Winbond Electronics Corporation and Subsidiaries

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Winbond Electronics Corporation

We have audited the accompanying consolidated balance sheets of Winbond Electronics Corporation (the "Company") and its subsidiaries (collectively referred as the "Group") as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the years ended December 31, 2015 and 2014. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2014 and their consolidated financial performance and their consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

We have also audited the parent company only financial statements of Winbond Electronics Corporation as of and for the years ended December 31, 2015 and 2014 on which we have issued an unqualified report.

Deloitte & Touche

January 29, 2016

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015		2014	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	$ 6,396,615	10	$ 6,975,514	11
Available-for-sale financial assets, current (Note 8)	2,500,550	4	2,902,576	4
Held-to-maturity financial assets, current (Note 9)	99,900	-	-	-
Notes and accounts receivable, net (Note 10)	5,184,287	8	5,433,212	8
Accounts receivable due from related parties, net (Note 28)	80,915	-	85,234	-
Other receivables (Notes 6 and 11)	794,939	1	310,447	1
Inventories (Note 12)	8,535,835	14	6,316,936	10
Other current assets	1,119,716	2	952,819	1
Total current assets	24,712,757	39	22,976,738	35
NON-CURRENT ASSETS				
Held-to-maturity financial assets, non-current (Note 9)	-	-	101,840	-
Financial assets measured at cost, non-current (Note 13)	727,786	1	719,378	1
Investments accounted for using equity method (Note 14)	1,724,898	3	2,416,386	4
Property, plant and equipment (Note 15)	31,915,030	51	33,986,751	53
Investment properties (Note 16)	71,866	-	78,506	-
Intangible assets (Note 17)	270,926	-	311,616	1
Deferred income tax assets (Note 22)	2,853,873	5	3,490,222	5
Other non-current assets (Notes 6 and 11)	320,631	1	759,580	1
Total non-current assets	37,885,010	61	41,864,279	65
TOTAL	$ 62,597,767	100	$ 64,841,017	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 18)	$ -	-	$ 390,213	1
Financial liabilities at fair value through profit or loss, current (Note 7)	22,427	-	16,894	-
Notes and accounts payable	3,846,484	6	3,823,082	6
Accounts payable to related parties (Note 28)	707,064	1	642,564	1
Payable on equipment	811,277	2	1,287,996	2
Other payables	2,455,022	4	2,290,033	3
Current portion of long-term borrowings (Note 18)	4,352,267	7	5,879,760	9
Other current liabilities	138,654	-	120,836	-
Total current liabilities	12,333,195	20	14,451,378	22
NON-CURRENT LIABILITIES				
Long-term borrowings (Note 18)	8,755,160	14	9,763,339	15
Net defined benefit liabilities, non-current (Note 19)	1,025,969	2	974,840	1
Other non-current liabilities	384,904	-	351,369	1
Total non-current liabilities	10,166,033	16	11,089,548	17
Total liabilities	22,499,228	36	25,540,926	39
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT				
Common stock (Note 20)	35,800,002	57	36,949,822	57
Capital surplus	2,470,292	4	2,143,393	3
Unappropriated earnings (accumulated deficits)	2,086,060	3	(1,119,684)	(2)
Exchange differences on translation of foreign financial statements	88,771	-	23,265	-
Unrealized (losses) gains on available-for-sale financial assets	(1,436,767)	(2)	292,835	1
Treasury stock	(106,387)	-	(106,387)	-
Total equity attributable to owners of the parent	38,901,971	62	38,183,244	59
NON-CONTROLLING INTERESTS	1,196,568	2	1,116,847	2
Total equity	40,098,539	64	39,300,091	61
TOTAL	$ 62,597,767	100	$ 64,841,017	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OPERATING REVENUE	$ 38,350,315	100	$ 37,989,660	100
OPERATING COST (Note 12)	26,528,662	69	27,199,199	72
GROSS PROFIT	11,821,653	31	10,790,461	28
OPERATING EXPENSES				
Selling expenses	1,193,005	3	1,127,300	3
General and administrative expenses	1,257,611	3	1,112,579	3
Research and development expenses	5,262,111	14	4,892,159	13
Total operating expenses	7,712,727	20	7,132,038	19
PROFIT FROM OPERATIONS	4,108,926	11	3,658,423	9
NON-OPERATING INCOME AND LOSSES				
Interest income	173,461	1	166,289	-
Dividend income	124,449	-	114,709	-
Gains on doubtful debt recoveries	-	-	902	-
Other income	53,143	-	43,045	-
Gains on disposal of investments	32,047	-	40,657	-
Foreign exchange gains	162,565	-	250,790	1
Share of profit of associates accounted for using equity method (Note 14)	21,884	-	14,663	-
Interest expense	(263,751)	(1)	(177,339)	-
Other expense	(35,172)	-	(34,162)	-
Losses on disposal of property, plant and equipment	(8,341)	-	(7,643)	-
Losses on financial instruments at fair value through profit or loss	(121,027)	-	(129,296)	-
Total non-operating income and losses	139,258	-	282,615	1
PROFIT BEFORE INCOME TAX	4,248,184	11	3,941,038	10
INCOME TAX EXPENSE (Note 22)	775,311	2	730,494	2
NET PROFIT	3,472,873	9	3,210,544	8

