>\$ 9,432</u>	<u>\$ (547)</u>	<u>123,329</u>
<u>Accumulated amortization and impairment</u>					
Software	47,068	\$ 20,964	\$ 9,432	\$ (422)	58,178
Others	7,583	3,250	-	-	10,833
	<u>54,651</u>	<u>\$ 24,214</u>	<u>\$ 9,432</u>	<u>\$ (422)</u>	<u>69,011</u>
Carrying amounts at September 30, 2019	<u>\$ 45,223</u>				<u>\$ 54,318</u>
Nine Months Ended September 30, 2018					
	Balance, Beginning of Period	Additions	Disposals	Net Exchange Differences	Balance, End of Period
<u>Cost</u>					
Software	\$ 89,003	\$ 15,298	\$ 24,892	\$ (318)	\$ 79,091
Licenses	4,743	-	4,743	-	-
Others	24,722	-	11,722	-	13,000
	<u>118,468</u>	<u>\$ 15,298</u>	<u>\$ 41,357</u>	<u>\$ (318)</u>	<u>92,091</u>
<u>Accumulated amortization and impairment</u>					
Software	52,945	\$ 17,101	\$ 24,892	\$ (268)	44,886
Licenses	4,743	-	4,743	-	-
Others	14,972	3,250	11,722	-	6,500
	<u>72,660</u>	<u>\$ 20,351</u>	<u>\$ 41,357</u>	<u>\$ (268)</u>	<u>51,386</u>
Carrying amounts at September 30, 2018	<u>\$ 45,808</u>				<u>\$ 40,705</u>

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

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

15. PREPAYMENTS FOR LEASES

	September 30, 2019	December 31, 2018	September 30, 2018
Current assets (included in other current assets)	\$ -	\$ 506	\$ 502
Non-current asset (included in other non-current assets)	<u>-</u>	<u>18,721</u>	<u>18,696</u>
	<u>\$ -</u>	<u>\$ 19,227</u>	<u>\$ 19,198</u>

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

16. OTHER FINANCIAL ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Non-current</u>			
Restricted time deposits (Note 33)	\$ 157,665	\$ 157,665	\$ 157,665
Refundable deposits	14,017	14,167	11,824
Long-term receivables	<u>-</u>	<u>18,678</u>	<u>18,678</u>
	<u>\$ 171,682</u>	<u>\$ 190,510</u>	<u>\$ 188,167</u>

17. OTHER ASSETS

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Prepayments	\$ 398,968	\$ 435,237	\$ 425,499
Offset against business tax payable	-	2,537	2,530
Prepayments for leases	<u>-</u>	<u>506</u>	<u>502</u>
	<u>\$ 398,968</u>	<u>\$ 438,280</u>	<u>\$ 428,531</u>
<u>Non-current</u>			
Prepayments for leases	<u>\$ -</u>	<u>\$ 18,721</u>	<u>\$ 18,696</u>

18. BORROWINGS

a. Short-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Line of credit borrowings	\$ 1,650,000	\$ -	\$ -
Interest rate	0.98%-1.15%	-	-

b. Long-term borrowings

	September 30, 2019	December 31, 2018	September 30, 2018
Secured borrowings from financial institutions	\$ 9,657,300	\$ 7,354,650	\$ 7,450,411
Unsecured borrowings from financial institutions	<u>3,640,000</u>	<u>1,887,500</u>	<u>2,062,500</u>
	13,297,300	9,242,150	9,512,911
Less: Current portion	3,767,944	3,334,772	1,985,593
Less: Arrangement fee	<u>38,587</u>	<u>22,060</u>	<u>23,617</u>
Long-term borrowings	\$ 9,490,769	\$ 5,885,318	\$ 7,503,701
Interest rate	1.23%-1.97%	1.23%-1.97%	1.23%-1.97%

	Repayment Terms	September 30, 2019	December 31, 2018	September 30, 2018
Secured syndicated loan denominated in NT\$	From December 2017 to December 2022.	\$ 5,525,812	\$ 6,100,000	\$ 6,050,000
Secured syndicated loan denominated in NT\$	From June 2019 to February 2024.	3,200,000	-	-
Unsecured bank borrowings denominated in NT\$	From June 2019 to June 2021.	1,200,000	-	-
Unsecured bank borrowings denominated in NT\$	From September 2018 to December 2019.	800,000	800,000	800,000
Unsecured bank borrowings denominated in NT\$	From April 2019 to April 2022.	600,000	-	-
Secured bank borrowings denominated in NT\$	From September 2018 to September 2021.	525,000	700,000	700,000
Secured bank borrowings denominated in NT\$	From September 2017 to September 2022.	375,000	468,750	500,000
Unsecured bank borrowings denominated in NT\$	From August 2019 to August 2022.	300,000	-	-

(Continued)

	Repayment Terms	September 30, 2019	December 31, 2018	September 30, 2018
Unsecured bank borrowings denominated in NT\$	From July 2019 to July 2022.	\$ 300,000	\$ -	\$ -
Unsecured bank borrowings denominated in NT\$	From September 2018 to September 2021.	240,000	300,000	300,000
Unsecured bank borrowings denominated in NT\$	From September 2018 to September 2020.	200,000	300,000	300,000
Secured bank borrowings denominated in NT\$	From January 2015 to January 2020.	31,488	78,719	94,463
Secured bank borrowings denominated in NT\$	Paid off in October 2018.	-	-	50,000
Secured bank borrowings denominated in NT\$	Paid off in December 2018.	-	-	42,051
Unsecured bank borrowings denominated in NT\$	Paid off in February 2019.	-	87,500	262,500
Secured bank borrowings denominated in JPY	Paid off in March 2019.	-	7,181	13,897
Unsecured bank borrowings denominated in NT\$	Paid off in June 2019.	<u>-</u>	<u>400,000</u>	<u>400,000</u>
Less: Current portion		3,767,944	3,334,772	1,985,593
Less: Arrangement fee		<u>38,587</u>	<u>22,060</u>	<u>23,617</u>
Total long-term borrowings		<u>\$ 9,490,769</u>	<u>\$ 5,885,318</u>	<u>\$ 7,503,701</u>

(Concluded)

To repay the vested liabilities, purchase equipment or machinery and increase operating funds, the Group has entered into a 5-year syndicated loan agreement with 7 financial institutions including the Taiwan Cooperative Bank in November 2017 with the total amount of \$7.7 billion.

