Winbond Electronics Corporation

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 balance sheets of Winbond Electronics Corporation (the "Company") as of December 31, 2014 and 2013, and the related statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2014 and 2013. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2014 and 2013, and its financial performance and its 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.

Deloitte & Touche

February 3, 2015

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations 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 financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying 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 auditors' report and financial statements shall prevail.

WINBOND ELECTRONICS CORPORATION

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

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 4,146,238	7	$ 4,957,922	9
Available-for-sale financial assets, current (Note 8)	2,826,103	4	1,736,895	3
Notes and accounts receivable, net (Note 9)	3,535,090	6	3,152,950	6
Accounts receivable due from related parties, net (Note 27)	983,807	2	868,460	2
Other receivables (Note 10)	250,428	-	242,054	-
Inventories (Note 11)	5,534,586	9	6,111,134	12
Other current assets	852,710	1	605,843	1
Total current assets	18,128,962	29	17,675,258	33
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)	40,161	-	40,161	-
Investments accounted for using equity method (Note 14)	6,576,196	11	6,224,488	12
Property, plant and equipment (Note 15)	33,304,147	54	24,132,155	46
Intangible assets (Note 16)	52,000	-	52,000	-
Deferred income tax assets (Note 21)	3,146,000	5	3,742,000	7
Other non-current assets (Notes 6 and 10)	712,275	1	610,813	1
Total non-current assets	43,932,619	71	35,180,457	67
TOTAL	$ 62,061,581	100	$ 52,855,715	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ 390,213	1	$ 1,893,878	4
Financial liabilities at fair value through profit or loss, current (Note 7)	11,253	-	15,841	-
Notes payable	534,789	1	517,550	1
Accounts payable	2,747,750	4	2,186,622	4
Accounts payable to related parties (Note 27)	642,308	1	521,832	1
Payable on equipment	1,249,178	2	427,371	1
Other payables	1,667,581	3	1,664,721	3
Current portion of long-term borrowings (Note 17)	5,879,760	9	3,863,097	7
Other current liabilities	71,663	-	34,514	-
Total current liabilities	13,194,495	21	11,125,426	21
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 17)	9,814,030	16	6,076,193	11
Accrued pension liabilities (Note 18)	481,684	1	460,911	1
Other non-current liabilities	388,128	-	379,265	1
Total non-current liabilities	10,683,842	17	6,916,369	13
Total liabilities	23,878,337	38	18,041,795	34
EQUITY				
Common stock (Note 19)	36,949,822	60	36,940,232	70
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	38,183,244	62	34,813,920	66
TOTAL	$ 62,061,581	100	$ 52,855,715	100

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

WINBOND ELECTRONICS CORPORATION

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	$ 30,929,689	100	$ 26,165,961	100
OPERATING COSTS (Note 11)	23,315,561	75	22,226,165	85
GROSS PROFIT	7,614,128	25	3,939,796	15
OPERATING EXPENSES				
Selling expenses	725,368	2	629,159	3
General and administrative expenses	634,278	2	531,366	2
Research and development expenses	3,029,747	10	2,434,587	9
Total operating expenses	4,389,393	14	3,595,112	14
PROFIT FROM OPERATIONS	3,224,735	11	344,684	1
NON-OPERATING INCOME AND LOSSES				
Interest income	144,173	-	33,656	-
Dividend income	29,776	-	816	-
Gains on doubtful debt recoveries	902	-	6,330	-
Other income	27,390	-	20,889	-
Gains (losses) on disposal of investments	9,824	-	(467)	-
Foreign exchange gains	204,547	1	122,733	1
Share of profit of subsidiaries and associates accounted for using equity method (Note 14)	345,085	1	44,211	-
Interest expense	(177,101)	(1)	(259,105)	(1)
Other expense	(23,195)	-	(26,171)	-
Losses on disposal of property, plant and equipment	(6,769)	-	(659)	-
Losses on financial instruments at fair value through profit or loss	(107,398)	-	(80,353)	-
Total non-operating income and losses	447,234	1	(138,120)	-
PROFIT BEFORE INCOME TAX	3,671,969	12	206,564	1
INCOME TAX EXPENSE (Note 21)	596,000	2	-	-
NET PROFIT	3,075,969	10	206,564	1

