Winbond Electronics Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2014 and 2013 and Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Winbond Electronics Corporation

We have audited the accompanying consolidated balance sheets of Winbond Electronics Corporation (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2014 and 2013, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013 and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2014 and 2013, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Winbond Electronics Corporation as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

Deloitte & Touche

February 3, 2015

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

ASSETS	2014 Amount	%	2013 Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 6,975,514	11	$ 7,670,379	14
Available-for-sale financial assets, current (Note 8)	2,902,576	4	1,790,113	3
Notes and accounts receivable, net (Note 9)	5,433,212	8	4,906,167	9
Accounts receivable due from related parties, net (Note 28)	85,234	-	89,754	-
Other receivables (Note 10)	310,447	1	300,116	1
Inventories (Note 11)	6,316,936	10	6,973,887	12
Other current assets	952,819	1	677,839	1
Total current assets	22,976,738	35	22,408,255	40
NON-CURRENT ASSETS				
Available-for-sale financial assets, non-current (Note 8)	-	-	281,070	1
Held-to-maturity financial assets, non-current (Note 12)	101,840	-	97,770	-
Financial assets measured at cost, non-current (Note 13)	719,378	1	656,676	1
Investments accounted for using equity method (Note 14)	2,416,386	4	2,407,094	4
Property, plant and equipment (Note 15)	33,986,751	52	24,804,025	45
Investment properties (Note 16)	78,506	-	80,401	-
Intangible assets (Note 17)	311,616	1	193,947	1
Deferred income tax assets (Note 22)	3,490,222	6	4,088,406	7
Other non-current assets (Notes 6 and 10)	810,271	1	661,034	1
Total non-current assets	41,914,970	65	33,270,423	60
TOTAL	$ 64,891,708	100	$ 55,678,678	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ 390,213	1	$ 2,072,708	4
Financial liabilities at fair value through profit or loss, current (Note 7)	16,894	-	16,545	-
Notes and accounts payable	3,823,082	6	3,262,977	6
Accounts payable to related parties (Note 28)	642,564	1	521,618	1
Payable on equipment	1,287,996	2	472,496	1
Other payables	2,290,033	3	2,213,020	4
Current portion of long-term borrowings (Note 18)	5,879,760	9	3,863,097	7
Other current liabilities	120,836	-	79,149	-
Total current liabilities	14,451,378	22	12,501,610	23
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	9,814,030	15	6,076,193	11
Accrued pension liabilities (Note 19)	974,840	1	929,453	2
Other non-current liabilities	351,369	1	283,320	-
Total non-current liabilities	11,140,239	17	7,288,966	13
Total liabilities	25,591,617	39	19,790,576	36
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Common stock (Note 20)	36,949,822	57	36,940,232	66
Capital surplus	2,143,393	3	2,148,359	4
Accumulated deficits	(1,119,684)	(2)	(4,187,772)	(8)
Exchange differences on translation of foreign financial statements	23,265	-	(59,567)	-
Unrealized gains (losses) on available-for-sale financial assets	292,835	1	79,055	-
Treasury stock	(106,387)	-	(106,387)	-
Total equity attributable to owners of the parent	38,183,244	59	34,813,920	62
NON-CONTROLLING INTERESTS	1,116,847	2	1,074,182	2
Total equity	39,300,091	61	35,888,102	64
TOTAL	$ 64,891,708	100	$ 55,678,678	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2014		2013	
	Amount	%	Amount	%
OPERATING REVENUE	$ 37,989,660	100	$ 33,135,448	100
OPERATING COST (Note 11)	27,199,199	72	26,226,516	79
GROSS PROFIT	10,790,461	28	6,908,932	21
OPERATING EXPENSES				
Selling expenses	1,127,300	3	972,433	3
General and administrative expenses	1,112,579	3	980,725	3
Research and development expenses	4,892,159	13	4,190,576	13
Total operating expenses	7,132,038	19	6,143,734	19
PROFIT FROM OPERATIONS	3,658,423	9	765,198	2
NON-OPERATING INCOME AND LOSSES				
Interest income	166,289	-	53,033	-
Dividend income	114,709	-	29,715	-
Gains on doubtful debt recoveries	902	-	6,330	-
Other income	43,045	-	33,742	-
Gains (losses) on disposal of investments	40,657	-	(7,674)	-
Foreign exchange gains	250,790	1	161,934	1
Share of profit or loss of associates accounted for using equity method (Note 14)	14,663	-	(92,057)	-
Interest expense	(177,339)	-	(259,402)	(1)
Other expense	(34,162)	-	(37,652)	-
Losses on disposal of property, plant and equipment	(7,643)	-	(3,807)	-
Losses on financial instruments at fair value through profit or loss	(129,296)	-	(89,923)	-
Impairment loss on financial assets (Note 13)	-	-	(783)	-
Total non-operating income and losses	282,615	1	(206,544)	-
PROFIT BEFORE INCOME TAX	3,941,038	10	558,654	2
INCOME TAX EXPENSE (Note 22)	730,494	2	271,288	1
NET PROFIT	3,210,544	8	287,366	1

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2014		2013	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Exchange differences on translation of foreign financial statements	$ 90,597	-	$ 43,138	-
Unrealized gains on available-for-sale financial assets	213,780	1	1,487,472	5
Actuarial gains and losses on defined benefit plans	(10,274)	-	36,810	-
Other comprehensive income	294,103	1	1,567,420	5
TOTAL COMPREHENSIVE INCOME	$ 3,504,647	9	$ 1,854,786	6
NET PROFIT ATTRIBUTABLE TO:				
Owner of the parent	$ 3,075,969	8	$ 206,564	1
Non-controlling interests	134,575	-	80,802	-
	$ 3,210,544	8	$ 287,366	1
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the parent	$ 3,364,700	9	$ 1,752,631	5
Non-controlling interests	139,947	-	102,155	1
	$ 3,504,647	9	$ 1,854,786	6
EARNINGS PER SHARE (Note 23)				
Basic	$0.83		$0.06	
Diluted	$0.83		$0.06	

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent								
				Other Equity					
	Common Stock	Capital Surplus	Accumulated Deficits	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2013	$ 36,856,012	$ 2,177,342	$ (4,430,750)	$ (81,748)	$ (1,408,417)	$ (106,387)	$ 33,006,052	$ 1,109,483	$ 34,115,535
Change in equity of associates accounted for using equity method	-	29,347	-	-	-	-	29,347	133	29,480
Net income for 2013	-	-	206,564	-	-	-	206,564	80,802	287,366
Other comprehensive income for 2013	-	-	36,414	22,181	1,487,472	-	1,546,067	21,353	1,567,420
Total comprehensive income for 2013	-	-	242,978	22,181	1,487,472	-	1,752,631	102,155	1,854,786
Issue of ordinary shares under employee stock options	84,220	(58,330)	-	-	-	-	25,890	-	25,890
Decrease in non-controlling interests	-	-	-	-	-	-	-	(137,589)	(137,589)
BALANCE, DECEMBER 31, 2013	36,940,232	2,148,359	(4,187,772)	(59,567)	79,055	(106,387)	34,813,920	1,074,182	35,888,102
Change in equity of associates accounted for using equity method	-	(252)	-	-	-	-	(252)	(161)	(413)
Net income for 2014	-	-	3,075,969	-	-	-	3,075,969	134,575	3,210,544
Other comprehensive income for 2014	-	-	(7,881)	82,832	213,780	-	288,731	5,372	294,103
Total comprehensive income for 2014	-	-	3,068,088	82,832	213,780	-	3,364,700	139,947	3,504,647
Issue of ordinary shares under employee stock options	9,590	(4,714)	-	-	-	-	4,876	-	4,876
Decrease in non-controlling interests	-	-	-	-	-	-	-	(97,121)	(97,121)
BALANCE, DECEMBER 31, 2014	$ 36,949,822	$ 2,143,393	$ (1,119,684)	$ 23,265	$ 292,835	$ (106,387)	$ 38,183,244	$ 1,116,847	$ 39,300,091