To purchase equipment or machinery, the Group has entered into a 5-year syndicated loan agreement with 9 financial institutions including the Taiwan Cooperative Bank in January 2019 with the total amount of \$8 billion. The Group provided notes used as refundable guarantees for syndicated loan mentioned above that will be cancelled upon termination of the guarantee.

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

The loan agreement requires the maintenance of a current ratio, debt ratio, and interest coverage ratio based on the Group's semi-annual and annual consolidated financial statements. For the six months ended June 30, 2019, the Group met these financial ratio covenants.

The details of assets pledged as collaterals for long-term loans are set in Note 33.

19. NOTES PAYABLE AND TRADE PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Notes payable	\$ -	\$ -	\$ -
Trade payables	<u>2,283,070</u>	<u>2,613,758</u>	<u>3,009,588</u>
	<u>\$ 2,283,070</u>	<u>\$ 2,613,758</u>	<u>\$ 3,009,588</u>

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

20. OTHER PAYABLES

	September 30, 2019	December 31, 2018	September 30, 2018
Payables for maintenance and repair	\$ 220,919	\$ 207,623	\$ 201,120
Payables for patents	190,182	214,709	223,959
Payables for bonus	134,642	256,201	147,037
Payables for insurances	112,057	64,450	87,224
Others	<u>695,236</u>	<u>703,112</u>	<u>714,952</u>
	<u>\$ 1,353,036</u>	<u>\$ 1,446,095</u>	<u>\$ 1,374,292</u>

21. OTHER LIABILITIES

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Refund liabilities	\$ 252,651	\$ 306,291	\$ 329,111
Receipts under custody	57,622	34,582	178,787
Others	<u>4,995</u>	<u>1,756</u>	<u>15,136</u>
	<u>\$ 315,268</u>	<u>\$ 342,629</u>	<u>\$ 523,034</u>
<u>Non-current</u>			
Guarantee deposits	\$ 10,588	\$ 10,091	\$ 9,934
Others	<u>10</u>	<u>9</u>	<u>823</u>
	<u>\$ 10,598</u>	<u>\$ 10,100</u>	<u>\$ 10,757</u>

22. PROVISIONS

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Current</u>			
Employee benefits (a)	\$ 24,622	\$ 28,517	\$ 30,862

- a. The provision for employee benefits includes vested long service leave entitlements accrued.

23. RETIREMENT BENEFIT PLANS

- a. Defined contribution plans

The Company and Mxtran 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 Group's subsidiaries in Hong Kong, the U.S.A., Europe, Japan, Korea, Singapore and China are 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 NT\$4,964 thousand and NT\$5,820 thousand for the three months ended September 30, 2019 and 2018, respectively, and NT\$14,891 thousand and NT\$17,461 thousand for the nine months ended September 30, 2019 and 2018, respectively, and were calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017.

The Group maintains a separate executive pension plan, and the net periodic pension costs were NT\$2,162 thousand and NT\$2,293 thousand for the three months ended September 30, 2019 and 2018 and NT\$6,488 thousand and NT\$6,880 thousand for the nine months ended September 30, 2019 and 2018, respectively.

24. EQUITY

- a. Share capital

Ordinary shares

	September 30, 2019	December 31, 2018	September 30, 2018
Numbers of shares authorized (in thousands)	6,550,000	6,550,000	6,550,000
Share authorized	\$ 65,500,000	\$ 65,500,000	\$ 65,500,000
Numbers of shares issued and fully paid (in thousands)	1,840,013	1,840,292	1,840,574
Shares issued	\$ 18,400,134	\$ 18,402,919	\$ 18,405,740

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, 2019	December 31, 2018	September 30, 2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)			
Donations	\$ 37	\$ 37	\$ 37
Treasury share transactions	<u>6,422</u>	<u>6,422</u>	<u>6,422</u>
	<u>\$ 6,459</u>	<u>\$ 6,459</u>	<u>\$ 6,459</u>
<u>May be used to offset a deficit only</u>			
Changes in percentage of ownership interest in subsidiaries (2)	\$ 4,609	\$ 4,609	\$ 4,609
Treasury share transactions	<u>24,347</u>	<u>21,999</u>	<u>21,999</u>
	<u>\$ 28,956</u>	<u>\$ 26,608</u>	<u>\$ 26,608</u>
<u>May not be used for any purpose</u>			
Employee restricted shares	<u>\$ (87,762)</u>	<u>\$ (89,308)</u>	<u>\$ (178,823)</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 the equity method.

c. Retained earnings and dividends policy

The Company's Articles of Incorporation, state that, where the Company made profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside a legal reserve 10% of the remaining profit (until the amount of the legal reserve equals the amount of the Company's paid-in capital), setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. For the policies on the distribution of employees' compensation and remuneration of directors after the amendment, refer to "Employees' compensation and remuneration of directors" in Note 26 (f).

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

Distributions shall be prioritized to take the form of cash dividends. Nevertheless, it still depends on the Company's financial, sales or operating conditions. 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 share dividends.

The appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. The legal reserve may be used to offset any 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.