(Continued)

WINBOND ELECTRONICS CORPORATION

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	$ 82,832	-	$ 22,181	-
Unrealized gains on available-for-sale financial assets	213,780	1	1,487,472	6
Actuarial gains and losses on defined benefit plans	(7,881)	-	36,414	-
Other comprehensive income	288,731	1	1,546,067	6
TOTAL COMPREHENSIVE INCOME	$ 3,364,700	11	$ 1,752,631	7
EARNINGS PER SHARE (Note 22)				
Basic	$ 0.83		$ 0.06	
Diluted	$ 0.83		$ 0.06	

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

WINBOND ELECTRONICS CORPORATION

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

				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
BALANCE, JANUARY 1, 2013	$ 36,856,012	$ 2,177,342	$ (4,430,750)	$ (81,748)	$ (1,408,417)	$ (106,387)	$ 33,006,052
Change in equity of subsidiaries and associates accounted for using equity method	-	29,347	-	-	-	-	29,347
Net income for 2013	-	-	206,564	-	-	-	206,564
Other comprehensive income for 2013	-	-	36,414	22,181	1,487,472	-	1,546,067
Total comprehensive income for 2013	-	-	242,978	22,181	1,487,472	-	1,752,631
Issue of ordinary shares under employee stock options	84,220	(58,330)	-	-	-	-	25,890
BALANCE, DECEMBER 31, 2013	36,940,232	2,148,359	(4,187,772)	(59,567)	79,055	(106,387)	34,813,920
Change in equity of subsidiaries and associates accounted for using equity method	-	(252)	-	-	-	-	(252)
Net income for 2014	-	-	3,075,969	-	-	-	3,075,969
Other comprehensive income for 2014	-	-	(7,881)	82,832	213,780	-	288,731
Total comprehensive income for 2014	-	-	3,068,088	82,832	213,780	-	3,364,700
Issue of ordinary shares under employee stock options	9,590	(4,714)	-	-	-	-	4,876
BALANCE, DECEMBER 31, 2014	$ 36,949,822	$ 2,143,393	$ (1,119,684)	$ 23,265	$ 292,835	$ (106,387)	$ 38,183,244

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

WINBOND ELECTRONICS CORPORATION

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	$ 3,671,969	$ 206,564
Adjustments for:		
Depreciation expenses	4,600,207	6,124,453
Amortization expenses	20,731	61,241
Provision for (reversal of) allowance for doubtful accounts	5,740	(2,330)
Provision for (reversal of) decline in market value and obsolescence and abandonment of inventories	250,629	(193,725)
Net (gain) loss on financial assets and liabilities at fair value through profit or loss	(4,588)	39,392
Interest expense	177,101	259,105
Interest income	(144,173)	(33,656)
Dividend income	(29,776)	(816)
Share of profit of subsidiaries and associates accounted for using equity method	(345,085)	(44,211)
Loss on disposal of property, plant and equipment	6,769	659
(Gain) loss on disposal of investments	(9,824)	467
Gain on foreign currency exchange of held-to-maturity financial assets	(4,070)	(3,186)
Unrealized profit on the transactions with subsidiaries	13,215	34
Changes in operating assets and liabilities		
Increase in notes and accounts receivable	(388,782)	(152,088)
Increase in accounts receivable due from related parties	(106,978)	(295,683)
Decrease (increase) in other receivables	37,297	(38,714)
Decrease in inventories	325,919	1,190,278
Increase in other current assets	(246,867)	(235,169)
Increase in other non-current assets	(35,409)	(23)
Increase (decrease) in notes payable	17,239	(294,703)
Increase (decrease) in accounts payable	561,128	(78,368)
Increase (decrease) in accounts payable to related parties	120,476	(12,100)
Increase in other payables	3,348	16,363
Increase in other current liabilities	37,183	11,518
Increase in other non-current liabilities	20,256	11,524
Cash inflow generated from operations	8,553,655	6,536,826
Interest received	27,167	20,184
Dividend received	181,720	216,071
Interest paid	(272,557)	(298,402)
Income tax refund (paid)	1,251	(427)
Net cash flows generated from operating activities	8,491,236	6,474,252