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 3,941,038	$ 558,654
Adjustments for:		
Depreciation expenses	4,759,388	6,277,692
Amortization expenses	115,818	169,142
Provision for allowance for doubtful accounts	5,285	5,138
Provision for (reversal of) decline in market value and obsolescence and abandonment of inventories	230,527	(177,945)
Net loss on financial assets and liabilities at fair value through profit or loss	349	39,904
Interest expense	177,339	259,402
Interest income	(166,289)	(53,033)
Dividend income	(114,709)	(29,715)
Share of (profit) loss of associates accounted for using equity method	(14,663)	92,057
Impairment loss on financial assets	-	783
Loss on disposal of property, plant and equipment	7,643	3,807
(Gain) loss on disposal of investments	(40,657)	7,674
Realized profit on the transactions with associates	(118)	(137)
Changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	-	5,529
Increase in notes and accounts receivable	(533,864)	(308,018)
Decrease (increase) in accounts receivable due from related parties	4,520	(43,681)
Decrease in other receivables	26,629	62,983
Decrease in inventories	426,424	1,312,735
Increase in other current assets	(274,980)	(150,998)
Increase in other non-current assets	(83,558)	(5,567)
Increase (decrease) in notes and accounts payable	560,105	(436,803)
Increase (decrease) in accounts payable to related parties	120,946	(12,721)
Increase (decrease) in other payables	123,711	(60,474)
Increase in other current liabilities	41,687	1,320
Increase in other non-current liabilities	58,681	81,803
Cash inflow generated from operations	9,371,252	7,599,531
Interest received	48,770	44,203
Dividend received	122,653	34,530
Interest paid	(272,935)	(298,559)
Income tax paid	(134,535)	(122,104)
Net cash flows generated from operating activities	9,135,205	7,257,601
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(828,260)	(631,036)
Proceeds from disposal of available-for-sale financial assets	148,292	206,111
Acquisition of held-to-maturity financial assets	-	(94,584)

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

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

	2014	2013
Acquisition of financial assets measured at cost	$ -	$ (16,000)
Proceeds from disposal of financial assets measured at cost	-	2,467
Proceeds from capital reduction of financial assets measured at cost	5,368	32,603
Acquisition of investments accounted for using equity method	-	(151,236)
Proceeds from disposal of investments accounted for using equity method	33,872	-
Acquisitions of property, plant and equipment	(13,192,897)	(2,245,724)
Proceeds from disposal of property, plant and equipment	1,351	5,076
Decrease in financial lease receivables	152,728	64,246
Acquisition of intangible assets	(192,673)	(155,663)
Net cash used in investing activities	(13,872,219)	(2,983,740)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,682,495)	(643,766)
Decrease in short-term bills payable	-	(500,000)
Increase in long-term borrowings	9,617,600	3,510,000
Repayments of long-term borrowings	(3,863,100)	(4,604,040)
Dividend paid to non-controlling interests	(97,121)	(137,588)
Proceeds from exercise of employee stock options	4,876	25,890
Increase in non-controlling interests	7,764	21,352
Net cash generated from (used in) financing activities	3,987,524	(2,328,152)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	54,625	13,757
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(694,865)	1,959,466
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	7,670,379	5,710,913
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,975,514	$ 7,670,379

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

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

1. GENERAL INFORMATION

Winbond Electronics Corporation (the "Company") was incorporated in the Republic of China ("ROC") on September 29, 1987 and is engaged in the design, development, manufacture and marketing of Very Large Scale Integration ("VLSI") integrated circuits ("ICs") used in a variety of microelectronic applications.

The Company's shares have been listed on the Taiwan Stock Exchange since October 18, 1995. Walsin Lihwa is a major stockholder of the Company and held approximately 23% ownership interest in the Company as of December 31, 2014 and 2013.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on February 3, 2015.

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

a. The Regulations, which has not come into force, Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended on August 13, 2014 and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC) not yet effective

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

New, Amended and Revised Standards and Interpretations (the "IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011

(Continued)

New, Amended and Revised Standards and Interpretations (the "IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

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

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

1) IFRS 10 "Consolidated Financial Statements"

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

2) IFRS 12 "Disclosure of Interests in Other Entities"

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

3) IFRS 13 "Fair Value Measurement"

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

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

4) Amendment to IAS 1 "Presentation of Other Comprehensive Income"

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

The Group will retrospectively apply the above amendments starting from 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plan and the share of the remeasurements of the defined benefit plans of associates accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translation of foreign financial statements and unrealized gains (losses) on available-for-sale financial assets. However, the application of the above amendments will not result in any impact on the net profit, other comprehensive income, and total comprehensive income for the year.

5) IAS 19 (Revised 2011) "Employee Benefits"

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

For the adoption of the revised IAS 19 in 2015, there is not any changes in equity but changes in cumulative employee benefit costs as of December 31, 2013, which resulting from the retrospective adoption. The adoption of the revised IAS 19 will result in $9,627 thousand increase in net profit and $9,627 thousand decrease in other comprehensive income for the year ended December 31, 2014. However, there is no effect on total comprehensive income for the year ended December 31, 2014.

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

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	January 1, 2016 (Note 4)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2017
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendment to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"	January 1, 2014
Amendment to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
IFRIC 21 "Levies"	January 1, 2014

(Concluded)

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

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

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 4: Prospectively applicable to transactions occurring in annual periods beginning on or after January 1, 2016.

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

1) IFRS 9 "Financial Instruments"

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

2) Amendment to IAS 36 "Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets"

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

5) Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"

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

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

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

a) In which the intangible asset is expressed as a measure of revenue (for example, the contract that specifies the entity's use of the intangible asset will expire upon achievement of a revenue threshold); or

b) When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

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

6) Annual Improvements to IFRSs: 2012-2014 Cycle

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

7) Amendment to IAS 1 "Disclosure Initiative"

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

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

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 POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

b. Subsidiary included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership December 31 2014	2013
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100	100
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100	100
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100	100
Landmark	Winbond Electronics Corp. Japan ("WECJ")	Research, development, sales and after-sales service of semiconductor	100	100
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100	100
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor	100	100
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100	100
PCI	Winbond Electronics (Suzhou) Limited ("WECN")	Design, development and marketing of VLSI integrated ICs	100	100
The Company	Mobile Magic Design Corporation ("MMDC")	Design, development and marketing of Pseudo SRAM	100	100
The Company	Winbond Technology Ltd. (Israel) ("WECI")	Design, sales and after-sales service of semiconductor	100	100
The Company	Newfound Asian Corp. ("NAC")	Investment holding	100	100
NAC	Baystar Holdings Ltd. ("BHL")	Investment holding	100	100
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	61	61
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provide project of sale in China and repair, test and consult of software	100	100
GLLC	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NTC	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100	100
PCH	Nuvoton Technology Corp. America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
NTC	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design, sales and after-sales service of semiconductor	100	100
NTC	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
NTC	Song Yong Investment Corporation ("SYI") (Note 1)	Investment holding	100	-
NTC	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and after-sales service of semiconductor	(Note 2)	-

Note 1: SYI was incorporated in April 2014.

Note 2: In 2012, NTC's board of directors resolved to set up NTIPL. The procedure of set-up NTIPL is still in process and NTC has not injected the capital as of December 31, 2014.

Classification of Current and Non-current Assets and Liabilities

Current assets include cash and cash equivalents and those assets held primarily for trading purposes or to be realized, sold or consumed within twelve months after the reporting period, unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. Current liabilities are obligations incurred for trading purposes or to be settled within twelve months after the reporting period and liabilities that the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Except as otherwise mentioned, assets and liabilities that are not classified as current are classified as non-current.

Foreign Currencies

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

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's foreign currencies are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement are recognized in profit or loss in the period they arise.

Exchange differences arising on the retranslation of non-monetary items measured at fair value are included in profit or loss for the period at the rates prevailing at the end of reporting period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

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

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

Financial Instruments

a. Financial assets

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

   The categories of financial assets held by the Group are financial assets at fair value through profit or loss, available-for-sale financial assets, held-to-maturity financial assets, and loans and receivables.