Items referred under Rule No. 1010047490 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriation of earnings for 2018 and 2017 had been proposed by the Company's general meeting of shareholders on June 18, 2019 and June 14, 2018, respectively. The appropriation and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended		For the Year Ended	
	December 31		December 31	
	2018	2017	2018	2017
Legal reserve	\$ 899,301	\$ 541,360		
Special reserve	932,777	74,275		
Cash dividends	2,208,200	1,804,776	\$ 1.2	\$ 1.0
Share dividends	-	360,955	-	0.2

d. Special reserve

	For the Nine Months Ended	
	2019	2018
Beginning at January 1	\$ 74,275	\$ -
Appropriations in respect of		
Treasury shares	48,882	74,275
Reversal of the debits to other equity items	<u>883,895</u>	<u>-</u>
Balance at December 31	<u>\$ 1,007,052</u>	<u>\$ 74,275</u>

According to the shareholding ratio, the special reserve is calculated based on the difference between the market value of the parent company's stock holdings and the book value, and the special reserve will be partially reversed on market price.

e. Others equity items

1) Exchange differences on translating foreign operations

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ (137,132)	\$ (85,183)
Effect of retrospective application of IFRS 9	-	(146,758)
Exchange differences on translating foreign operations	<u>17,701</u>	<u>71,675</u>
Balance at September 30	<u>\$ (119,431)</u>	<u>\$ (160,266)</u>

2) Unrealized gain on financial assets at FVTOCI

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ (746,762)	\$ 112,903
Unrealized gain (loss) on financial assets at FVTOCI	<u>173,562</u>	<u>(418,774)</u>
Other comprehensive income recognized in the period	(573,200)	(305,871)
Cumulative unrealized gain on the disposal of equity instruments transferred to retained earnings	<u>-</u>	<u>99,070</u>
Balance at September 30	<u>\$ (573,200)</u>	<u>\$ (206,801)</u>

3) Employee unearned benefit

In the meeting of shareholders on June 18, 2014 and June 16, 2016, 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	
	2019	2018
Balance at January 1	\$ (19,978)	\$ (85,600)
Share-based payment expenses recognized	17,842	56,058
Adjustments for change of turnover rate	<u>893</u>	<u>948</u>
Balance at September 30	<u>\$ (1,243)</u>	<u>\$ (28,594)</u>

f. Non-controlling interests

	For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ 334	\$ 685
Attributable to non-controlling interests:		
Net gain (loss) for the period	750	(78)
Exchange difference on translating the financial statement of foreign operations	-	1
Invalidation of employee share option	<u>1</u>	<u>(195)</u>
Balance at September 30	<u>\$ 1,085</u>	<u>\$ 413</u>

g. 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, 2019</u>			
Hui Ying	1,957	\$ 159,061	\$ 61,633
<u>December 31, 2018</u>			
Hui Ying	1,957	\$ 159,061	\$ 35,904
<u>September 30, 2018</u>			
Hui Ying	1,957	\$ 159,061	\$ 49,796

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

a. Disaggregation of revenue from contracts with customers

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
<u>Products</u>				
Flash	\$ 5,274,220	\$ 5,655,268	\$ 14,326,319	\$ 18,623,597
ROM	5,979,158	3,787,651	9,367,609	7,328,926
Foundry	651,240	580,204	1,698,456	1,999,613
Other	<u>1,872</u>	<u>7,127</u>	<u>22,382</u>	<u>19,571</u>
	<u>\$ 11,906,490</u>	<u>\$ 10,030,250</u>	<u>\$ 25,414,766</u>	<u>\$ 27,971,707</u>

b. Contract balances

	September 30, 2019	December 31, 2018	September 30, 2018	January 1, 2018
Contract liabilities (classified as current liabilities)	<u>\$ 81,718</u>	<u>\$ 14,913</u>	<u>\$ 10,398</u>	<u>\$ 52,683</u>

The changes in the contract liability balances primarily result from the timing difference between the satisfaction of the performance obligation and the customer's payment.

The Company recognized revenue from the beginning balance of contract liabilities as follow:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
From the beginning balance of contract liabilities				
Sale of goods	\$ 175	\$ 2,051	\$ 13,836	\$ 52,268

26. NET PROFIT (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	
	2019	2018	2019	2018
Dividend income	\$ 61,359	\$ 62,051	\$ 109,016	\$ 105,698
Interest income	8,101	10,582	28,747	30,619
Others	18,510	20,160	32,795	26,771
	<u>\$ 87,970</u>	<u>\$ 92,793</u>	<u>\$ 170,558</u>	<u>\$ 163,088</u>

b. Other gains and losses

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Net foreign exchange (losses) gains	\$ 44,871	\$ 100,644	\$ 67,854	\$ 206,147
Gains on disposal of investments	-	-	7,404	-
Financial instruments at FVTPL	-	-	-	180
Others	(2,404)	(5,171)	(9,596)	(10,651)
	<u>\$ 42,467</u>	<u>\$ 95,473</u>	<u>\$ 65,662</u>	<u>\$ 195,676</u>

c. Finance costs

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Interest on loans	\$ 61,601	\$ 38,230	\$ 149,889	\$ 117,182
Interest on lease liabilities	4,704	-	13,714	-
Others interest expense	-	-	-	1,223
Less: Amounts included in the cost of qualifying assets	(14,724)	(5,127)	(22,389)	(10,736)
	<u>\$ 51,581</u>	<u>\$ 33,103</u>	<u>\$ 141,214</u>	<u>\$ 107,669</u>

Information about capitalized interest was as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Capitalized interest	\$ 14,724	\$ 5,127	\$ 22,389	\$ 10,736
Capitalization rate	1.80%	1.75%	1.63%	1.38%

d. Depreciation and amortization

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
An analysis of depreciation by function				
Operating costs	\$ 588,170	\$ 445,284	\$ 1,653,275	\$ 1,288,444
Operating expenses	<u>98,200</u>	<u>82,561</u>	<u>298,152</u>	<u>235,586</u>
	<u>\$ 686,370</u>	<u>\$ 527,845</u>	<u>\$ 1,951,427</u>	<u>\$ 1,524,030</u>
An analysis of amortization by function				
Operating costs	\$ 2,666	\$ 1,811	\$ 7,562	\$ 6,992
Operating expenses	<u>6,350</u>	<u>4,675</u>	<u>16,652</u>	<u>13,359</u>
	<u>\$ 9,016</u>	<u>\$ 6,486</u>	<u>\$ 24,214</u>	<u>\$ 20,351</u>

e. Employee benefits expense

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Post-employment benefits (Note 23)				
Defined contribution plans	\$ 30,554	\$ 64,829	\$ 158,944	\$ 188,942
Defined benefit plans	<u>7,126</u>	<u>8,113</u>	<u>21,379</u>	<u>24,341</u>
	37,680	72,942	180,323	213,283
Share-based payments				
Equity-settled	5,578	15,764	17,842	56,058
Other employee benefits	<u>1,848,293</u>	<u>1,756,432</u>	<u>4,742,923</u>	<u>5,400,705</u>
Total employee benefits expense	<u>\$ 1,891,551</u>	<u>\$ 1,845,138</u>	<u>\$ 4,941,088</u>	<u>\$ 5,670,046</u>