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WINBOND ELECTRONICS CORPORATION

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

	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	$ (801,410)	$ (402,085)
Proceeds from disposal of available-for-sale financial assets	122,879	5,863
Acquisition of held-to-maturity financial assets	-	(94,584)
Proceeds from capital reduction of financial assets measured at cost	-	16,320
Acquisition of investments accounted for using equity method	(1,206)	(400,425)
Proceeds from capital reduction of investments accounted for using equity method	-	24,951
Acquisitions of property, plant and equipment	(13,032,502)	(2,050,634)
Proceeds from disposal of property, plant and equipment	880	3,360
Decrease in finance lease receivables	152,728	64,246
Net cash used in investing activities	(13,558,631)	(2,832,988)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(1,503,665)	(822,596)
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)
Proceeds from exercise of employee stock options	4,876	25,890
Net cash generated from (used in) financing activities	4,255,711	(2,390,746)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(811,684)	1,250,518
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	4,957,922	3,707,404
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 4,146,238	$ 4,957,922

The accompanying notes are an integral part of the 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.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The 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 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

(Continued)

New, Amended and Revised Standards and Interpretations (the "IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 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 "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 Company's accounting policies:

1) 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.

2) 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.

3) 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 Company 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.

4) 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 $4,995 thousand increase in net profit and $4,995 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 Company has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC. As of the date the 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
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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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 Company'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 Company 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 Company 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 Company is a related party of the Company. Consequently, the Company 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) Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

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

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

7) 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).

Except for the above impact, as of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of other standards and interpretations will have on the Company'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 financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The 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.

The Company used equity method to account for its investment in subsidiaries and associates for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

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 Company 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

In preparing the financial statements, transactions in currencies other than the entity's functional currency 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 financial statements, the assets and liabilities of the Company's foreign operations are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, and exchange difference arising are recognized in other comprehensive income.

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 Company 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 Company 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 Company'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 Company 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 Company'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 Company 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 Company 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 Company 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 liquid 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

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

An associate is an entity over which the Company 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 Company 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 Company's share of the profit or loss and other comprehensive income of the associate. The Company also recognizes the changes in the Company's share of equity of associates.

When the Company 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 Company's proportionate interest in the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the Company'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 Company'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 substances, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Company has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

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

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

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

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 Company's property, plant and equipment were depreciated on a 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 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.

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 Company 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 Company 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 Company accrues reserve for product 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 a liability 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 Company as lessor recognizes amounts due from lessees as receivables at the amount of the Company'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 Company's net investment outstanding in respect of the leases.

Under operating lease, the Company as lessor recognizes rental income from operating leases 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.

Other than stated 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 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 Company 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 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 Company 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 Company'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.

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 Company reviews the estimated useful lives and recoverable amount of property, plant and equipment at the end of each reporting period. During 2013, the Company 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 benefit 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	$ 230	$ 230
Checking accounts and demand deposits	3,219,668	4,148,092
Repurchase agreements collateralized by bonds	926,340	809,600
	$ 4,146,238	$ 4,957,922

The Company has time deposits pledged to secure land lease at a science park and customs tariff obligation which are reclassified as "other non-current assets".

	December 31	
	2014	**2013**
Time deposits	$ 71,323	$ 70,781

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	$ 11,253	$ 15,841

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	2015.01.09-2015.02.06	USD45,500/NTD1,428,797
December 31, 2013			
Sell forward exchange contracts	USD to NTD	2014.01.02-2014.03.28	USD65,300/NTD1,929,443

The Company 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	-
Cathay Financial Holding Co., Ltd.	46,974	-
Yuanta Duo Fu Equity Fund	30,161	-
Private-placement shares of listed company		
Hannstar Display Corporation	-	281,070
	$ 2,826,103	$ 2,017,965
Current	$ 2,826,103	$ 1,736,895
Non-current	-	281,070
	$ 2,826,103	$ 2,017,965

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-sale financial assets non-current to current.

9. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2014	2013
Notes receivable	$ 834	$ 365
Accounts receivable	3,620,256	3,235,073
Less: Allowance for doubtful accounts	(86,000)	(82,488)
	$ 3,535,090	$ 3,152,950

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	$ 3,230,839	$ 2,969,298
Overdue under 30 days	374,077	249,901
Overdue 31-60 days	7,769	4,379
Overdue 61 days and longer	7,571	11,495
	$ 3,620,256	$ 3,235,073

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	$ 82,488	$ 78,488
Less: Amounts written off	(3,130)	-
Add: Impairment losses recognized on accounts receivable	6,642	4,000
Balance at December 31	$ 86,000	$ 82,488

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

10. FINANCE LEASE RECEIVABLES

	December 31	
	2014	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.

Finance 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 were neither past due nor impaired.

11. INVENTORIES

	December 31	
	2014	2013
Finished goods	$ 1,438,719	$ 1,359,542
Work-in-process	3,737,851	4,487,058
Raw materials and supplies	339,735	247,412
Inventories in transit	18,281	17,122
	$ 5,534,586	$ 6,111,134

a. Loss on decline in market value and obsolescence and abandonment of inventories was $250,629 thousand and gain on reversal of decline in market value was $193,725 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 $260,374 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
Harbinger III Venture Capital Corp.	$ 26,908	$ 26,908
Others	13,253	13,253
	$ 40,161	$ 40,161

a. Management believed that the above unlisted equity investments held by the Company 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 board of directors of Harbinger III Venture Capital Corp. resolved capital reduction and the Company received the amount of $16,320 thousand in June 2013.

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2014	2013
Investments in subsidiaries	$ 4,159,810	$ 3,901,430
Investments in associates	2,416,386	2,323,058
	$ 6,576,196	$ 6,224,488

a. Investments in subsidiaries

	December 31			
	2014		2013	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Listed companies				
Nuvoton Technology Corporation	$ 1,763,509	61	$ 1,712,259	61
Unlisted companies				
Winbond Int'l Corporation	1,797,883	100	1,688,192	100
Landmark Group Holding Ltd.	286,613	100	212,026	100
Pine Capital Investment Limited	285,822	100	266,236	100
Winbond Technology LTD	25,983	100	22,717	100
Newfound Asian Corp.	-	100	-	100
Mobile Magic Design Corporation	-	100	-	100
Winbond Electronics (H.K.) Limited	-	100	-	100
	$ 4,159,810		$ 3,901,430	

1) Fair value of investment in subsidiaries for which there are published price quotations are summarized as follows, based on closing price of those investments at the balance sheet date:

	December 31	
Name of Subsidiary	2014	2013
Nuvoton Technology Corporation	$ 3,608,672	$ 3,266,798

2) In May 2014, the Company subscribed shares of Winbond Int'l Corporation for cash of $1,206 thousand.

3) In December 2013, the Company subscribed shares of Pine Capital Investment Limited for cash of $227,052 thousand.

4) In May 2013, the board of directors of Landmark Group Holding Ltd. resolved capital reduction in the amounts of $24,951 thousand.

5) Winbond Technology LTD ("WECI") was incorporated in September 2013. WECI's principal activity is in the design, development and marketing of VLSI ICs used in a variety of microelectronic applications. As of December 31, 2014, the balance of WECI's capital account amounted to ILS2,500 thousand and the Company held a 100% ownership interest directly.

6) In 2014 and 2013, the Company recognized share of profit of subsidiaries under equity method in the amounts of $344,986 thousand and $152,362 thousand, respectively.

b. Investments in associates

	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

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

	December 31	
	2014	2013
Total assets	$ 6,411,647	$ 6,270,285
Total liabilities	$ 576	$ 16,090

	For the Year Ended December 31	
	2014	2013
Revenue	$ 164,679	$ 46,890
Net income (loss)	$ 32,311	$ (955,413)
Other comprehensive income	$ 124,564	$ 1,476,715
Company's share of profit or loss of associates for the year	$ 99	$ (108,151)

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.