   1) Financial assets at fair value through profit or loss

      Financial assets are classified as at fair value through profit or loss when the financial assets are either held for trading or designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

2) Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as available-for-sale financial assets and are stated at fair value at the end of each reporting period. Changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of or is determined to be impaired.

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

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

3) Held-to-maturity financial assets

Bonds which have a specific credit rating and the Group has positive intent and ability to hold to maturity are classified as held-to-maturity financial assets.

Subsequent to initial recognition, held-to-maturity financial assets are measured at amortized cost using the effective interest method less any impairment.

4) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including cash and cash equivalent, notes and accounts receivable, account receivable due from related parties, other receivables and refundable deposits are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivable when the effect of discounting is immaterial.

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

b. Impairment of financial assets

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

Financial assets carried at amortized cost, such as accounts receivable and held-to-maturity financial assets are assessed for impairment. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables. The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment loss are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

c. Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss. Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Financial liabilities are measured at amortized cost using the effective interest method, except financial liabilities at fair value through profit or loss.

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts and cross currency swaps.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. When the fair value of derivative financial instruments is positive, the derivative is recognized as a financial asset; when the fair value of derivative financial instruments is negative, the derivative is recognized as a financial liability.

g. Information about fair value of financial instruments

The Group determined the fair value of financial assets and liabilities as follow:

1) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.

2) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.

3) The fair values of other financial assets and financial liabilities are determined by discounted cash flow analysis in accordance with generally accepted pricing models.

Inventories

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

Investments Accounted for Using Equity Method

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee without having control or joint control over those policies.

The Group uses equity method to recognize investments in associates. Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

The Group's property, plant and equipment were depreciated straight-line basis over the estimated useful life of the asset:

Buildings	9-21 years
Machinery and equipment	4-8 years
Other equipment	6 years

Furthermore, on April 29, 2013, the board of directors of the Company determined to change the accounting-basis of estimated useful life of assets and reported the change in the stockholders' meeting on June 19, 2013. Since July 1, 2013, the useful life of facilities (recorded as "buildings") is from 11 years to 15 years, and useful life of machinery and equipment is from 6 years to 8 years.

Investment Properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss, and depreciated over 20 years useful lives after considered residual values, using the straight-line method. Any gain or loss arising on derecognition of the property is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the property is derecognized.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

Impairment of Tangible and Intangible Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event and at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. For potential product risk, the Group accrues reserve for products guarantee based on commitment to specific customers.

Revenue Recognition

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

Leasing

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

Under finance lease, the Group as lessor recognizes amounts due from lessees as receivables at the amount of the Group's net investment in the lease. 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.

Under operating lease, the Group as lessor recognizes rental income from operating lease on a straight-line basis over the term of the relevant lease. Contingent rents receivable arising under operating leases are recognized as income in the period in which they are earned. As lessee, operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rents payable arising under operating leases are recognized as an expense in the period in which they are incurred.

Borrowing Costs

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

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

Retirement Benefit Costs

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

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method. Actuarial gains and losses on the defined benefit obligation are recognized immediately in other comprehensive income. Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.

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

Curtailment or settlement gains or losses on the defined benefit plan are recognized when the curtailment or settlement occurs.

Employee Stock Options

The value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus. The fair value determined at the grant date of the employee stock options is recognized as an expense in full at the grant date when the stock options granted vest immediately.

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

Taxation

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

a. Current tax

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain the earnings. Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The Group's critical accounting judgments and key sources of estimation uncertainty is below:

a. Deferred tax

The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available. In cases where the actual future profits generated are less than expected, a material reversal of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal takes place.

b. Valuation of inventory

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

c. Useful lives and impairment of plant, property and equipment

As described in Note 4, the Group reviews the estimated useful lives and recoverable amount of property, plant and equipment at the end of each reporting period. During 2013, the Group reassessed the useful lives of plant, property, and equipment in view of expected economic benefits. Since July 1, 2013, the useful life of facilities is from 11 years to 15 years, and useful life of machinery and equipment is from 6 years to 8 years.

d. Recognition and measurement of defined benefit retirement plans

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

e. Impairment of accounts receivable

Objective evidence of impairment used in evaluating impairment loss includes estimated future cash flows. The amount of impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. If the future cash flows are lower than expected, significant impairment loss may be recognized.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	2013
Cash on hand	$ 731	$ 751
Checking accounts and demand deposits	6,034,943	6,831,028
Repurchase agreements collateralized by bonds	939,840	838,600
	$ 6,975,514	$ 7,670,379

a. The Group has time deposits pledged to secure land lease, customs tariff obligation, purchase orders of materials and sales deposits which are reclassified as "other non-current assets":

	December 31	
	2014	2013
Time deposits	$ 136,858	$ 131,547

b. The Group has partial time deposits which were not held for the purpose of meeting short-term cash commitments and are reclassified to "other receivables":

	December 31	
	2014	2013
Time deposits	$ 1,085	$ 1,041

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	2013
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	$ 16,894	$ 16,545

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2014			
Sell forward exchange contracts	USD to NTD	2015.01.08-2015.02.26	USD60,800/NTD1,907,401
December 31, 2013			
Sell forward exchange contracts	USD to NTD	2014.01.02-2014.03.28	USD77,800/NTD2,299,753

The Group entered into derivative financial instruments to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
Listed stocks		
Walsin Lihwa Corporation	$ 996,000	$ 401,520
Hannstar Display Corporation	794,245	696,747
Walton Advanced Engineering Inc.	738,424	535,670
Walsin Technology Corporation	156,368	102,958
CTBC Financial Holding Co., Ltd.	63,931	-
Telit Communications PLC	49,560	53,218
Cathay Financial Holding Co., Ltd.	46,974	-
Yuanta Duo Fu Equity Fund	30,161	-
CIFM Money Market Fund Class B	26,056	-
Inside Secure	857	-
Private-placement shares of listed company		
Hannstar Display Corporation	-	281,070
	$ 2,902,576	$ 2,071,183
Current	$ 2,902,576	$ 1,790,113
Non-current	-	281,070
	$ 2,902,576	$ 2,071,183

In July 2014, the private-placement shares of Hannstar Display Corporation hold by the Company was authorized to public offering by Financial Supervisory Commission, accordingly, the Company reclassified the investment from available-for-sales financial assets non-current to current.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2014	2013
Notes receivable	$ 902	$ 814
Accounts receivable	5,559,386	5,028,740
Less: Allowance for doubtful accounts	(127,076)	(123,387)
	$ 5,433,212	$ 4,906,167

The average credit period for sales of goods was 30-60 days. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to aging of receivables, past default experience of the counterparties and an analysis of their financial position.

The aging of accounts receivable were as follows:

	December 31	
	2014	2013
Not overdue	$ 4,986,469	$ 4,618,613
Overdue under 30 days	553,509	364,054
Overdue 31-60 days	9,082	31,878
Overdue 61 days and longer	10,326	14,195
	$ 5,559,386	$ 5,028,740

Movements in the allowance for doubtful accounts recognized on accounts receivable were as follows:

	For the Year Ended December 31	
	2014	2013
Balance at January 1	$ 123,387	$ 112,603
Less: Amounts written off	(3,130)	-
Add: Impairment losses recognized on accounts receivable	6,187	11,468
Effect of exchange rate changes	632	(684)
Balance at December 31	$ 127,076	$ 123,387

The Group's receivables were aged on a collective basis and not on individual account basis.

10. FINANCE LEASE RECEIVABLES

	December 31 2014	December 31 2013
Gross investment in leases		
Not later than one year	$ 201,196	$ 148,734
Later than one year and not later than five years	660,639	672,610
	861,835	821,344
Less: Unearned finance income	(252,440)	(348,261)
Present value of minimum lease payments	$ 609,395	$ 473,083
Finance lease receivables		
Not later than one year (recorded as "other receivables")	$ 80,606	$ 32,647
Later than one year and not later than five years (recorded as "other non-current assets")	528,789	440,436
Financial lease receivables	$ 609,395	$ 473,083

The Company entered into finance lease arrangements for certain machinery. All leases were denominated in New Taiwan dollars. The term of finance leases entered into was 3-5 years.