(Continued)

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
An analysis of employee benefits expense by function				
Operating costs	\$ 857,402	\$ 845,955	\$ 2,255,295	\$ 2,606,835
Operating expenses	<u>1,034,149</u>	<u>999,183</u>	<u>2,685,793</u>	<u>3,063,211</u>
	<u>\$ 1,891,551</u>	<u>\$ 1,845,138</u>	<u>\$ 4,941,088</u>	<u>\$ 5,670,046</u>
				(Concluded)

f. Employees' compensation and remuneration of directors

In compliance with the Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors at the rates of 15% and no higher than 2%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors. For the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, the employees' estimated compensation and the remuneration of directors were as follows:

Amount

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Employees' compensation	<u>\$ 334,842</u>	<u>\$ 346,289</u>	<u>\$ 437,653</u>	<u>\$1,106,663</u>
Remuneration of directors	<u>\$ 44,646</u>	<u>\$ 46,172</u>	<u>\$ 58,354</u>	<u>\$ 147,555</u>

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The Company's board of directors resolved on March 12, 2019 and March 16, 2018, respectively, the employees' compensation and remuneration of directors for 2018 and 2017 listed as follows:

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	<u>\$ 1,669,586</u>	<u>\$ 997,202</u>
Remuneration of directors	<u>\$ 222,611</u>	<u>\$ 132,960</u>

There is no difference between the actual amount of the employees' compensation and remuneration of directors paid amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

27. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	\$ 4,447	\$ 1,897	\$ 9,707	\$ 23,208
Income tax on unappropriated earnings	-	-	237,628	184,257
Adjustments for prior period	-	-	(74,208)	-
Deferred tax				
In respect of the current period	<u>7</u>	<u>17</u>	<u>(81)</u>	<u>(186,363)</u>
Income tax expense recognized in loss	<u>\$ 4,454</u>	<u>\$ 1,914</u>	<u>\$ 173,046</u>	<u>\$ 21,102</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax income to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

In July 2019, the President of the ROC approved the announcement of the amendments to the Statute of Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in certain assets or technologies above a specific amount are allowed as deduction when computing the income tax on unappropriated earnings. However, the related implementation rules are yet to be issued by the Ministry of Finance; thus, the Company could not estimate the effect on the current income tax.

b. Income tax assessments

The Company's tax returns through 2016 have been assessed by the tax authorities.

28. EARNINGS PER SHARE

Unit: NT\$ Per Share

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Basic earnings per share	<u>\$ 1.01</u>	<u>\$ 1.05</u>	<u>\$ 1.23</u>	<u>\$ 3.37</u>
Diluted earnings per share	<u>\$ 1.00</u>	<u>\$ 1.02</u>	<u>\$ 1.21</u>	<u>\$ 3.25</u>

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

Net income for the period

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Income for the period attributable to owners of the Company	<u>\$ 1,852,789</u>	<u>\$ 1,916,130</u>	<u>\$ 2,258,261</u>	<u>\$ 6,125,524</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	
	2019	2018	2019	2018
Weighted average number of ordinary shares in computation of basic earnings per share	1,830,428	1,822,362	1,830,427	1,820,052
Effect of potentially dilutive ordinary shares:				
Restricted shares to employees	6,466	14,588	6,325	17,206
Employees' compensation or bonus issue to employees	<u>10,630</u>	<u>43,484</u>	<u>33,676</u>	<u>49,104</u>
Weighted average number of ordinary shares in computation of diluted earnings per share	<u>1,847,524</u>	<u>1,880,434</u>	<u>1,870,428</u>	<u>1,886,362</u>

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

29. SHARE-BASED PAYMENT ARRANGEMENTS

a. Restricted share plan for employees

Information on share plan for employees was 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	58,971	2016/10/25	2017/01/03	57,476	4.73
2019/06/18	35,294	16,815	2019/10/21	Note	Note	32.55

Note: After the Company's application to the competent authority has been declared effective on October 8, 2019, the shares will be issued once or in installments, depending on actual needs.

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

- 1) If an employee remains employed by the Company for one year after the grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 40% of the restricted shares will be vested;
- 2) If an employee remains employed by the Company for two years after the grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 30% of the restricted shares will be vested;
- 3) If an employee remains employed by the Company for three years after grant date; and has a current year's performance rating of "successful" (or higher) /A0 or A1, 30% of the 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, the other rights of the restricted share plan for employees, which include, but are not limited to, dividends, bonuses, the distribution rights of the legal reserve and capital surplus, share options of cash capital voting rights of shareholders, etc., are the same as the Group's issued ordinary shares.
- 4) The dividends of restricted share plan for employees are not restricted by existing conditions.
- 5) When a new share is returned in cash due to the Company's capital reduction, the refund of the vested capital loss shall be under custodian trust. In accordance with the issuance method, such capital and shares shall be granted if the vesting conditions for new restricted employee shares are met. The vested shares are granted to employees without interests; if the vested conditions are not met, such cash will be recovered by the Company (applicable to the shareholders' resolution of restricted share plan in the 2019 shareholders' meeting).

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

Information on restricted share plan for employees was as follows:

	Number of Shares (In Thousands) For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	7,787	24,461
Vested	(5)	(8,070)
Forfeited (Notes 1 and 2)	<u>(240)</u>	<u>(579)</u>
Balance at September 30	<u><u>7,542</u></u>	<u><u>15,812</u></u>

Note 1: The forfeited shares for the nine months ended September 30, 2019 include 86 thousand shares which will be cancelled and 154 thousand shares which were already cancelled.