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 subsidiaries' and associates' financial statements audited by independent auditors.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2014	2013
Land	$ 1,544,450	$ 799,147
Building	7,951,679	8,361,611
Machinery and equipment	23,343,451	13,728,569
Other equipment	265,114	250,582
Construction in progress and prepayments on purchase of equipment	199,453	992,246
	$ 33,304,147	$ 24,132,155

	Land	Building	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Cost						
Balance at January 1, 2014	$ 799,147	$ 16,436,524	$ 66,940,839	$ 2,599,661	$ 992,246	$ 87,768,417
Additions	745,303	429,204	12,466,356	110,780	197,634	13,949,277
Disposals	-	-	(1,812,246)	(542)	-	(1,812,788)
Reclassified	-	52,158	766,287	2,553	(990,427)	(169,429)
Balance at December 31, 2014	$ 1,544,450	$ 16,917,886	$ 78,361,236	$ 2,712,452	$ 199,453	$ 99,735,477
Accumulated depreciation and impairment						
Balance at January 1, 2014	$ -	$ 8,074,913	$ 53,212,270	$ 2,349,079	$ -	$ 63,636,262
Depreciation expense	-	891,294	3,610,111	98,802	-	4,600,207
Disposals	-	-	(1,804,596)	(543)	-	(1,805,139)
Reclassified	-	-	-	-	-	-
Balance at December 31, 2014	$ -	$ 8,966,207	$ 55,017,785	$ 2,447,338	$ -	$ 66,431,330

	Land	Building	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Cost						
Balance at January 1, 2013	$ 799,147	$ 16,357,176	$ 66,351,722	$ 2,560,421	$ 92,945	$ 86,161,411
Additions	-	27,873	1,366,325	46,395	951,416	2,392,009
Disposals	-	-	(177,848)	(7,155)	-	(185,003)
Reclassified	-	51,475	(599,360)	-	(52,115)	(600,000)
Balance at December 31, 2013	$ 799,147	$ 16,436,524	$ 66,940,839	$ 2,599,661	$ 992,246	$ 87,768,417
Accumulated depreciation and impairment						
Balance at January 1, 2013	$ -	$ 6,998,943	$ 48,531,960	$ 2,234,234	$ -	$ 57,765,137
Depreciation expense	-	1,075,970	4,926,507	121,976	-	6,124,453
Disposals	-	-	(173,853)	(7,131)	-	(180,984)
Reclassified	-	-	(72,344)	-	-	(72,344)
Balance at December 31, 2013	$ -	$ 8,074,913	$ 53,212,270	$ 2,349,079	$ -	$ 63,636,262

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 borrowing. The Company 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. INTANGIBLE ASSET

	December 31	
	2014	2013
Deferred technical assets, net	$ 52,000	$ 52,000

	Deferred Technical Assets
Cost	
Balance at January 1, 2014	$ 17,763,553
Balance at December 31, 2014	$ 17,763,553
Accumulated amortization and impairment	
Balance at January 1, 2014	$ 17,711,553
Balance at December 31, 2014	$ 17,711,553
Cost	
Balance at January 1, 2013	$ 17,711,553
Addition	52,000
Balance at December 31, 2013	$ 17,763,553
Accumulated amortization and impairment	
Balance at January 1, 2013	$ 17,673,123
Amortization expense	38,430
Balance at December 31, 2013	$ 17,711,553

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.

17. BORROWINGS

	December 31	
	2014	2013
Short-term borrowings	$ 390,213	$ 1,893,878
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%	1,847,740
		$ 390,213		$ 1,893,878

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 27 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 until maturity.

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.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

The Company 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.

b. Defined benefit plan

The Company 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 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%
Expected return on plan assets	1.50%	1.25%
Expected rate of salary increase	3.00%	3.00%

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

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

	For the Year Ended December 31	
	2014	2013
Current service cost	$ 16,208	$ 16,777
Interest cost	21,451	16,827
Expected return on plan assets	(6,244)	(9,580)
	$ 31,415	$ 24,024
An analysis by function		
Manufacturing expense	$ 17,827	$ 13,685
Selling expenses	2,611	2,211
General and administrative expenses	3,406	2,634
Research and development expenses	7,571	5,494
	$ 31,415	$ 24,024

Actuarial gains and losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 was loss of $3,284 thousand and gain of $38,828 thousand, respectively. The cumulative amount of actuarial gains and losses recognized in other comprehensive income as of December 31, 2014 and 2013 was loss of $53,890 thousand and $50,606 thousand, respectively.