The interest rate inherent in the leases was fixed at contract date for the entire lease term. As of December 31, 2014, the interest rate inherent in the finance lease was 1.7% per annum.

Financial lease receivables are secured by the leased machinery. The Company is not permitted to sell or pledge the collateral in the absence of default by the lessee.

The part of machinery which was reclassified to financial lease receivables was pledged to secure long-term borrowings.

The finance lease receivables as of December 31, 2014 and 2013 were neither past due nor impaired.

11. INVENTORIES

	December 31 2014	December 31 2013
Finished goods	$ 1,598,887	$ 1,528,832
Work-in-process	4,279,223	5,086,226
Raw materials and supplies	420,545	329,429
Inventories in transit	18,281	29,400
	$ 6,316,936	$ 6,973,887

a. Loss on decline in market value and obsolescence and abandonment of inventories was $230,527 thousand and gain on reversal of decline in market value was $177,945 thousand, which were recognized as cost of sales for the years ended December 31, 2014 and 2013, respectively. Gain on recovery of decline in market value amounted to $268,631 thousand for the year ended December 31, 2013 was due to net realizable value increasing.

b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2014 and 2013 amounted to $124,836 thousand and $553,302 thousand, respectively.

12. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2014	2013
CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013	$ 101,840	$ 97,770

On March 12, 2013, the Company bought 3-year financial bonds issued by CTBC Bank Co., Ltd. with a coupon rate and an effective interest rate of 2.9%, at par value of RMB20,000 thousand.

13. FINANCIAL ASSETS MEASURED AT COST, NON-CURRENT

	December 31	
	2014	2013
LTIP Trust Fund	$ 466,144	$ 466,144
United Industrial Gases Co., Ltd.	81,081	81,081
Nyquest Technology Co., Ltd. (Note 14)	68,071	-
Yu-Ji Venture Capital Co., Ltd.	40,000	40,000
Harbinger III Venture Capital Corp.	23,488	23,488
Others	40,594	45,963
	$ 719,378	$ 656,676

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

b. The Group recognized an impairment loss of $783 thousand for the year ended December 31, 2013.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31			
	2014		2013	
Name of Associate	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Unlisted companies				
Chin Xin Investment Co., Ltd.	$ 2,416,386	38	$ 2,323,058	38
Nyquest Technology Co., Ltd.	-	-	84,036	27
	$ 2,416,386		$ 2,407,094	

The summarized financial information in respect of the Group's associates is set out below:

	December 31	
	2014	2013
Total assets	$ 6,411,647	$ 6,675,580
Total liabilities	$ 576	$ 140,224

	For the Year Ended December 31	
	2014	2013
Revenue	$ 850,917	$ 727,387
Net income (loss)	$ 89,441	$ (894,912)
Other comprehensive income	$ 124,616	$ 1,476,726
Group's share of profits (loss) of associates for the year	$ 14,663	$ (92,057)

In the fourth quarter of 2013, the Company acquired 12,128 thousand shares of Chin Xin Investment Co., Ltd. from related-party Walsin Lihwa Corporation. As of December 31, 2014, the Company had 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

NTC hold a 27% ownership interest of Nyquest Technology Co., Ltd. as of December 31, 2013, and accounted under equity method. In 2014, NTC sold its partial interest in Nyquest Technology Co., Ltd. and thus lost its significant influence and accounted for as deemed disposal. The remaining interest $68,071 thousand at fair value was recognized as a financial assets measured at cost. There is $12,030 thousand of gain on disposal of investments for the year ended December 31, 2014.

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2014 and 2013 were based on the associates' financial statements audited by independent auditors.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2014	2013
Land	$ 1,622,173	$ 872,339
Buildings	8,153,139	8,567,718
Machinery and equipment	23,635,484	14,029,546
Other equipment	375,036	341,995
Construction in progress and prepayments for purchase of equipment	200,919	992,427
	$ 33,986,751	$ 24,804,025

	Land	Building	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2014	$ 872,339	$ 20,133,446	$ 78,708,706	$ 2,976,272	$ 992,427	$ 103,683,190
Additions	745,303	451,729	12,557,270	150,143	198,919	14,103,364
Disposals	-	(155)	(2,055,071)	(18,406)	-	(2,073,632)
Reclassified	-	43,025	766,186	11,787	(990,427)	(169,429)
Effect of foreign currency exchange differences	4,531	15,751	740	315	-	21,337
Balance at December 31, 2014	$ 1,622,173	$ 20,643,796	$ 89,977,831	$ 3,120,111	$ 200,919	$ 115,564,830
Accumulated depreciation and impairment						
Balance at January 1, 2014	$ -	$ 11,565,728	$ 64,679,160	$ 2,634,277	$ -	$ 78,879,165
Depreciation expenses	-	916,183	3,710,320	127,805	-	4,754,308
Disposals	-	(155)	(2,047,406)	(17,077)	-	(2,064,638)
Reclassified	-	-	(100)	100	-	-
Effect of foreign currency exchange differences	-	8,901	373	(30)	-	9,244
Balance at December 31, 2014	$ -	$ 12,490,657	$ 66,342,347	$ 2,745,075	$ -	$ 81,578,079

(Continued)

	Land	Building	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2013	$ 870,460	$ 20,067,447	$ 78,216,631	$ 2,888,473	$ 97,347	$ 102,140,358
Additions	-	55,686	1,481,372	95,051	951,598	2,583,707
Disposals	-	(47,654)	(394,560)	(26,153)	-	(468,367)
Reclassified	-	51,475	(599,060)	4,103	(56,518)	(600,000)
Effect of foreign currency exchange differences	1,879	6,492	4,323	14,798	-	27,492
Balance at December 31, 2013	$ 872,339	$ 20,133,446	$ 78,708,706	$ 2,976,272	$ 992,427	$ 103,683,190
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ 10,507,177	$ 60,110,009	$ 2,502,058	$ -	$ 73,119,244
Depreciation expenses	-	1,099,972	5,028,125	144,660	-	6,272,757
Disposals	-	(44,774)	(389,778)	(24,932)	-	(459,484)
Reclassified	-	-	(72,344)	-	-	(72,344)
Effect of foreign currency exchange differences	-	3,353	3,148	12,491	-	18,992
Balance at December 31, 2013	$ -	$ 11,565,728	$ 64,679,160	$ 2,634,277	$ -	$ 78,879,165

(Concluded)

a. As of December 31, 2014 and 2013, the carrying values of $24,648,354 thousand and $13,458,619 thousand of land, building and 12-inch Fab manufacturing facilities were pledged to secure long-term borrowings. The Group was not permitted to sell or pledge all of these pledged assets.

b. Information about capitalized interest

	For the Year Ended December 31	
	2014	2013
Capitalized interest amounts	$ 94,968	$ 39,120
Capitalized interest rate	2.16%-2.24%	2.40%-2.65%

16. INVESTMENT PROPERTIES

	December 31	
	2014	2013
Investment properties, net	$ 78,506	$ 80,401

The investment properties is in Shen-Zhen, China. As of December 31, 2014, the fair value of such investment properties was approximately $200,000 thousand, which was referred by the neighborhood transactions.