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME				
Components of other comprehensive income that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans	$ (97,066)	-	$ (10,274)	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	72,285	-	90,597	-
Unrealized (losses) gains on available-for-sale financial assets	(1,729,602)	(5)	213,780	1
Other comprehensive income	(1,754,383)	(5)	294,103	1
TOTAL COMPREHENSIVE INCOME	$ 1,718,490	4	$ 3,504,647	9
NET PROFIT ATTRIBUTABLE TO:				
Owner of the parent	$ 3,291,251	9	$ 3,075,969	8
Non-controlling interests	181,622	-	134,575	-
	$ 3,472,873	9	$ 3,210,544	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the parent	$ 1,541,648	4	$ 3,364,700	9
Non-controlling interests	176,842	-	139,947	-
	$ 1,718,490	4	$ 3,504,647	9
EARNINGS PER SHARE (Note 23)				
Basic	$ 0.90		$ 0.83	
Diluted	$ 0.90		$ 0.83	

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent								
				Other Equity					
	Common Stock	Capital Surplus	Unappropriated Earnings (Accumulated Deficits)	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Stock	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2014	$ 36,940,232	$ 2,148,359	$ (4,187,772)	$ (59,567)	$ 79,055	$ (106,387)	$ 34,813,920	$ 1,074,182	$ 35,888,102
Change in equity of associates accounted for using equity method	-	(252)	-	-	-	-	(252)	(161)	(413)
Net income for 2014	-	-	3,075,969	-	-	-	3,075,969	134,575	3,210,544
Other comprehensive income for 2014	-	-	(7,881)	82,832	213,780	-	288,731	5,372	294,103
Total comprehensive income for 2014	-	-	3,068,088	82,832	213,780	-	3,364,700	139,947	3,504,647
Issue of ordinary shares under employee stock options	9,590	(4,714)	-	-	-	-	4,876	-	4,876
Decrease in non-controlling interests	-	-	-	-	-	-	-	(97,121)	(97,121)
BALANCE, DECEMBER 31, 2014	36,949,822	2,143,393	(1,119,684)	23,265	292,835	(106,387)	38,183,244	1,116,847	39,300,091
Net income for 2015	-	-	3,291,251	-	-	-	3,291,251	181,622	3,472,873
Other comprehensive income for 2015	-	-	(85,507)	65,506	(1,729,602)	-	(1,749,603)	(4,780)	(1,754,383)
Total comprehensive income for 2015	-	-	3,205,744	65,506	(1,729,602)	-	1,541,648	176,842	1,718,490
Acquisition of treasury stock	-	-	-	-	-	(822,921)	(822,921)	-	(822,921)
Retirement of treasury stock	(1,149,820)	326,899	-	-	-	822,921	-	-	-
Decrease in non-controlling interests	-	-	-	-	-	-	-	(97,121)	(97,121)
BALANCE, DECEMBER 31, 2015	$ 35,800,002	$ 2,470,292	$ 2,086,060	$ 88,771	$ (1,436,767)	$ (106,387)	$ 38,901,971	$ 1,196,568	$ 40,098,539

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 4,248,184	$ 3,941,038
Adjustments for:		
Depreciation expenses	5,754,587	4,759,388
Amortization expenses	101,995	115,818
Provision for allowance for doubtful accounts	1,698	5,285
Provision for decline in market value and obsolescence and abandonment of inventories	141,831	230,527
Net loss on financial assets and liabilities at fair value through profit or loss	5,532	349
Interest expense	263,751	177,339
Interest income	(173,461)	(166,289)
Dividend income	(124,449)	(114,709)
Share of profit of associates accounted for using equity method	(21,884)	(14,663)
Loss on disposal of property, plant and equipment	8,341	7,643
Gain on disposal of investments	(32,047)	(40,657)
Realized profit on the transactions with associates	-	(118)
Changes in operating assets and liabilities		
Decrease (increase) in notes and accounts receivable	245,974	(533,864)
Decrease in accounts receivable due from related parties	4,319	4,520
(Increase) decrease in other receivables	(202,610)	26,629
(Increase) decrease in inventories	(2,360,730)	426,424
Increase in other current assets	(166,897)	(274,980)
Increase in other non-current assets	(13,524)	(83,558)
Increase in notes and accounts payable	23,402	560,105
Increase in accounts payable to related parties	64,500	120,946
Increase in other payables	204,975	123,711
Increase in other current liabilities	17,818	41,687
(Decrease) increase in other non-current liabilities	(2,833)	58,681
Cash generated from operations	7,988,472	9,371,252
Interest received	46,855	48,770
Dividend received	124,449	122,653
Interest paid	(330,970)	(272,935)
Income tax paid	(170,700)	(134,535)
Net cash generated from operating activities	7,658,106	9,135,205
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(686,329)	(828,260)
Proceeds from disposal of available-for-sale financial assets	80,433	148,292
Proceeds from capital reduction of available-for-sale financial assets	23,187	-
Acquisition of financial assets measured at cost	(40,000)	-
Proceeds from capital reduction of financial assets measured at cost	31,592	5,368
Proceeds from disposal of investments accounted for using equity method	-	33,872