Note 2: The forfeited shares for the nine months ended September 30, 2018 include 282 thousand shares which will be cancelled and 297 thousand shares which were already cancelled.

For the three months ended September 30, 2019 and 2018, the compensation cost recognized was \$5,578 thousand and \$15,764 thousand, respectively. For the nine months ended September 30, 2019 and 2018, the compensation costs recognized were NT\$17,842 thousand and NT\$56,058 thousand, respectively.

30. 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.

31. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments 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, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in the ROC	\$ 1,065,635	\$ -	\$ -	\$ 1,065,635
Securities listed in other countries	349,304	-	-	349,304
Securities unlisted	<u>-</u>	<u>-</u>	<u>382,025</u>	<u>382,025</u>
	<u>\$ 1,414,939</u>	<u>\$ -</u>	<u>\$ 382,025</u>	<u>\$ 1,796,964</u>

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in the ROC	\$ 1,002,225	\$ -	\$ -	\$ 1,002,225
Securities listed in other countries	264,804	-	-	264,804
Securities unlisted	<u>-</u>	<u>-</u>	<u>334,912</u>	<u>334,912</u>
	<u>\$ 1,267,029</u>	<u>\$ -</u>	<u>\$ 334,912</u>	<u>\$ 1,601,941</u>

September 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTOCI				
Equity securities				
Securities listed in the ROC	\$ 1,376,454	\$ -	\$ -	\$ 1,376,454
Securities listed in other countries	388,500	-	-	388,500
Securities unlisted	<u>-</u>	<u>-</u>	<u>364,403</u>	<u>364,403</u>
	<u>\$ 1,764,954</u>	<u>\$ -</u>	<u>\$ 364,403</u>	<u>\$ 2,129,357</u>

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

2) Reconciliation of Level 3 fair value measurements of financial assets

Financial Assets	Financial Assets at FVTOCI For the Nine Months Ended September 30	
	2019	2018
Balance at January 1	\$ 334,912	\$ 484,318
Total gain recognized in other comprehensive income (unrealized gain on financial assets at FVTOCI)	<u>47,113</u>	<u>(119,915)</u>
Balance at September 30	<u>\$ 382,025</u>	<u>\$ 364,403</u>

3) Valuation used in Level 3 fair value measurement

The fair values of equity securities listed in the ROC and other countries were measured using the asset approach or were arrived at according to the trading price in the active market with adjustments of liquidity.

c. Categories of financial instruments

	September 30 2019	December 31, 2018	September 30 2018
<u>Financial assets</u>			
Measured at amortized costs (1)	\$ 15,498,136	\$ 18,502,646	\$ 17,557,055
Measured at FVTOCI	1,796,964	1,601,941	2,129,357

Financial liabilities

Measured at amortized cost (2)	27,265,511	25,463,876	25,496,899
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- 1) The balances included financial assets 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.
- 2) The balances included financial liabilities measured at amortized cost, which comprise, notes payable and trade payables (including payables to related parties), other payables (including other payables to related parties), payable for purchases 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.

The sensitivity analysis of foreign currency risk focuses mainly on exchange rates for transactions in currencies other than the entity's functional currency (i.e. 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 (i.e. the functional currency) against the USD and JPY, respectively. The sensitivity rates used are 3% and 10% when reporting foreign currency risk internally to key management personnel.

	USD Impact		JPY Impact	
	For the Nine Months Ended		For the Nine Months Ended	
	September 30		September 30	
	2019	2018	2019	2018
Pre-tax profit decrease (increase)	<u>\$ 55,982</u>	<u>\$ 63,539</u>	<u>\$ 76,630</u>	<u>\$ (150,147)</u>

b) Interest rate risk

The Group is exposed to interest rate risk from outstanding bank loans. Interest rates of the Group's long-term bank loans are floating, and changes in interest rates would affect the future cash flows but not the fair value.

The sensitivity analysis of interest rates was performed based on the Group's exposure to changes in cash flows from floating rate borrowings at the end of financial reporting period.

If interest rates had been 50 basis points higher/lower, the Group's pre-tax profit for the nine months ended September 30, 2019 and 2018 would decrease/increase by \$49,865 thousand and \$35,673 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 security investments at the end of each reporting period.

If equity prices had been 10% higher/lower, equity for the nine months ended September 30, 2019 and 2018 would have increased/decreased by \$179,696 thousand and \$212,936 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 affects the customer's paying ability such as financial condition, external and internal credit scoring, historical experience, and economic conditions. The Group holds some of the credit enhancements such as prepayments and collateral to mitigate its credit risks.

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

As of September 30, 2019, December 31, 2018 and September 30, 2018, the Group's ten largest customers accounted for 68%, 50% and 59% 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 table below summarizes the maturity profile of the Group's financial liabilities based on contractual, undiscounted payments, including principal and estimated interest of interest bearing.

September 30, 2019

	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	\$ 13,856,686	\$ -	\$ -	\$ -	\$ 13,856,686
Lease liabilities	116,613	195,425	191,753	709,691	1,213,482
Interest bearing	<u>5,626,899</u>	<u>7,053,358</u>	<u>2,727,448</u>	<u>-</u>	<u>15,407,705</u>
	<u>\$ 19,600,198</u>	<u>\$ 7,248,783</u>	<u>\$ 2,919,201</u>	<u>\$ 709,691</u>	<u>\$ 30,477,873</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 1 Year	1-5 Years	5-10 Years	10-15 Years	15-20 Years	20+ Years
Lease liabilities	<u>\$ 116,613</u>	<u>\$ 387,178</u>	<u>\$ 396,693</u>	<u>\$ 299,291</u>	<u>\$ 13,707</u>	<u>\$ -</u>

December 31, 2018

	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	\$ 16,550,077	\$ -	\$ -	\$ -	\$ 16,550,077
Interest bearing	<u>3,479,800</u>	<u>4,530,019</u>	<u>1,529,733</u>	<u>-</u>	<u>9,539,552</u>
	<u>\$ 20,029,877</u>	<u>\$ 4,530,019</u>	<u>\$ 1,529,733</u>	<u>\$ -</u>	<u>\$ 26,089,629</u>