	Investment Properties
Cost	
Balance at January 1, 2014	$ 111,862
Effect of foreign currency exchange differences	4,659
Balance at December 31, 2014	$ 116,521

(Continued)

	Investment Properties
Accumulated depreciation and impairment	
Balance at January 1, 2014	$ 31,461
Depreciation expenses	5,080
Effect of foreign currency exchange differences	1,474
Balance at December 31, 2014	$ 38,015
Cost	
Balance at January 1, 2013	$ 105,724
Effect of foreign currency exchange differences	6,138
Balance at December 31, 2013	$ 111,862
Accumulated depreciation and impairment	
Balance at January 1, 2013	$ 24,977
Depreciation expenses	4,935
Effect of foreign currency exchange differences	1,549
Balance at December 31, 2013	$ 31,461

(Concluded)

17. INTANGIBLE ASSETS

	December 31	
	2014	2013
Deferred technical assets, net	$ 310,617	$ 192,588
Other intangible assets, net	999	1,359
	$ 311,616	$ 193,947

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2014	$ 18,433,626	$ 21,409	$ 18,455,035
Addition	215,985	-	215,985
Effect of foreign currency exchange differences	(2,970)	(1,140)	(4,110)
Balance at December 31, 2014	$ 18,646,641	$ 20,269	$ 18,666,910

(Continued)

	Deferred Technical Assets	Other Intangible Assets	Total
Accumulated amortization and impairment			
Balance at January 1, 2014	$ 18,241,038	$ 20,050	$ 18,261,088
Amortization expenses	94,317	370	94,687
Effect of foreign currency exchange differences	669	(1,150)	(481)
Balance at December 31, 2014	$ 18,336,024	$ 19,270	$ 18,355,294
Cost			
Balance at January 1, 2013	$ 18,271,946	$ 26,948	$ 18,298,894
Addition	155,279	384	155,663
Disposals	-	(2,740)	(2,740)
Effect of foreign currency exchange differences	6,401	(3,183)	3,218
Balance at December 31, 2013	$ 18,433,626	$ 21,409	$ 18,455,035
Accumulated amortization and impairment			
Balance at January 1, 2013	$ 18,092,574	$ 23,010	$ 18,115,584
Amortization expenses	142,942	3,001	145,943
Disposals	-	(2,740)	(2,740)
Effect of foreign currency exchange differences	5,522	(3,221)	2,301
Balance at December 31, 2013	$ 18,241,038	$ 20,050	$ 18,261,088

(Concluded)

The amounts of deferred technical assets were the technical transfer fee in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production, and over the estimated useful life of the assets: Deferred technical assets - economic benefits or terms of the contracts and other intangible assets - 3-5 years.

18. BORROWINGS

	December 31 2014	December 31 2013
Short-term borrowings	$ 390,213	$ 2,072,708
Long-term borrowings	$ 15,693,790	$ 9,939,290

a. Short-term borrowings

	December 31			
	2014		2013	
	Interest Rate	Amount	Interest Rate	Amount
Materials procurement loans	1.11%-1.25%	$ 390,213	1.06%	$ 46,138
Bank lines of credit	-	-	1.08%-2.36%	2,026,570
		$ 390,213		$ 2,072,708

b. Long-term borrowings

	December 31			
	2014			2013
	Period	Interest Rate	Amount	Amount
Bank of Taiwan syndication agreement (II)	2010.06.18-2015.06.18	2.58%-3.11%	$ 550,000	$ 1,650,000
Bank of Taiwan syndication agreement (III)	2011.12.23-2016.12.23	2.16%-2.64%	5,192,860	3,289,290
CTBC Bank Co., Ltd. syndication agreement (III)	2012.12.27-2015.12.27	2.16%-2.65%	3,333,330	5,000,000
CTBC Bank Co., Ltd. syndication agreement (IV)	2014.11.27-2019.12.30	2.18%-2.23%	6,000,000	-
Bank of Taiwan medium-term loan guarantee	2014.12.29-2021.12.29	1.7%	617,600	-
			15,693,790	9,939,290
Less: Current portion			(5,879,760)	(3,863,097)
			$ 9,814,030	$ 6,076,193

1) Bank of Taiwan Syndication Agreement (II)

a) On May 31, 2010, the Company entered into a syndication agreement, with a group of financial institutions to procure equipment for 12-inch Fab and fund the long-term loan payments, credit line was divided into parts A and B, which amounted to $3.3 billion and $3.5 billion, respectively; the total line of credit $6.8 billion.

b) Part A will be repaid every six months from December 18, 2012 until maturity; part B will be repaid from June 18, 2012 at 20%, 20% and 60% of the principal, respectively.

c) Please refer to Note 15 for collateral on bank borrowing and Note 28 for the joint guarantor.

2) Bank of Taiwan Syndication Agreement (III)

a) On September 19, 2011, the Company entered into a syndication agreement, the original amount of $7 billion was deducted $0.25 billion because prepayment, finally amounting to $6.75 billion, with a group of financial institutions to procure equipment for 12-inch Fab.

b) The Company changed the terms and repayment schedule of the agreement on December 18, 2013. The loan utilized before December 22, 2013 will be repaid every six months from June 23, 2014 and the loan utilized after December 22, 2013 will be repaid every six months at 30%, 30% and 40% from December 23, 2015, respectively.

c) Please refer to Note 15 for collateral on bank borrowing.

3) CTBC Bank Co., Ltd. Syndication Agreement (III)

a) On November 19, 2012, the Company entered into a syndication agreement, amounting to $5 billion, with a group of financial institutions to fund the long-term loan payments and finance the working capital.

b) The principal will be repaid every six months from December 27, 2014 until maturity.

c) Please refer to Note 15 for collateral on bank borrowing.

4) CTBC Bank Co., Ltd. Syndication Agreement (IV)

a) On July 7, 2014, the Company entered into a syndication agreement, with a group of financial institutions to procure equipment for 12-inch Fab and fund the borrowing payments, credit line was divided into part A and B, which amounted to $6.5 billion and $2.5 billion, respectively; the total line of credit $9 billion.

b) Part A will be repaid every six months from December 30, 2017 until maturity, part B will be repaid every six months from November 27, 2016 until maturity.

c) Please refer to Note 15 for collateral on bank borrowing.

5) The collateral on the Bank of Taiwan medium-term loan guarantee are the land and building of the Company in Zhubei, please referred to Note 15. The principal will be repaid every six months from June 29, 2017.

The Company is required to maintain certain financial covenants, including current ratio, debt ratio and tangible net equity, on June 30 and December 31 during the tenors of the loans. Additionally, the principal and interest coverage should be also maintained on June 30 and December 31 during the tenors of the loans except for the Bank of Taiwan medium-term loan guarantee. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company, MMDC, NTC and SYI adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The Group's subsidiaries, in the United States, Japan, Hong Kong, Israel and China, monthly contribute a specified percentage of employees payroll to the retirement fund. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

b. Defined benefit plan

The Company, MMDC and NTC of the Group adopted the defined benefit plan under the Labor Standards Law, under which pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company, MMDC and NTC contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name.

The plan assets are invested in domestic (foreign) equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of Bureau of Labor Funds, Ministry of Labor or under the mandated management. However, in accordance with Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund the return generated by employees' pension contribution should not be below the interest rate for a 2-year time deposit with local banks.

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

	December 31	
	2014	**2013**
Discount rate	2.15%-2.25%	2.25%
Expected return on plan assets	1.25%-1.50%	1.25%
Expected rate of salary increase	1%-3%	1%-3%

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

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

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 36,235	$ 37,032
Interest cost	42,279	33,086
Expected return on plan assets	(12,035)	(19,236)
	$ 66,479	$ 50,882
Analysis by function		
Manufacturing expense	$ 31,069	$ 22,332
Selling expenses	3,149	2,647
General and administrative expenses	5,625	4,418
Research and development expenses	26,636	21,485
	$ 66,479	$ 50,882

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were loss of $10,274 thousand and gain of $36,810 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 were loss of $161,448 thousand and $151,174 thousand, respectively.

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

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 1,913,155	$ 1,895,781
Fair value of plan assets	(938,315)	(966,328)
Accrued pension liabilities	$ 974,840	$ 929,453

Movements in present value of funded defined benefit obligation were as follows:

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 1,895,781	$ 1,915,135
Current service cost	36,235	37,032
Interest cost	42,279	33,086
Actuarial loss (gain)	20,753	(43,714)
Benefit paid of plan assets	(81,893)	(45,758)
Closing defined benefit obligation	$ 1,913,155	$ 1,895,781

Movements in fair value of plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 966,328	$ 972,378
Actual return on plan assets	22,514	12,232
Contributions of plan assets	28,572	27,476
Benefit paid of plan assets	(79,099)	(45,758)
Closing fair value of plan assets	$ 938,315	$ 966,328

The Group expects to make a contribution of $29,331 thousand to the defined benefit plan in 2015.