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(In Thousands of New Taiwan Dollars)

	2015	2014
Acquisitions of property, plant and equipment	$ (4,093,096)	$ (13,192,897)
Proceeds from disposal of property, plant and equipment	3,835	1,351
Acquisition of intangible assets	(49,576)	(192,673)
Decrease in financial lease receivables	299,817	152,728
Net cash used in investing activities	(4,430,137)	(13,872,219)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(390,213)	(1,682,495)
Increase in long-term borrowings	3,460,710	9,617,600
Repayments of long-term borrowings	(6,017,973)	(3,863,100)
Dividend paid to non-controlling interests	(97,121)	(97,121)
Payments to acquire treasury stock	(822,921)	-
Proceeds from exercise of employee stock options	-	4,876
Increase in non-controlling interests	6,779	7,764
Net cash (used in) generated from financing activities	(3,860,739)	3,987,524
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	53,871	54,625
NET DECREASE IN CASH AND CASH EQUIVALENTS	(578,899)	(694,865)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,975,514	7,670,379
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 6,396,615	$ 6,975,514

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

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, 2015 and 2014.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on January 29, 2016.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the Financial Supervisory Commission (FSC)

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

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

   1) IFRS 10 "Consolidated Financial Statements"

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

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

      IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The Group has included the disclosure requirements in IFRS 12, as applicable, in Note 14.

3) IFRS 13 "Fair Value Measurement"

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

The fair value measurements under IFRS 13 have been applied prospectively from January 1, 2015. Please refer to Note 31 for related disclosures.

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

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

The Group has retrospectively applied 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 would not result in any impact on the net profit, other comprehensive income, and total comprehensive income for the year.

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

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

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

(Continued)

New IFRSs	Effective Date Announced by IASB (Note 1)
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: To avoid enterprise adopt the amendment to IAS 28 twice in a short-term, IASB decided to postpone the amendment to IFRS 10 and IAS 28 announced in September 2014. The aforementioned amendment will be in defined until the study program of the entity method have been concluded.

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

1) IFRS 9 "Financial Instruments"

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

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

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

3) Annual Improvements to IFRSs: 2010-2012 Cycle

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

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

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

4) Annual Improvements to IFRSs: 2011-2013 Cycle

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

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

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

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

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

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

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

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

6) Annual Improvements to IFRSs: 2012-2014 Cycle

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

7) Amendment to IAS 1 "Disclosure Initiative"

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

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

8) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations.

When applying IFRS 15, the Group shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, the Group may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

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

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

b. Subsidiary included in consolidated financial statements

			% of Ownership	
			December 31	
Investor	Investee	Main Business	2015	2014
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100	100
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100	100
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100	100
Landmark	Winbond Electronics Corp. Japan ("WECJ")	Research, development, sales and after-sales service of semiconductor	100	100
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100	100
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor	100	100
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100	100
PCI	Winbond Electronics (Suzhou) Limited ("WECN")	Design, development and marketing of VLSI integrated ICs	100	100
The Company	Mobile Magic Design Corporation ("MMDC")	Design, development and marketing of Pseudo SRAM	100	100
The Company	Winbond Technology LTD ("WTL")	Design, sales and service of semiconductor	100	100
The Company	Newfound Asian Corp. ("NAC")	Investment holding	100	100
NAC	Baystar Holdings Ltd. ("BHL")	Investment holding	100	100
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	61	61
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provide project of sale in China and repair, test and consult of software	100	100
GLLC	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100
NTC	Pigeon Creek Holding Co., Ltd. ("PCH")	Investment holding	100	100
PCH	Nuvoton Technology Corp. America ("NTCA")	Design, sales and after-sales service of semiconductor	100	100
NTC	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design, sales and service of semiconductor	100	100
NTC	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2015	2014
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
NTC	Song Yong Investment Corporation ("SYI")	Investment holding	100	100
NTC	Nuvoton Technology India Private Limited ("NTIPL") (Note 1)	Design, sales and service of semiconductor	100	-
NTC	Techdesign Corporation ("TDC") (Note 2)	Electronic commerce and product marketing	100	-

(Concluded)

Note 1: In 2012, NTC's board of directors resolved to set up NTIPL. NTC injected the capital in March 2015.

Note 2: TDC was incorporated in March 2015.

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

Cash equivalents include time deposits and investments, 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.