September 30, 2018

	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	\$ 16,336,716	\$ -	\$ -	\$ -	\$ 16,336,716
Interest bearing	<u>2,144,874</u>	<u>3,456,981</u>	<u>4,261,131</u>	<u>-</u>	<u>9,862,986</u>
	<u>\$ 18,481,590</u>	<u>\$ 3,456,981</u>	<u>\$ 4,261,131</u>	<u>\$ -</u>	<u>\$ 26,199,702</u>

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

32. 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. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

- a. Related parties and their relationships associated with the Company:

<u>Related Parties</u>	<u>Relationship with the Company</u>
MegaChips Corporation (MegaChips)	Key management personnel
Ardentec Corporation (Ardentec)	The Group is its major management authority
TM Technology, Inc. (TMTECH)	Others
Etron Technology, Inc. (Etron)	Others
Macronix Education Foundation (MXIC Education)	Others

- b. Operating revenues

<u>Line Items</u>	<u>Related Party Categories/Names</u>	<u>For the Three Months Ended September 30</u>		<u>For the Nine Months Ended September 30</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sales	Key management personnel				
	MegaChips	\$ 6,000,453	\$ 3,735,632	\$ 9,371,213	\$ 7,268,175
	Others	<u>184</u>	<u>572</u>	<u>365</u>	<u>604</u>
		<u>\$ 6,000,637</u>	<u>\$ 3,736,204</u>	<u>\$ 9,371,578</u>	<u>\$ 7,268,779</u>

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

c. Purchases

Related Parties Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Key management personnel MegaChips	<u>\$ 278,319</u>	<u>\$ 3,584,412</u>	<u>\$ 2,398,647</u>	<u>\$ 8,357,445</u>

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

d. Receivables from related parties

Line Items	Related Party Categories/ Names	September 30, 2019	December 31, 2018	September 30, 2018
Receivables from related parties, net	Key management personnel			
	MegaChips	\$ 3,246,226	\$ 695,028	\$ 2,235,156
	Others	<u>191</u>	<u>-</u>	<u>179</u>
		<u>\$ 3,246,417</u>	<u>\$ 695,028</u>	<u>\$ 2,235,335</u>
Other receivables	Key management personnel			
	MegaChips	<u>\$ -</u>	<u>\$ 5</u>	<u>\$ -</u>

The outstanding trade receivables from related parties are unsecured. For the nine months ended September 30, 2019 and 2018, no impairment loss was recognized for trade receivables from related parties.

e. Payables to related parties

Line Items	Related Party Categories/ Names	September 30, 2019	December 31, 2018	September 30, 2018
Payables to related parties	Key management personnel			
	MegaChips	\$ 7,969,652	\$ 8,849,935	\$ 9,163,020
	The Group is its major management authority	<u>68,393</u>	<u>76,266</u>	<u>74,130</u>
		<u>\$ 8,038,045</u>	<u>\$ 8,926,201</u>	<u>\$ 9,237,150</u>
Other payables to related parties	Others			
	MXIC Education	\$ 8,528	\$ -	\$ -
	Etron	<u>-</u>	<u>425</u>	<u>-</u>
		<u>\$ 8,528</u>	<u>\$ 425</u>	<u>\$ -</u>

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

f. Other transactions with related parties

Line Items	Related Party Categories/Name	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2019	2018	2019	2018
Manufacturing expenses	The Group is its major management authority				
	Ardentec	\$ 69,095	\$ 70,172	\$ 193,084	\$ 197,796
	Key management personnel	<u>-</u>	<u>-</u>	<u>9,253</u>	<u>-</u>
		<u>\$ 69,095</u>	<u>\$ 70,172</u>	<u>\$ 202,337</u>	<u>\$ 197,796</u>
Operating expenses	Others				
	MXIC Education	\$ 5,507	\$ 5,342	\$ 16,521	\$ 16,026
	Etron	<u>-</u>	<u>-</u>	<u>809</u>	<u>440</u>
		<u>\$ 5,507</u>	<u>\$ 5,342</u>	<u>\$ 17,330</u>	<u>\$ 16,466</u>

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

g. Compensation of key management personnel

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018
Short-term benefits	\$ 139,517	\$ 194,980	\$ 235,798	\$ 495,997
Post-employment benefits	2,162	2,293	6,488	6,880
Share-based payments	922	2,306	2,767	7,686
Other long-term employee benefits	<u>(13)</u>	<u>36</u>	<u>(30)</u>	<u>(127)</u>
	<u>\$ 142,588</u>	<u>\$ 199,615</u>	<u>\$ 245,023</u>	<u>\$ 510,436</u>

The remuneration of key executives was determined by the remuneration committee based on the performance of individuals and market trends.

33. 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 and dormitory lease agreement:

	September 30, 2019	December 31, 2018	September 30, 2018
Property, plant and equipment, net	\$ 13,563,725	\$ 9,927,203	\$ 11,704,970
Pledge deposits (classified as other financial assets - non-current)	<u>157,665</u>	<u>157,665</u>	<u>157,665</u>
	<u>\$ 13,721,390</u>	<u>\$ 10,084,868</u>	<u>\$ 11,862,635</u>

34. 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, 2019 were as follows:

- a. As of September 30, 2019, December 31, 2018 and September 30, 2018, unused letters of credit amounted to approximately \$540,202 thousand, \$0 thousand and \$214,085 thousand, respectively.
- b. Unrecognized commitments are as follows:

	September 30, 2019	December 31, 2018	September 30, 2018
Acquisition of property, plant and equipment	<u>\$ 2,487,269</u>	<u>\$ 6,819,449</u>	<u>\$ 1,092,676</u>

- c. In January 2019, the Company again signed an agreement with IBM to continue the joint development of phase-change memory technology, and the agreement is effective from January 2019 to January 2022. Under the agreement, both parties share the related expenditures of the technology development, and the unrecognized contract amounts were US\$8,000 thousand.
- d. The Company's board of directors passed a resolution to donate "The Macronix Innovation Building" to "National Cheng Kung University" with a donation amount of NT\$420,000 thousand. As of September 30, 2019, the Company has not paid any donation payment yet.

35. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

September 30, 2019

	Foreign Currencies (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 31,520,215	0.2878	\$ 9,071,518
USD	108,689	31.04	<u>3,373,707</u>
			<u>\$ 12,445,225</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	28,857,594	0.2878	\$ 8,305,216
USD	48,571	31.04	<u>1,507,644</u>
			<u>\$ 9,812,860</u>

December 31, 2018

	Foreign Currencies (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 29,851,090	0.2782	\$ 8,304,573
USD	121,931	30.715	<u>3,745,111</u>
			<u>\$ 12,049,684</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	32,135,822	0.2782	\$ 8,940,186
USD	61,324	30.715	<u>1,883,567</u>
			<u>\$ 10,823,753</u>

September 30, 2018

	Foreign Currencies (In thousands)	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
JPY	\$ 27,877,778	0.2692	\$ 7,504,698
USD	133,250	30.53	<u>4,067,456</u>
			<u>\$ 11,572,154</u>
<u>Financial liabilities</u>			
Monetary items			
JPY	33,455,288	0.2692	\$ 9,006,164
USD	63,865	30.53	<u>1,949,479</u>
			<u>\$ 10,955,643</u>

For the three and the nine months ended September 30, 2019, realized and unrealized net foreign exchange gains were \$44,871 thousand and \$67,854 thousand, respectively. For the three and the nine months ended September 30, 2018, realized and unrealized net foreign exchange gains were NT\$100,644 thousand and NT\$206,147 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.

36. 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: None
- j. Intercompany relationships and significant intercompany transactions: Table 4 (attached)
- k. Information on investees: Table 5 (attached)
- l. Information on investments in mainland China
 - 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, investment 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: Table 4 (attached)

37. SEGMENT INFORMATION

Information reported to the chief operating decision maker for the purposes of resource allocation and the assessment of segment performance emphasizes on the types of goods or services delivered or provided. Considering the nature of the product and the process of manufacture, the management integrated those divisions of similar operation functions into one operation segment. The reporting segments of the Group were as follows:

Memory products and wafer fabrication
IC design

There was no material difference between the accounting policies of the reportable segment and those described 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 Income (Loss) from Continuing Operations and Net Income (Loss)			
	For the Three Months Ended September 30		For the Nine Months Ended September 30		For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2019	2018	2019	2018	2019	2018	2019	2018
Memory products and wafer fabrication	\$ 11,921,490	\$ 10,026,556	\$ 25,410,523	\$ 27,963,734	\$ 1,780,337	\$ 1,762,285	\$ 2,322,496	\$ 5,892,908
IC design	-	3,694	4,243	7,973	(1,839)	628	14,555	2,545
Total	<u>\$ 11,921,490</u>	<u>\$ 10,030,250</u>	<u>\$ 25,414,766</u>	<u>\$ 27,971,707</u>	<u>1,778,498</u>	<u>1,762,913</u>	<u>2,337,051</u>	<u>5,895,453</u>
Other income					87,970	92,793	170,558	163,088
Other gains and losses					42,467	95,473	65,662	195,676
Finance costs					(51,581)	(33,103)	(141,214)	(107,669)
Income before tax (from continuing operations)					<u>\$ 1,857,354</u>	<u>\$ 1,918,076</u>	<u>\$ 2,432,057</u>	<u>\$ 6,146,548</u>

b. Segment total assets and liabilities

	September 30, 2019	December 31, 2018	September 30, 2018
<u>Segment assets</u>			
Memory products and wafer fabrication	\$ 62,279,981	\$ 57,664,018	\$ 55,523,016
IC design	<u>26,533</u>	<u>10,192</u>	<u>11,867</u>
Total segment assets	62,306,514	57,674,210	55,534,883
Uncollected assets	<u>1,355,865</u>	<u>1,374,611</u>	<u>1,372,193</u>
Consolidated total assets	<u>\$ 63,662,379</u>	<u>\$ 59,048,821</u>	<u>\$ 56,907,076</u>
<u>Segment liabilities</u>			
Memory products and wafer fabrication	\$ 16,884,056	\$ 18,277,034	\$ 18,139,836
IC design	<u>5,511</u>	<u>3,719</u>	<u>3,861</u>
Total segment liabilities	16,889,567	18,280,753	18,143,697
Uncollected liabilities	<u>15,150,190</u>	<u>9,407,711</u>	<u>9,682,001</u>
Consolidated total liabilities	<u>\$ 32,039,757</u>	<u>\$ 27,688,464</u>	<u>\$ 27,825,698</u>

For the purpose of monitoring segment performance and allocating resources between segments:

- 1) All assets were allocated to reportable segments other than interests in associates accounted for using the equity method, other financial assets, and current and deferred tax assets. Assets used jointly by reportable segments were allocated on the basis of the revenue earned by individual reportable segments; and
- 2) All liabilities were allocated to reportable segments other than borrowings and other financial liabilities. Liabilities for which reportable segments are jointly liable were allocated in proportion to segment assets.