20. EQUITY

a. Common stock

	December 31	
	2014	2013
Number of shares authorized (in thousands)	6,700,000	6,700,000
Share authorized	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousands)	3,694,982	3,694,023
Share issued	$ 36,949,822	$ 36,940,232

Reconciliation of the Company outstanding share:

	Shares (In Thousands)	Capital
January 1, 2014	3,694,023	$ 36,940,232
Employee executed the stock options	959	9,590
December 31, 2014	3,694,982	$ 36,949,822
January 1, 2013	3,685,601	$ 36,856,012
Employee executed the stock options	8,422	84,220
December 31, 2013	3,694,023	$ 36,940,232

As of December 31, 2013, the balance of the Company's capital account amounted to $36,940,232 thousand, divided into 3,694,023 thousand shares at par $10.00 per share. Employees executed the stock options at $3.19 to $6.46 per share totaling 959 thousand shares during the year of 2014. As of December 31, 2014, the balance of the Company's capital account amount to $36,949,822 thousand, divided into 3,694,982 thousand shares at par $10.00 per share.

b. Retained earnings and dividend policy

According to the Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings;

or (2) the differences between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) in the following order:

1) 1% to 2% as remuneration to directors and supervisors;

2) 10% to 15% as bonus to employees;

3) The remaining amount as bonus to shareholders. Not less than 10% of the total shareholders bonus shall be distributed in form of cash.

"Employees" referred to in item b of the preceding paragraph, when distributing the stock bonus, include the employees of subsidiaries of the Company meeting certain criteria. The board of directors is authorized to determine the above "certain criteria" or the board of directors may authorize the Chairman to ratify the above "certain criteria".

The Company's results were loss for the years ended December 31, 2013 and 2012, so the stockholders' meetings on June 17, 2014 and June 19, 2013 did not include appropriations of earnings. The relevant information about the Company is available on MOPS. The Company had accumulated deficits in the years 2014 and 2013; thus it did not estimate bonus to employees, directors and supervisors.

Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", on the first-time adoption of IFRSs, a company should appropriate a special reserve of an amount the same as that of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Company's use of exemptions under IFRS 1. At the transition date for the first-time adoption of IFRS, the Company had negative retained earnings; thus, the rule was not applicable to the Company.

c. Capital surplus

Movements in the capital surplus for the years ended December 31, 2014 and 2013 were as follows:

	Employee Stock Option	Treasury Stock	Change in Equity of Associates Accounted for Using Equity Method	Others	Total
January 1, 2013	$ 9,285	$ 1,971,862	$ 6,084	$ 190,111	$ 2,177,342
Issuance of ordinary shares under employee stock options	(7,588)	-	-	(50,742)	(58,330)
Change in equity of associates accounted for using equity method	-	-	29,347	-	29,347
December 31, 2013	1,697	1,971,862	35,431	139,369	2,148,359
Issuance of ordinary shares under employee stock options	(1,697)	-	-	(3,017)	(4,714)
Change in equity of associates accounted for using equity method	-	-	(252)	-	(252)
December 31, 2014	$ -	$ 1,971,862	$ 35,179	$ 136,352	$ 2,143,393

The capital surplus arising from treasury stock transactions, and the excess of the consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition may be distributed as cash dividends or transferred to share capital, provided the Company has no deficit, and transfer is limited to a certain percentage of the Company's capital surplus and made once a year.

The capital surplus from investments accounted for using equity method and employee stock options may not be used for any purpose.

d. Other equity items

Exchange differences on translation of foreign financial statements are the exchange differences on net assets of foreign operations translated into the Group's functional currency (New Taiwan dollar), which are recognized directly in other comprehensive income. For the years ended December 31, 2014 and 2013, the Group recognized gain of $82,832 thousand and gain of $22,181 thousand in other comprehensive income, respectively.

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

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 79,055	$ (1,408,417)
Unrealized gains arising on revaluation of available-for-sale financial assets	120,551	876,993
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using equity method	93,229	610,479
Balance, end of year	$ 292,835	$ 79,055

e. Non-controlling interests

	For the Year Ended December 31	
	2014	2013
Balance, beginning of year	$ 1,074,182	$ 1,109,483
Attributable to non-controlling interests		
Share of profit for the year	134,575	80,802
Exchange difference on translation of foreign financial statements	7,764	20,958
Actuarial gains and loss arising from defined benefit plans	(2,392)	395
Change in capital surplus from investments in associates accounted for using equity method	(161)	133
Others	(97,121)	(137,589)
Balance, end of year	$ 1,116,847	$ 1,074,182

f. Treasury stock

1) Treasury stock transactions for the year of 2014 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2014	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2014
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

2) Treasury stock transactions for the year of 2013 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2013	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2013
Common shares held by subsidiaries	7,518,364	-	-	7,518,364

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

Name of Subsidiary	Number of Shares Held	Carrying Value	Market Value
December 31, 2014			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 81,574
December 31, 2013			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 60,147

The purpose of holding the shares is to maintain stockholders' equity. The Company's shares held by subsidiaries were treated as treasury stock, and the holders are entitled to the rights of stockholders, except for the right to participate in the Company's share issuance for cash and vote in stockholders' meeting when the subsidiary held more than 50%. Other rights are the same as common stock.

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2014			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,315,008	$ 3,275,684	$ -	$ 5,590,692
Post-employment benefits	$ 119,580	$ 161,240	$ -	$ 280,820
Other long-term employment benefits	$ -	$ 46,473	$ -	$ 46,473
Depreciation	$ 4,549,263	$ 202,370	$ 7,755	$ 4,759,388
Amortization	$ 36,737	$ 58,350	$ 20,731	$ 115,818

	For the Year Ended December 31, 2013			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,057,003	$ 2,800,153	$ -	$ 4,857,156
Post-employment benefits	$ 106,015	$ 134,375	$ -	$ 240,390
Other long-term employment benefits	$ -	$ 44,633	$ -	$ 44,633
Depreciation	$ 6,078,748	$ 191,396	$ 7,548	$ 6,277,692
Amortization	$ 47,290	$ 99,041	$ 22,811	$ 169,142

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31 2014	2013
Current income tax	$ 701,605	$ 177,731
Adjustments for prior year's tax	4,743	40,688
Current income tax credit	(6,173)	-
Deferred tax	30,319	52,869
Income tax expense recognized in profit or loss	$ 730,494	$ 271,288

Reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31 2014	2013
Profit before tax from continuing operations	$ 760,789	$ 157,662
Adjustments		
Permanent differences	(65,283)	(3,187)
Others	5,653	5,256
Additional income tax on unappropriated earnings	6,446	18,000
Tax-exempt income	(6,000)	-
Current income tax	701,605	177,731
Deferred income tax	30,319	52,869
Current income tax credit	(6,173)	-
Adjustment for prior years' tax	4,743	40,688
Income tax expense recognized in profit or loss	$ 730,494	$ 271,288

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

b. Current tax assets and liabilities

	December 31 2014	2013
Current tax assets		
Tax refund receivables (recorded as "other receivables")	$ 20,433	$ 29,340
Current tax liabilities		
Income tax payables (recorded as "other payables")	$ 97,853	$ 122,350

c. As of December 31, 2014 and 2013, deferred income tax assets of $3,490,222 thousand and $4,088,406 thousand, respectively, were mainly net operating loss carryforwards.

d. Information about the Group's investment tax credit, operating loss carryforwards as of December 31, 2014, and tax exemption was as follows:

As of December 31, 2014, WECA's operating loss carryforward was US$15,002 thousand, and will expire in 2025.