Financial Instruments

a. Financial assets

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

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

1) Financial assets at fair value through profit or loss

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

2) Available-for-sale financial assets

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

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

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

3) Held-to-maturity financial assets

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

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

4) Loans and receivables

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

b. Impairment of financial assets

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

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

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

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

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

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

c. Derecognition of financial assets

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

d. Financial liabilities

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

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

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

g. Information about fair value of financial instruments

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

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

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

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

Inventories

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

Investments in Associates

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

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

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

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

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

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.

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

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

Property, Plant and Equipment

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

Properties, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for intended use.

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

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

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

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

Investment Properties

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

Intangible Assets

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

Impairment of Tangible and Intangible Assets

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

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

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

Provisions

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

Revenue Recognition

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

Leasing

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

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

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

Borrowing Costs

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

c. Other long-term employee benefits

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

d. Termination benefits

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

Employee Stock Options

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

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

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

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

Reclassifications

Certain accounts in the consolidated financial statements as of and for the year ended December 31, 2014 have been reclassified to conform to the presentation of the consolidated financial statements as of and for the year ended December 31, 2015.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Deferred tax

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

b. Valuation of inventory

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

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

The Group reviews the estimated useful lives and recoverable amount of property, plant and equipment at the end of each reporting period.

d. Recognition and measurement of defined benefit retirement plans

Net defined benefit liabilities and the resulting defined benefit costs under defined benefit pension plans are calculated using the projected unit credit method. Actuarial assumptions comprise the discount rate, rate of employee turnover, and future salary increase, etc. Changes in economic circumstances and market conditions will affect these assumptions and may have a material impact on the amount of the expense and the liability.

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	
	2015	**2014**
Cash on hand	$ 729	$ 731
Checking accounts and demand deposits	5,636,579	6,034,943
Repurchase agreements collateralized by bonds	759,307	939,840
	$ 6,396,615	$ 6,975,514

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

	December 31	
	2015	**2014**
Time deposits	$ 138,225	$ 136,858

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

	December 31	
	2015	**2014**
Time deposits	$ 199,930	$ 1,085

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2015	**2014**
Financial liabilities at FVTPL - current		
Derivative financial liabilities (not under hedge accounting)		
Forward exchange contracts	$ 22,427	$ 16,894

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, 2015			
Sell forward exchange contracts	USD to NTD	2016.01.05-2016.02.26	USD99,000/NTD3,236,233
December 31, 2014			
Sell forward exchange contracts	USD to NTD	2015.01.08-2015.02.26	USD60,800/NTD1,907,401

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

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Listed stocks		
Walsin Lihwa Corporation	$ 1,174,400	$ 996,000
Hannstar Display Corporation	482,621	794,245
Walton Advanced Engineering Inc.	454,068	738,424
Walsin Technology Corporation	209,968	156,368
CTBC Financial Holding Co., Ltd.	56,834	63,931
Cathay Financial Holding Co., Ltd.	46,323	46,974
Vanguard Short-Term Corporate Bond ETF	32,411	-
CIFM Money Market Fund Class B	26,307	26,056
Yuanta/P-Shares Taiwan Top 50 ETF	17,618	-
Telit Communications PLC	-	49,560
Yuanta Duo Fu Equity Fund	-	30,161
Inside Secure	-	857
Available-for-sale financial assets - current	$ 2,500,550	$ 2,902,576

9. HELD-TO-MATURITY FINANCIAL ASSETS

	December 31	
	2015	2014
Current		
CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013	$ 99,900	$ -
Non-current		
CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013	$ -	$ 101,840

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.

As CTBC Bank Co., Ltd. 1st Unsecured Financial Debentures in 2013 hold by the Company is due within one year as of December 31, 2015, the Company reclassified its investment from "held-to-maturity financial assets, non-current" to "held-to-maturity financial assets, current".

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2015	2014
Notes receivable	$ 671	$ 902
Accounts receivable	5,312,040	5,559,386
Less: Allowance for doubtful accounts	(128,424)	(127,076)
	$ 5,184,287	$ 5,433,212

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	
	2015	2014
Not overdue	$ 4,615,515	$ 4,986,469
Overdue under 30 days	670,209	553,509
Overdue 31-60 days	6,047	9,082
Overdue 61 days and longer	20,269	10,326
	$ 5,312,040	$ 5,559,386

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

	For the Year Ended December 31	
	2015	2014
Balance at January 1	$ 127,076	$ 123,387
Less: Amounts written off	(1,602)	(3,130)
Add: Impairment losses recognized on accounts receivable	1,698	6,187
Effect of exchange rate changes	1,252	632
Balance at December 31	$ 128,424	$ 127,076

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

11. FINANCE LEASE RECEIVABLES

	December 31	
	2015	2014
Gross investment in leases		
Not later than one year	$ 479,741	$ 201,196
Later than one year and not later than five years	88,944	660,639
	568,685	861,835
Less: Unearned finance income	(131,944)	(252,440)
Present value of minimum lease payments	$ 436,741	$ 609,395
Finance lease receivables		
Not later than one year (recorded as "other receivables")	$ 360,009	$ 80,606
Later than one year and not later than five years (recorded as "other non-current assets")	76,732	528,789
Financial lease receivables	$ 436,741	$ 609,395

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, 2015, the interest rate inherent in the finance lease was 1.7% per annum.