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

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 984,184	$ 955,348
Fair value of plan assets	(502,500)	(494,437)
Accrued pension liabilities	$ 481,684	$ 460,911

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

	For the Year Ended December 31	
	2014	2013
Opening defined benefit obligation	$ 955,348	$ 980,045
Current service cost	16,208	16,777
Interest cost	21,451	16,827
Actuarial loss (gain)	8,577	(42,212)
Benefit paid of plan assets	(17,400)	(16,089)
Closing defined benefit obligation	$ 984,184	$ 955,348

Movements in fair value of plan assets were as follows:

	For the Year Ended December 31	
	2014	2013
Opening fair value of plan assets	$ 494,437	$ 490,682
Actual return on plan assets	11,537	6,196
Contribution of plan assets	13,926	13,648
Benefit paid of plan assets	(17,400)	(16,089)
Closing fair value of plan assets	$ 502,500	$ 494,437

The Company expects to make a contribution of $14,520 thousand to the defined benefit plan in 2015.

19. 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 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 amount to $36,940,232 thousand, divided into 3,694,023 thousand shares at par NT$10.00 per share. Employees executed the stock options at NT$3.19 to NT$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 NT$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:

a. 1% to 2% as remuneration to directors and supervisors;

b. 10% to 15% as bonus to employees;

c. 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 Options	Treasury Stock	Change in Equity of Subsidiaries and 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 subsidiaries and 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 subsidiaries and 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 Company's functional currency (New Taiwan dollar), which are recognized directly in other comprehensive income. For the years ended December 31, 2014 and 2013, the Company 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 gain arising on revaluation of available-for-sale financial assets	117,728	847,259
Share of unrealized gain on revaluation of available-for-sale financial assets of subsidiaries and associates accounted for using equity method	96,052	640,213
Balance, end of year	$ 292,835	$ 79,055

e. Treasury stock

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

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.

20. 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	$ 1,642,062	$ 1,168,375	$ -	$ 2,810,437
Post-employment benefits	$ 82,975	$ 50,254	$ -	$ 133,229
Depreciation	$ 4,455,407	$ 144,800	$ -	$ 4,600,207
Amortization	$ -	$ -	$ 20,731	$ 20,731

	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	$ 1,376,854	$ 920,782	$ -	$ 2,297,636
Post-employment benefits	$ 74,435	$ 44,116	$ -	$ 118,551
Depreciation	$ 5,979,165	$ 145,288	$ -	$ 6,124,453
Amortization	$ -	$ 38,430	$ 22,811	$ 61,241

There were 2,172 and 2,048 employees in the Company as of December 31, 2014 and 2013, respectively.

21. 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 tax		
In respect of the current year	$ 567,000	$ 35,000
Deferred tax		
In respect of the current year	29,000	(35,000)
Income tax expense recognized in profit or loss	$ 596,000	$ -

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	$ 624,000	$ 35,000
Permanent difference	(57,000)	-
Current income tax expenses	567,000	35,000
Temporary difference	29,000	(35,000)
Income tax expense recognized in profit or loss	$ 596,000	$ -

b. Current tax assets and liabilities

	December 31 2014	2013
Current income tax assets		
Tax refund receivable	$ 6,311	$ 5,994

c. As of December 31, 2014 and 2013, deferred tax assets of $3,146,000 thousand and $3,742,000 thousand, respectively, were mainly net operating loss carryforwards.

d. Information about the Company's operating loss carryforwards as of December 31, 2014 was as follows:

Operating loss carryforwards as of December 31, 2014 comprised of:

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

e. The information on the 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 tax returns through 2011 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	For the Year Ended December 31, 2014				
	Amounts (Numerator)		Shares	Earnings Per Share (NT$)	
	Before Tax	After Tax	(Denominator) (In Thousands)	Before Tax	After Tax
Basic earnings per share					
Net income attributed to common shareholders	$ 3,671,969	$ 3,075,969	3,687,217	$ 1.00	$ 0.83
Diluted earnings per share					
Net income attributed to common shareholders	$ 3,671,969	$ 3,075,969	3,687,217	$ 1.00	$ 0.83

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

23. 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 options 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%

24. 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 subsidiaries and 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, plant and equipment was reclassified to finance lease receivable	$ 169,429	$ 527,656

25. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

a. Lease arrangements

The Company leased land from Science Park Administration until 2023, and the lease term can extended after the expiration of the lease period. The Company leased some of the offices, 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 $7,851 thousand and $6,421 thousand, respectively (recorded as "other non-current assets").

b. Lease expense

	For the Year Ended December 31	
	2014	**2013**
Lease expenditure	$ 12,281	$ 10,352

26. CAPITAL MANAGEMENT

The Company'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.

27. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Walsin Lihwa Corporation	Investor that exercises significant influence over the Company
Winbond Electronics (H.K.) Limited	Subsidiary
Mobile Magic Design Corporation	Subsidiary
Winbond Electronics (Suzhou) Limited	Subsidiary
Winbond Electronics Corporation America	Subsidiary
Winbond Electronics Corporation Japan	Subsidiary
Winbond Technology LTD	Subsidiary
Nuvoton Technology Corporation	Subsidiary
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

b. Operating activities

	For the Year Ended December 31	
	2014	2013
1) Operating revenue		
Subsidiaries	$ 8,931,063	$ 7,493,745
Related party in substance	8,055	108,814
	$ 8,939,118	$ 7,602,559
2) Manufacturing expenses		
Related party in substance	$ 2,667,828	$ 2,329,857
3) Selling expenses		
Subsidiaries	$ 136,207	$ 125,548
4) General and administrative expenses		
Investor that exercises significant influence over the Company	$ 8,450	$ 8,651
5) Research and development expenses		
Subsidiaries	$ 770,082	$ 512,392
6) Other income		
Subsidiaries	$ 1,954	$ 2,567
Related party in substance	99	-
	$ 2,053	$ 2,567

	December 31	
	2014	2013
7) Accounts receivable due from related parties		
Subsidiaries	$ 983,807	$ 849,717
Related party in substance	-	18,743
	$ 983,807	$ 868,460
8) Accounts payable to related parties		
Related party in substance	$ 642,308	$ 518,745
Investor that exercises significant influence over the Company	-	2,609
Subsidiaries	-	478
	$ 642,308	$ 521,832

	December 31	
	2014	2013
9) Other receivables and other current assets		
Subsidiaries	$ 99	$ 99
Investor that exercises significant influence over the Company	3	-
	$ 102	$ 99
10) Other payables		
Subsidiaries	$ 240,950	$ 292,692
Related party in substance	13,133	7,178
Investor that exercises significant influence over the Company	38	1,048
	$ 254,121	$ 300,918
11) Refundable deposits (recorded as "other non-current assets")		
Subsidiaries	$ 545	$ 440
Investor that exercises significant influence over the Company	203	203
	$ 748	$ 643

The related party transactions were conducted under normal terms.

c. Property, plant and machinery acquired

		Price	
		For the Year Ended December 31	
Related Parties Types	**Items**	**2014**	**2013**
Subsidiaries	Machinery and equipment	$ -	$ 485

d. Other assets acquired

		Price	
		For the Year Ended December 31	
Related Parties Types	**Items**	**2014**	**2013**
Subsidiaries	Professional technical	$ -	$ 52,000

e. 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 Company	Chin Xin Investment Co., Ltd.	12,128	$ 151,236

f. Guarantee

As of December 31, 2014, the chairman of the Company is a joint guarantor of the long-term borrowings - Bank of Taiwan Syndication Agreement (II). Please refer to Note 17.

g. Compensation of key management personnel

	For the Year Ended December 31	
	2014	2013
Short-term employment benefits	$ 74,916	$ 62,851
Post-employment benefits	338	307
Share - based payments	1,980	6,708
	$ 77,234	$ 69,866

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

28. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6, Note 10, Note 15 and Note 17.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Amounts available under unused letters of credit as of December 31, 2014 were approximately US$14,795 thousand, JPY995,850 thousand and EUR693 thousand.