As of December 31, 2014, the Company's operating loss carryforwards comprised of:

Operating Loss Carryforwards	**Expiry Year**
$ 3,343,000	2015-2019
559,000	2022
$ 3,902,000	

As of December 31, 2014, NTC's profits attributable to the following expansion projects were exempted from income tax for a five-year period:

Expansion of Construction Project	**Tax-exemption Period**
Advanced integrated circuit design	2014-2018

e. The information on the Company's integrated income tax was as follows:

	December 31	
	2014	2013
Balance of imputation credit account	$ 339,974	$ 297,186
Undistributed earnings for the years of 1997 and before	$ -	$ -
Undistributed deficits for the years of 1998 and thereafter	$ (1,119,684)	$ (4,187,772)

f. The Company's tax returns through 2011 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	For the Year Ended December 31, 2014				
	Amounts (Numerator)			Earnings Per Share (NT$)	
	Before Tax	After Tax and Attributable to Owners of the Parent	Shares (Denominator) (In Thousands)	Before Tax	After Tax and Attributable to Owners of the Parent
Basic earnings per share					
Net income attributed to common shareholders	$ 3,941,038	$ 3,075,969	3,687,217	$ 1.07	$ 0.83
Diluted earnings per share					
Net income attributed to common shareholders	$ 3,941,038	$ 3,075,969	3,687,217	$ 1.07	$ 0.83

	For the Year Ended December 31, 2013				
	Amounts (Numerator)			Earnings Per Share (NT$)	
	Before Tax	After Tax and Attributable to Owners of the Parent	Shares (Denominator) (In Thousands)	Before Tax	After Tax and Attributable to Owners of the Parent
Basic earnings per share					
Net income attributed to common shareholders	$ 558,654	$ 206,564	3,682,410	$ 0.15	$ 0.06
Effect of potentially dilutive ordinary shares					
Employee stock option	-	-	287		
Diluted earnings per share					
Net income attributed to common shareholders	$ 558,654	$ 206,564	3,682,697	$ 0.15	$ 0.06

24. SHARE-BASED PAYMENT ARRANGEMENT

Employee Stock Option

In 2008 and 2009, the Company granted employee stock options in the quantity of 45,764 thousand and 1,585 thousand units, respectively. Each individual employee stock option is granted the right to purchase the Company's new issued one common share. The stock options were granted to qualified employees of the Company and its subsidiaries. The stock options granted are valid for 5 years and exercisable at certain percentages after the second anniversary year from the grant date. The stock options were granted at an exercise price equal to the closing price of the Company's common shares listed on the Taiwan Stock Exchange on the grant date. For any subsequent changes in the Company's capital surplus, the exercise price and the number of options are adjusted accordingly.

Employee stock options were summarized as follows:

	For the Year Ended December 31			
	2014		2013	
Employee Stock Options	**Number of Options (In Thousands)**	**Weighted Average Exercise Price (NT$)**	**Number of Options (In Thousands)**	**Weighted Average Exercise Price (NT$)**
Outstanding balance, beginning of year	959	$ 5.08	9,774	$ 3.28
Options exercised	(959)	5.08	(8,422)	3.07
Options expired	-	-	(393)	3.32
Outstanding balance, end of year	-	-	959	5.08
Options exercisable, end of year	-	-	959	5.08

As of December 31, 2014, there is no outstanding stock options. Information about outstanding options of December 31, 2013 was as follows:

December 31, 2013	
Range of Exercise Price (NT$)	**Weighted Average Remaining Contractual Life (Years)**
$3.19-$6.46	0.39

The Company used the fair value method to evaluate the option using Black-Scholes model, the assumptions and pro forma result were as follows:

Grant-date share price (NT$)	$3.02-$6.46
Exercise price (NT$)	$3.02-$6.46
Expected volatility	52.03%-74.48%
Expected duration (years)	3.75
Expected dividend yield	0%
Risk-free interest rate	0.94%-1.95%

25. NON-CASH TRANSACTIONS

	For the Year Ended December 31	
	2014	2013
Non-cash investing and financing activities		
Current portion of long-term borrowings	$ 5,879,760	$ 3,863,097
Exchange differences on translation of foreign financial statements	$ 82,832	$ 22,181
Unrealized gain on available-for-sale financial assets	$ 213,780	$ 1,487,472
Change in equity of associates accounted for using equity method	$ (252)	$ 29,347
Acquisitions of available-for-sale financial assets by offset with accounts receivable	$ 902	$ 6,330
Property, plants and equipment was reclassified to finance lease receivable	$ 169,429	$ 527,656

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Group leased land from Science Park Administration, and the lease term will expire between 2017 and 2023 which can be extended after the expiration of the lease periods.

NTC leased a land from Taiwan Sugar Corporation. Under a twenty-year term from October 2014 to September 2034, which is allowed to extend upon the expiration of lease. The chairman of NTC is a joint guarantor of such lease, please refer to Note 28.

The Group leased some of the offices in the United States, China, Japan, Israel, and part in Taiwan, and the lease terms will expire between 2015 and 2022 which can be extended after the expiration of the lease periods.

As of December 31, 2014 and 2013, deposits paid under operating leases amounted to $53,589 thousand and $45,885 thousand, respectively (recorded as "other non-current assets").

b. Prepayments for lease obligations

	For the Year Ended December 31	
Current (recorded as "other current assets")	$ 3,393	$ -
Non-current (recorded as "other non-current assets")	44,655	-
	$ 48,048	$ -

c. Lease expense

	2014	2013
Lease expenditure	$ 101,876	$ 89,451

The Group as Lessor

Operating lease agreements

Operating leases relate to leasing the investment property with lease terms of 5 years, and with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2014 and 2013, deposits received under operating leases amounted to $1,873 thousand and $1,799 thousand, respectively (recorded as "other non-current liabilities")

27. CAPITAL MANAGEMENT

The Group's capital management objective is to ensure it has the necessary financial resources and operational plan so that it can cope with the next twelve months working capital requirements, capital expenditures, debt repayments and dividends payments.

28. RELATED PARTY TRANSACTIONS

a. The names and relationships of related parties are as follows:

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Nyquest Technology Co., Ltd. ("Nyquest")	Related party in substance (Note)
Global Brands Manufacture Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Global Brands Manufacture (Dongguan) Ltd.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
Capella Microsystems Inc.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance

Note: The ownership interest of Nyquest was decreased under 20%, the Group accordingly lost its significant influence. Since December 2014, the relationship between Nyquest and the Group has changed from Associate to related party in substance.

b. Operating activities

	For the Year Ended December 31	
	2014	2013
1) Operating revenue		
Associate	$ 231,208	$ 245,740
Related party in substance	286,322	254,448
	$ 517,530	$ 500,188

	For the Year Ended December 31	
	2014	2013
2) Purchase		
Associate	$ 1,215	$ 2,349
Related party in substance	36	-
	$ 1,251	$ 2,349
3) Manufacturing expenses		
Related party in substance	$ 2,667,828	$ 2,329,857
4) General and administrative expenses		
Investor that exercises significant influence over the Group	$ 8,450	$ 8,651
Related party in substance	7,318	-
	$ 15,768	$ 8,651
5) Other income		
Associate	$ 659	$ 398
Related party in substance	99	-
	$ 758	$ 398

	December 31	
	2014	2013
6) Accounts receivable due from related parties		
Associate	$ -	$ 35,405
Related party in substance	85,234	54,349
	$ 85,234	$ 89,754
7) Accounts payable to related parties		
Related party in substance	$ 642,564	$ 518,745
Investor that exercises significant influence over the Group	-	2,609
Associate	-	264
	$ 642,564	$ 521,618
8) Other current assets		
Investor that exercises significant influence over the Group	$ 3	$ -

	December 31 2014		December 31 2013	
9) Other payables				
Related party in substance	$	13,146	$	7,178
Investor that exercises significant influence over the Group		38		1,048
Associate		-		13
	$	13,184	$	8,239
10) Refundable deposits (recorded as "other non-current assets")				
Related party in substance	$	1,722	$	-
Investor that exercises significant influence over the Group		203		203
	$	1,925	$	203

The related party transactions were conducted under normal terms.

c. Investment properties acquired

For the year ended December 31, 2013

Related Parties Types	**Securities Name**	**Shares (Thousand)**	**Acquired Price**
Investor that exercises significant influence over the Group	Chin Xin Investment Co., Ltd.	12,128	$ 151,236

d. Guarantee

As of December 31, 2014, the chairman of NTC and the Company is a joint guarantor of the land-leasing from Taiwan Sugar Corporation and the long-term borrowings from Bank of Taiwan Syndication Agreement (II). Please refer to Notes 18 and 26.

e. Compensation of key management personnel

	For the Year Ended December 31 2014		For the Year Ended December 31 2013	
Short-term employment benefits	$	220,373	$	201,489
Post-employment benefits		4,799		4,595
Share - based payments		2,431		7,815
Other long-term employment benefits		607		184
	$	228,210	$	214,083

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

29. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6, Note 10, Note 15 and Note 18.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Amounts available under unused letters of credit as of December 31, 2014 were approximately US$14,795 thousand, JPY998,850 thousand and EUR693 thousand.