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, 2015 and 2014 were neither past due nor impaired.

12. INVENTORIES

	December 31	
	2015	2014
Finished goods	$ 1,889,379	$ 1,598,887
Work-in-process	6,175,291	4,279,223
Raw materials and supplies	462,063	420,545
Inventories in transit	9,102	18,281
	$ 8,535,835	$ 6,316,936

a. Loss on decline in market value and obsolescence and abandonment of inventories were $141,831 thousand and $230,527 thousand, which were recognized as cost of sales for the years ended December 31, 2015 and 2014, respectively.

b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2015 and 2014 amounted to $222,235 thousand and $124,836 thousand, respectively.

13. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	2014
LTIP Trust Fund	$ 466,144	$ 466,144
United Industrial Gases Co., Ltd.	81,081	81,081
Nyquest Technology Co., Ltd.	68,071	68,071
Smart Catch International Co., Ltd.	40,000	-
Yu-Ji Venture Capital Co., Ltd.	30,000	40,000
Harbinger III Venture Capital Corp.	23,488	23,488
Others	19,002	40,594
Financial assets measured at cost, non-current	$ 727,786	$ 719,378

NTC hold a 27% ownership interest of Nyquest Technology Co., Ltd. as of January 1, 2014, and accounted for under equity method. In 2014, NTC sold its partial interest in Nyquest Technology Co., Ltd. and thus lost its significant influence and accounted for as deemed disposal. The remaining interest $68,071 thousand at fair value was recognized as a financial assets measured at cost. There is $12,030 thousand of gain on disposal of investments for the year ended December 31, 2014.

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

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

a. Investments in associates

	December 31	
	2015	2014
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	$ 1,724,898	$ 2,416,386

b. Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2015	2014
The Group's share of:		
Profit from continuing operations	$ 21,884	$ 14,663
Other comprehensive income	(713,373)	93,185
Total comprehensive income for the year	$ (691,489)	$ 107,848

As of December 31, 2015, 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, 2015 and 2014 were based on the associates' financial statements audited by independent auditors.

15. PROPERTY, PLANT AND EQUIPMENT

	December 31 2015	December 31 2014
Land	$ 1,625,058	$ 1,622,173
Buildings	7,909,104	8,153,139
Machinery and equipment	21,181,266	23,635,484
Other equipment	398,450	375,036
Construction in progress and prepayments for purchase of equipment	801,152	200,919
	$ 31,915,030	$ 33,986,751

	Land	Building	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2015	$ 1,622,173	$ 20,643,796	$ 89,977,831	$ 3,120,111	$ 200,919	$ 115,564,830
Additions	-	494,037	2,014,854	146,932	1,025,718	3,681,541
Disposals	-	(26,538)	(339,076)	(11,129)	-	(376,743)
Reclassified	-	373,357	51,946	182	(425,485)	-
Effect of foreign currency exchange differences	2,885	10,036	3,886	3,991	-	20,798
Balance at December 31, 2015	$ 1,625,058	$ 21,494,688	$ 91,709,441	$ 3,260,087	$ 801,152	$ 118,890,426
Accumulated depreciation and impairment						
Balance at January 1, 2015	$ -	$ 12,490,657	$ 66,342,347	$ 2,745,075	$ -	$ 81,578,079
Depreciation expenses	-	1,104,974	4,521,169	123,261	-	5,749,404
Disposals	-	(16,127)	(338,347)	(10,093)	-	(364,567)
Reclassified	-	-	-	-	-	-
Effect of foreign currency exchange differences	-	6,080	3,006	3,394	-	12,480
Balance at December 31, 2015	$ -	$ 13,585,584	$ 70,528,175	$ 2,861,637	$ -	$ 86,975,396
Cost						
Balance at January 1, 2014	$ 872,339	$ 20,133,446	$ 78,708,706	$ 2,976,272	$ 992,427	$ 103,683,190
Additions	745,303	451,729	12,557,270	150,143	198,919	14,103,364
Disposals	-	(155)	(2,055,071)	(18,406)	-	(2,073,632)
Reclassified	-	43,025	766,186	11,787	(990,427)	(169,429)
Effect of foreign currency exchange differences	4,531	15,751	740	315	-	21,337
Balance at December 31, 2014	$ 1,622,173	$ 20,643,796	$ 89,977,831	$ 3,120,111	$ 200,919	$ 115,564,830
Accumulated depreciation and impairment						
Balance at January 1, 2014	$ -	$ 11,565,728	$ 64,679,160	$ 2,634,277	$ -	$ 78,879,165
Depreciation expenses	-	916,183	3,710,320	127,805	-	4,754,308
Disposals	-	(155)	(2,047,406)	(17,077)	-	(2,064,638)
Reclassified	-	-	(100)	100	-	-
Effect of foreign currency exchange differences	-	8,901	373	(30)	-	9,244
Balance at December 31, 2014	$ -	$ 12,490,657	$ 66,342,347	$ 2,745,075	$ -	$ 81,578,079