30. 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	$ 4,146,238	$ 4,146,238	$ 4,957,922	$ 4,957,922
Notes and accounts receivable (included related parties)	4,518,897	4,518,897	4,021,410	4,021,410
Other receivables	250,428	250,428	242,054	242,054
Refundable deposits (recorded in other non-current assets)	77,453	77,453	73,544	73,544
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)	2,826,103	2,826,103	2,017,965	2,017,965
Held-to-maturity financial assets	101,840	101,842	97,770	96,792
Financial assets measured at cost	40,161	40,161	40,161	40,161
	$ 12,489,909	$ 12,489,911	$ 11,891,262	$ 11,890,284
Financial liabilities				
Measured at amortized cost				
Short-term borrowings	$ 390,213	$ 390,213	$ 1,893,878	$ 1,893,878
Notes and accounts payable (included related parties)	3,924,847	3,924,847	3,226,004	3,226,004
Payable on equipment and other payables	2,916,759	2,916,759	2,092,092	2,092,092
Long-term borrowings (included current portion)	15,693,790	15,693,790	9,939,290	9,939,290
Financial liabilities at FVTPL	11,253	11,253	15,841	15,841
	$ 22,936,862	$ 22,936,862	$ 17,167,105	$ 17,167,105

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	$ 2,826,103	$ 1,736,895
Held-to-maturity financial assets	101,842	96,792
	$ 2,927,945	$ 1,833,687

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 liabilities at FVTPL	$ 11,253	$ 15,841

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 Company's major financial instruments included equity and debt investments, borrowings, accounts receivable and accounts payable. The Company'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 Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

The Company 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 Company's policies approved by the board of directors, which provided 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 Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Company uses forward foreign exchange contracts to hedge the exchange rate risk on export.

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

a) Foreign currency risk

The Company 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 Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are set out in Note 31.

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 U.S. dollars, there would be impact on net income in the amounts of $19,400 thousand and $17,229 thousand increase for the years ended December 31, 2014 and 2013.

b) Interest rate risk

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

The carrying amount of the Company'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	$ 493	$ -
Financial liabilities	16,076,913	9,939,290

The sensitivity analyses below were determined based on the Company'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 Company's cash flows for the years ended December 31, 2014 and 2013 would increase by $160,764 thousand and $99,393 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 Company.

The Company 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 Company 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 Company reviews the recoverable amount of each individual accounts receivable 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 Company consider that the Company's credit risk was significantly reduced.

3) Liquidity risk

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

The Company'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	$ 6,841,606	$ -	$ -	$ 6,841,606
Variable interest rate liabilities	6,262,883	4,029,770	5,784,260	16,076,913
Fixed interest rate liabilities	7,090	-	-	7,090
	$ 13,111,579	$ 4,029,770	$ 5,784,260	$ 22,925,609

	December 31, 2013			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 5,318,096	$ -	$ -	$ 5,318,096
Variable interest rate liabilities	3,863,097	4,979,763	1,096,430	9,939,290
Fixed interest rate liabilities	1,893,878	-	-	1,893,878
	$ 11,075,071	$ 4,979,763	$ 1,096,430	$ 17,151,264

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

The significant financial assets and liabilities denominated in foreign currencies were 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	$ 158,037	31.65	$ 5,001,876	$ 166,036	29.805	$ 4,948,691
EUR	1,779	38.47	68,432	1,451	41.09	59,626
JPY	2,463,986	0.2646	651,971	832,166	0.2839	236,252
RMB	62,863	5.092	320,096	70,005	4.8885	342,218
Financial liabilities						
Monetary items						
USD	96,740	31.65	3,061,835	108,229	29.805	3,225,768
EUR	2,289	38.47	88,067	24,479	41.09	1,005,861
JPY	2,659,832	0.2646	703,792	642,330	0.2839	182,357