31. FINANCIAL INSTRUMENT

a. Categories of financial instruments

1) Fair values of financial instruments were summarized as follows:

	December 31			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 6,975,514	$ 6,975,514	$ 7,670,379	$ 7,670,379
Notes and accounts receivable (included related parties)	5,518,446	5,518,446	4,995,921	4,995,921
Other receivables	310,447	310,447	300,116	300,116
Refundable deposits (recorded in other non-current assets)	161,059	161,059	153,570	153,570
Finance lease receivable (recorded in other non-current assets)	528,789	528,789	440,436	440,436
Available-for-sale financial assets (current and non-current)	2,902,576	2,902,576	2,071,183	2,071,183
Held-to-maturity financial assets	101,840	101,842	97,770	96,792
Financial assets measured at cost	719,378	719,228	656,676	656,487
	$ 17,218,049	$ 17,217,901	$ 16,386,051	$ 16,384,884
Financial liabilities				
Measured at amortized cost				
Short-term borrowings	$ 390,213	$ 390,213	$ 2,072,708	$ 2,072,708
Notes and accounts payable (included related parties)	4,465,646	4,465,646	3,784,595	3,784,595
Payable on equipment and other payables	3,578,029	3,578,029	2,685,516	2,685,516
Long-term borrowings (included current portion)	15,693,790	15,693,790	9,939,290	9,939,290
Long-term contract payable (recorded in other non-current liabilities)	44,885	42,540	-	-
Financial liabilities at FVTPL	16,894	16,894	16,545	16,545
	$ 24,189,457	$ 24,187,112	$ 18,498,654	$ 18,498,654

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 2 based on the degree to which the fair value is observable:

a) Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.

	December 31	
	2014	2013
Available-for-sale financial assets	$ 2,902,576	$ 1,790,113
Held-to-maturity financial assets	101,842	96,792
	$ 3,004,418	$ 1,886,905

b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

	December 31	
	2014	2013
Available-for-sale financial assets	$ -	$ 281,070
Financial assets measured at cost	$ 343	$ 304
Financial liabilities at FVTPL	$ 16,894	$ 16,545

The fair values of other financial instruments (excluding those described above) were determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

b. Financial risk management objectives and policies

The Group's major financial instruments included equity and debt investments, borrowings, accounts receivable and accounts payable. The Group's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Group sought to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group uses forward foreign exchange contracts to hedge the foreign currency risk on export.

There had been no change to the Group's exposure to market risks or the manner in which these risks were managed and measured.

a) Foreign currency risk

The Group uses forward foreign exchange contracts to hedge the exchange rate risk within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 32.

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be impact on net income in the amounts of $22,327 thousand and $19,298 thousand increase for the years ended December 31, 2014 and 2013, respectively.

b) Interest rate risk

The Group's interest rate risk arises primarily from floating rate deposits and borrowings.

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

	December 31	
	2014	**2013**
Cash flow interest rate risk		
Financial assets	$ 7,956	$ 5,678
Financial liabilities	16,076,913	9,939,290

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the years ended December 31, 2014 and 2013 would have increased by $160,690 thousand and $99,336 thousand, respectively.

2) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. In order to minimize credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each individual accounts receivables at the end of the reporting period to ensure that adequate impairment losses are recognized for irrecoverable amounts. In this regard, the directors of the Group consider that the Group's credit risk was significantly reduced.

3) Liquidity risk

The Group has enough operating capital to comply with loan covenants; liquidity risk is low.

The Group's non-derivative financial liabilities and their agreed repayment period were as follows:

	December 31, 2014			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 8,043,675	$ 10,923	$ 31,617	$ 8,086,215
Variable interest rate liabilities	6,262,883	4,029,770	5,784,260	16,076,913
Fixed interest rate liabilities	7,090	-	-	7,090
	$ 14,313,648	$ 4,040,693	$ 5,815,877	$ 24,170,218

	December 31, 2013			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 6,470,111	$ -	$ -	$ 6,470,111
Variable interest rate liabilities	3,863,097	4,979,763	1,096,430	9,939,290
Fixed interest rate liabilities	2,072,708	-	-	2,072,708
	$ 12,405,916	$ 4,979,763	$ 1,096,430	$ 18,482,109

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

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

	December 31					
	2014			2013		
	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 237,408	31.65	$ 7,513,976	$ 236,900	29.805	$ 7,060,811
EUR	1,779	38.47	68,453	1,451	41.09	59,626
JPY	1,113,366	0.2646	294,597	892,614	0.2839	253,413
RMB	159,164	5.092	810,466	123,469	4.8885	603,579
ILS	35,740	8.1478	291,199	40,764	8.5851	349,967
AUD	-	-	-	1,600	26.6546	42,651
Non-monetary items						
USD	16,060	31.65	508,300	16,439	29.805	489,978
Financial liabilities						
Monetary items						
USD	108,184	31.65	3,424,012	122,410	29.805	3,648,423
EUR	2,534	38.47	97,487	24,551	41.09	1,008,797
JPY	2,640,990	0.2646	698,806	749,693	0.2839	212,838
RMB	7,704	5.092	39,230	5,336	4.8885	26,085
ILS	8,970	8.1478	73,082	3,975	8.5851	34,123

33. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" were as follows:

a) Segment of DRAM IC product

The DRAM IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Mobile RAM, Specialty DRAM, Graphic DRAM and Commodity DRAM.

b) Segment of Flash Memory product

The Flash Memory product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Flash Memory product.

c) Segment of Logic IC product

The Logic IC product segment engages mainly in the manufacturing, selling, researching, designing and after-sales service of Logic IC product.

2) Principles of measuring reportable segments, profit, assets and liabilities

The significant accounting principles of each operating segment are the same as those stated in Note 4 to the consolidated financial statements. The Group's operating segment profit or loss represents the profit or loss earned by each segment. The profit or loss is controllable by segment managers and is the basis for assessment of segment performance. Individual segment assets are disclosed as zero since those measures are not reviewed by the chief operating decision maker. Major liabilities are arranged based on the capital cost and deployment of the whole company, which are not controlled by individual segment managers.

b. Segment revenues and operating results

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

	Segment Revenue For the Year Ended December 31		Segment Profit and Loss For the Year Ended December 31	
	2014	**2013**	**2014**	**2013**
DRAM IC product	$ 20,098,806	$ 15,644,586	$ 4,204,285	$ 926,082
Flash Memory product	11,106,342	10,712,265	720,206	991,350
Logic IC product	6,780,631	6,776,926	1,048,381	1,092,023
Total of segment revenue	37,985,779	33,133,777	5,972,872	3,009,455
Other revenue	3,881	1,671	3,881	1,671
Operating revenue	$ 37,989,660	$ 33,135,448		
Unallocated expenditure				
Administrative and supporting expense			(1,112,579)	(980,725)
Sales and other common expenses			(1,205,751)	(1,265,203)
Total operating profit			$ 3,658,423	$ 765,198

c. Geographical information

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets (non-current assets exclude financial instruments, deferred income tax assets and post-employment benefit assets) by location of assets are detailed below.

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2014	2013	2014	2013
Asia	$ 34,713,971	$ 31,265,988	$ 34,282,266	$ 24,924,544
United States	1,411,079	1,143,967	215,030	218,766
Europe	1,526,874	607,162	-	-
Others	337,736	118,331	-	-
	$ 37,989,660	$ 33,135,448	$ 34,497,296	$ 25,143,310

d. Major customer information

No individual customer exceeded 10% of the Group's net sales for the years ended December 31, 2014 and 2013.