a. As of December 31, 2015 and 2014, the carrying values of $22,384,768 thousand and $24,648,354 thousand of land, building and 12-inch Fab manufacturing facilities were pledged to secure long-term borrowings. The Group was not permitted to sell or pledge all of these pledged assets.

b. Information about capitalized interest

	For the Year Ended December 31	
	2015	2014
Capitalized interest amounts	$ 65,163	$ 94,968
Capitalized interest rate	2.02%-2.16%	2.16%-2.24%

16. INVESTMENT PROPERTIES

	December 31	
	2015	2014
Investment properties, net	$ 71,866	$ 78,506

The investment properties is in Shen-Zhen, China. As of December 31, 2015 and 2014, the fair value of such investment properties were both approximately $200,000 thousand, which was referred by the neighborhood transactions.

	Investment Properties
Cost	
Balance at January 1, 2015	$ 116,521
Effect of foreign currency exchange differences	(2,221)
Balance at December 31, 2015	$ 114,300
Accumulated depreciation and impairment	
Balance at January 1, 2015	$ 38,015
Depreciation expenses	5,183
Effect of foreign currency exchange differences	(764)
Balance at December 31, 2015	$ 42,434
Cost	
Balance at January 1, 2014	$ 111,862
Effect of foreign currency exchange differences	4,659
Balance at December 31, 2014	$ 116,521
Accumulated depreciation and impairment	
Balance at January 1, 2014	$ 31,461
Depreciation expenses	5,080
Effect of foreign currency exchange differences	1,474
Balance at December 31, 2014	$ 38,015

17. INTANGIBLE ASSETS

	December 31	
	2015	2014
Deferred technical assets, net	$ 269,420	$ 310,617
Other intangible assets, net	1,506	999
	$ 270,926	$ 311,616

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2015	$ 18,646,641	$ 20,269	$ 18,666,910
Addition	36,909	992	37,901
Effect of foreign currency exchange differences	6,076	452	6,528
Balance at December 31, 2015	$ 18,689,626	$ 21,713	$ 18,711,339
Accumulated amortization and impairment			
Balance at January 1, 2015	$ 18,336,024	$ 19,270	$ 18,355,294
Amortization expenses	79,537	459	79,996
Effect of foreign currency exchange differences	4,645	478	5,123
Balance at December 31, 2015	$ 18,420,206	$ 20,207	$ 18,440,413
Cost			
Balance at January 1, 2014	$ 18,433,626	$ 21,409	$ 18,455,035
Addition	215,985	-	215,985
Effect of foreign currency exchange differences	(2,970)	(1,140)	(4,110)
Balance at December 31, 2014	$ 18,646,641	$ 20,269	$ 18,666,910
Accumulated amortization and impairment			
Balance at January 1, 2014	$ 18,241,038	$ 20,050	$ 18,261,088
Amortization expenses	94,317	370	94,687
Effect of foreign currency exchange differences	669	(1,150)	(481)
Balance at December 31, 2014	$ 18,336,024	$ 19,270	$ 18,355,294

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

18. BORROWINGS

a. Short-term borrowings

	December 31			
	2015		2014	
	Interest Rate	Amount	Interest Rate	Amount
Materials procurement loans	-	$ -	1.11%-1.25%	$ 390,213

b. Long-term borrowings

	December 31			
	2015			2014
	Period	Interest Rate	Amount	Amount
Bank of Taiwan syndicated loan (II)	2010.06.18-2015.06.18	2.58%-3.11%	$ -	$ 550,000
Bank of Taiwan syndicated loan (III)	2011.12.23-2016.12.23	2.14%-2.64%	3,518,927	5,192,860
CTBC Bank Co., Ltd. syndicated loan (III)	2012.12.27-2015.12.27	2.14%-2.65%	-	3,333,330
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.11.27-2019.11.27	1.94%-2.23%	9,000,000	6,000,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.55%-1.70%	617,600	617,600
			13,136,527	15,693,790
Less: Current portion			(4,352,267)	(5,879,760)
Less: Syndication agreement management fee			(29,100)	(50,691)
			$ 8,755,160	$ 9,763,339

1) Bank of Taiwan Syndicated Loan (II)

a) On May 31, 2010, the Company entered into a syndicated loan, 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.

d) The agreement was fully redeemed on June 18, 2015.