TABLE 1

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

MARKETABLE SECURITIES HELD
SEPTEMBER 30, 2019
(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, 2019				Shares as Collateral
				Shares/Units	Carrying Amount	Percentage of Ownership	Fair Value	
The Company	<u>Shares</u> Ardentec Corporation	The Company serves as member of its board of directors	Financial assets at FVTOCI - non-current	35,951,871	\$ 1,003,057	7.33	\$ 1,003,057	None
	United Industrial Gases Co., Ltd.	None	"	6,671,877	314,512	3.06	314,512	None
	Zowie Technology Co., Ltd.	None	"	20,426	-	0.12	-	None
MXBVI	<u>Shares</u> Chipbond Technology Corporation	None	Financial assets at FVTOCI - non-current	1,088,319	62,578	0.17	62,578	None
	Tower Semiconductor Ltd.	None	"	584,893	349,304	0.55	349,304	None
	Global Strategic Investment Fund (Cayman)	None	"	490,000	16,579	2.52	16,579	None
	Global Strategic Investment Fund (Samoa)	None	"	1,739,783	21,061	4.90	21,061	None
Hui Ying	<u>Shares</u> Macronix International Co., Ltd.	The Company	Financial assets at FVTOCI - non-current	1,956,619	61,633	0.11	61,633	None
	Raio Technology Co., Ltd.	None	"	1,247,288	29,873	10.03	29,873	None

TABLE 2

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(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	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	Sales	\$ 9,371,213	38	30 days after monthly closing	Note 32	Note 32	\$ 3,246,226	45	-
	MXHK	Indirect subsidiary	Sales	3,157,307	13	45 days after monthly closing	Note 32	Note 32	649,571	9	-
	MXA	Subsidiary	Sales	977,858	4	Net 60 days	Note 32	Note 32	144,936	2	-
	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	Purchase	2,398,647	37	30 days after monthly closing and after acceptance of materials	Note 32	Note 32	7,969,652	77	-
MXHK	The Company	Indirect subsidiary	Purchase	US\$ 101,814	100	45 days after monthly closing	No material difference	No material difference	US\$ 20,928	100	-
MXA	The Company	Subsidiary	Purchase	US\$ 31,578	100	Net 60 days	No material difference	No material difference	US\$ 4,637	100	-

TABLE 3

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
The Company	MegaChips	Its subsidiary, Shun Ying Investment, is represented in MXIC’s board of directors	\$ 3,246,226	6.34 times	\$ -	-	\$ 2,898,172 thousand	\$ -
	MXHK	Indirect subsidiary	649,571	8.18 times	-	-	422,355 thousand	-
	MXA	Subsidiary	144,936	9.38 times	-	-	94,381 thousand	-

TABLE 4

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)**

Investee Company	Counterparty	Relationship (Note 1)		Transaction Details		
			Financial Statement Accounts	Amount	Payment Terms	% to Total Revenues or Assets
The Company	MXHK	1	Sales	\$ 3,157,307	Note 2	12
			Net receivable from related parties	649,571	-	1
	MXE	1	Operating expenses	110,880	-	-
			Other payables to related parties	46,803	-	-
	MXA	1	Sales	977,858	Note 2	4
			Operating expenses	152,381	-	1
			Net receivable from related parties	144,936	-	-
			Other payables to related parties	69,661	-	-
	Mxtran	1	Rental revenue	326	Note 3	-
			Operating expenses	20,000	-	-
MXHK	Mxm	3	Operating expenses	250,268	-	1

Note 1: The transactions from the parent company to the subsidiary are denoted as 1.
The transactions from the subsidiary to the parent company are denoted as 2.
The transactions between two subsidiaries are denoted as 3.

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

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

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

TABLE 5

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTEEES
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		Balance as of September 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				September 30, 2019	December 31, 2018	Shares	%	Carrying Amount			
The Company	MXA	San Jose, California, U.S.A.	Sales and marketing	\$ 2,640	\$ 2,640	100,000	100.00	\$ 153,859	\$ (4,591)	\$ (4,594)	Subsidiary
	MXBVI	Tortola, British Virgin Islands	Investment holding company	7,348,057	7,348,057	212,048,000	100.00	1,920,443	(59,730)	(59,730)	Subsidiary
MXBVI	Hui Ying	Taipei, Taiwan	Investment	500,000	500,000	-	100.00	75,357	12,593	10,245	Subsidiary
	Run Hong	Taipei, Taiwan	Investment	984,432	984,432	-	100.00	14,442	622	622	Subsidiary
	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and the related services	755,287	755,287	69,627,323	90.43	19,030	14,537	13,167	Subsidiary
	NTTI	San Jose, California, U.S.A.	IC design	882,141	882,141	26,850,000	100.00	298,400	(4,128)	Note	Subsidiary
	MXE	Belgium	After-sales service	2,106	2,106	999	100.00	119,794	5,073	Note	Subsidiary
	MPL	Singapore	After-sales service	3,291	3,291	174,000	100.00	20,241	865	Note	Subsidiary
	MXHK	Hong Kong	Sales and marketing	378,427	378,427	89,700,000	100.00	658,371	(75,273)	Note	Subsidiary
	MX Asia	Cayman Island	Investment holding company	26,325	26,325	700,000	100.00	68,302	4,366	Note	Subsidiary
	Mxtran	Hsinchu, Taiwan	Combi-SIM IC and the related services	40,318	40,318	3,393,200	4.41	928	14,537	Note	Subsidiary
	Mxtran	Samoa	Investment holding company	35,979	35,979	1,170,000	100.00	1,070	1	Note	Subsidiary
Mxtran Samoa	Mxtran HK	Hong Kong	Investment holding company	23,880	23,880	6,152,000	100.00	455	1	Note	Subsidiary

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

TABLE 6

MACRONIX INTERNATIONAL CO., LTD. AND SUBSIDIARY

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of September 30, 2019	Net Income (Loss) of the Investee	% Ownership for Direct or Indirect Investment	Investment Gain (Loss) (Note 1)	Carrying Amount as of September 30, 2019	Accumulated Repatriation of Investment Income as of September 30, 2019
					Outward	Inward						
MXm	Development of integrated circuit system and software	\$ 296,160	MXHK (Note 2)	\$ 296,160	\$ -	\$ -	\$ 296,160	\$ 8,552	100	\$ 8,552	\$ 377,782	\$ -

Accumulated Outward Remittance for Investment in Mainland China as of September 30, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amounts of Investment Stipulated by Investment Commission, MOEA
\$ 296,160	\$ 296,160	Note 3

Note 1: The amount was recognized base on the unreviewed financial statements of the investee company.

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

Note 3: As the Company has obtained the certificate of being qualified for operating headquarters issued by the Industrial Development bureau, MOEA in March 2017, the upper limit on investments in mainland China pursuant to “Principle of investment or Technical Cooperation in Mainland China” is not applicable.