2) Bank of Taiwan Syndicated Loan (III)

a) On September 19, 2011, the Company entered into a syndicated loan, 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. Syndicated Loan (III)

a) On November 19, 2012, the Company entered into a syndicated loan, 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.

d) The agreement was fully redeemed on December 25, 2015.

4) CTBC Bank Co., Ltd. Syndicated Loan (IV)

a) On July 7, 2014, the Company entered into a syndicated loan, 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 November 27, 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 secured medium-term loan 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.

6) 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 secured medium - term loan. The computations of financial ratios mentioned above are done based on the audited consolidated financial statements.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plan

The defined benefit plan adopted by the Company, MMDC and NTC in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and MMDC contribute amounts equal to 2% of total monthly salaries and wages; NTC contributed amounts equal to 15% and 2% for the years ended December 31, 2015 and 2014, respectively, 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. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor ("the Bureau"); the Group has no right to influence the investment policy and strategy.

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

	December 31	
	2015	**2014**
Present value of the defined benefit obligation	$ 2,015,048	$ 1,913,155
Fair value of the plan assets	(989,079)	(938,315)
Net defined benefit liabilities, non-current	$ 1,025,969	$ 974,840

Movements in net defined benefit liability (asset) were as follows:

	Present Value of the Defined Benefit Obligation	**Fair Value of the Plan Assets**	**Net Defined Benefit Liability (Asset)**
Balance at January 1, 2015	$ 1,913,155	$ (938,315)	$ 974,840
Service cost			
Current service cost	34,556	-	34,556
Net interest expense (income)	41,407	(20,353)	21,054
Recognized in profit or loss	75,963	(20,353)	55,610
Remeasurement			
Return on plan assets	-	(5,179)	(5,179)
Actuarial loss - changes in financial assumptions	77,724	-	77,724
Actuarial loss - experience adjustments	24,521	-	24,521
Recognized in other comprehensive income	102,245	(5,179)	97,066
Contributions from the employer	-	(101,547)	(101,547)
Benefits paid	(76,315)	76,315	-
Balance at December 31, 2015	$ 2,015,048	$ (989,079)	$ 1,025,969
Balance at January 1, 2014	$ 1,895,781	$ (966,328)	$ 929,453
Service cost			
Current service cost	36,234	-	36,234
Net interest expense (income)	42,279	(12,035)	30,244
Recognized in profit or loss	78,513	(12,035)	66,478
Remeasurement			
Return on plan assets	-	(10,480)	(10,480)
Actuarial loss - changes in financial assumptions	11,026	-	11,026
Actuarial loss - experience adjustments	9,728	-	9,728
Recognized in other comprehensive income	20,754	(10,480)	10,274
Contributions from the employer	-	(28,571)	(28,571)
Benefits paid	(79,099)	79,099	-
Others	(2,794)	-	(2,794)
Balance at December 31, 2014	$ 1,913,155	$ (938,315)	$ 974,840

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

	For the Year Ended December 31	
	2015	2014
Operating cost	$ 24,714	$ 31,069
Selling expenses	2,076	3,149
General and administrative expenses	4,621	5,625
Research and development expenses	24,199	26,636
	$ 55,610	$ 66,479

The fair value of the plan assets was as follows:

	December 31	
	2015	2014
Cash and cash equivalents	$ 989,079	$ 938,315

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

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

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

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

	December 31	
	2015	2014
Discount rates	1.75%-1.90%	2.15%-2.25%
Expected rates of salary increase	1.00%-3.00%	1.00%-3.00%

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

	December 31	
	2015	2014
Discount rates		
0.25%-0.50% increase	$ (79,735)	$ (76,810)
0.25%-0.50% decrease	$ 85,023	$ 81,964

(Continued)

	December 31	
	2015	2014
Expected rates of salary increase		
0.25%-0.50% increase	$ 83,978	$ 81,276
0.25%-0.50% decrease	$ (79,466)	$ (76,837)

(Concluded)

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

	December 31	
	2015	2014
The expected contribution to the plan for the next year	$ 93,994	$ 29,331
The average duration of defined benefit obligation	9.7-13.8 years	9.96-14.6 years

20. EQUITY

a. Common stock

	December 31	
	2015	2014
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)	3,580,000	3,694,982
Share issued	$ 35,800,002	$ 36,949,822

Reconciliation of outstanding share:

	Shares (In Thousands)	Capital
January 1, 2015	3,694,982	$ 36,949,822
Retirement of treasury stock	(114,982)	(1,149,820)
December 31, 2015	3,580,000	$ 35,800,002
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

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. As of December 31, 2015, the balance of the Company's capital account amount to $35,800,002 thousand, divided into 3,580,000 thousand shares at par NT$10.00 per share.

b. Retained earnings and dividend policy

According to the unrevised Company Law of the ROC and the Company's Articles of Incorporation, if the Company has surplus earnings at the end of a fiscal year, after covering all losses incurred in prior years and paying all taxes, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities from (1) the remaining amount plus undistributed retained earnings; or (2) the differences between the undistributed retained earnings and the losses suffered by the Company at the end of a fiscal year if the losses can be fully covered by the undistributed retained earnings, the Company shall distribute the remaining amount (if not otherwise set aside as special reserve and reserved based on business needs) in the following order:

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

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

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

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

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company's Articles of Incorporation had been proposed by the Company's board of directors on January 29, 2016 and are subject to the resolution of the shareholders in their meeting to be held on June 16, 2016. For information about the accrual basis of the employees' compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 21 employee benefits expense.

Appropriation of earnings to legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

Pursuant to existing regulations, the Company is required to set aside additional special capital reserve equivalent to the net debit balance of the other components of stockholders' equity, such as the accumulated balance of foreign currency translation reserve, unrealized valuation gain/loss from available-for-sale financial assets, net amount of fair value below the cost of the Company's common shares held by subsidiaries, etc. For the subsequent decrease in the deduction amount to stockholders' equity, any special reserve appropriated may be reversed to the extent that the net debit balance reverses.

Except for non-ROC resident shareholders, all shareholders receiving the dividends are allowed a tax credit equal to their proportionate share of the income tax paid by the Company.

The appropriations of earnings for 2015 are not subjected.

The Company's results were loss for the years ended December 31, 2014 and 2013, so the stockholders' meetings on June 18, 2015 and June 17, 2014 did not include appropriations of earnings. The relevant information about the Company is available on MOPS. The Company had accumulated deficits in the year 2014; thus it did not estimate bonus to employees, directors and supervisors.

c. Capital surplus

	December 31	
	2015	2014
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital*		
Arising from treasury share transactions	$ 2,298,761	$ 1,971,862
Arising from conversion of bonds	136,352	136,352
May be used to offset a deficit only		
Arising from changes in percentage of ownership interest in subsidiaries	6,042	6,042
May not be used for any purpose		
Arising from share of changes in capital surplus of associates	29,137	29,137
	$ 2,470,292	$ 2,143,393

* Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

d. Other equity items

Exchange differences on translation of foreign financial statements are the exchange differences on net assets of foreign operations translated into the Group's functional currency (New Taiwan dollar), which are recognized directly in other comprehensive income. For the years ended December 31, 2015 and 2014, the Group recognized gain of $65,506 thousand and gain of $82,832 thousand in other comprehensive income, respectively.

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

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 292,835	$ 79,055
Unrealized (loss) gain arising on revaluation of available-for-sale financial assets	(1,016,229)	120,551
Share of unrealized (loss) gain on revaluation of available-for-sale financial assets of subsidiaries and associates accounted for using equity method	(713,373)	93,229
Balance, end of year	$ (1,436,767)	$ 292,835

e. Non-controlling interests

	For the Year Ended December 31	
	2015	2014
Balance, beginning of year	$ 1,116,847	$ 1,074,182
Attributable to non-controlling interests		
Share of profit for the year	181,622	134,575
Exchange difference on translation of foreign financial statements	6,779	7,764
Losses on remeasurement of defined benefit plans	(11,559)	(2,392)
Change in capital surplus from investments in associates accounted for using equity method	-	(161)
Others	(97,121)	(97,121)
Balance, end of year	$ 1,196,568	$ 1,116,847

f. Treasury stock

On July 31 and October 1, 2015, the Company's board of directors passed a resolution to buy back the Company's common shares from the open market. The repurchase price ranged from NT$6.5 to NT$8.5 per share. The Company bought back 114,982,000 shares for NT$822,921 thousand. On October 31, 2015, the Company resolved to retire the 114,982,000 treasury shares.

1) Treasury stock transactions for the year of 2015 were summarized as follows:

Purpose of Buyback	Treasury Stock Held as of January 1, 2015	Increase During the Year	Decrease During the Year	Treasury Stock Held as of December 31, 2015
Maintain the Company's credibility and shareholders' equity	-	114,982,000	(114,982,000)	-
Common shares held by subsidiaries	7,518,364	-	-	7,518,364
	7,518,364	114,982,000	(114,982,000)	7,518,364

2) 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

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, 2015			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 59,320
December 31, 2014			
Baystar Holdings Ltd.	7,518,364	$ 106,387	$ 81,574

Based on the Securities and Exchange Act of the ROC, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as rights to dividends and to vote.

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

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2015			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 2,408,760	$ 3,662,839	$ -	$ 6,071,599
Post-employment benefits	$ 118,355	$ 183,953	$ -	$ 302,308
Other long-term employment benefits	$ -	$ 47,027	$ -	$ 47,027
Depreciation	$ 5,397,349	$ 349,244	$ 7,994	$ 5,754,587
Amortization	$ 33,290	$ 47,114	$ 21,591	$ 101,995

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

The Company had accumulated deficits in 2014; thus it did not estimate bonus to employees, directors and supervisors. To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Company stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, of net profit before income tax, respectively. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were $28,475 thousand and $28,475 thousand, respectively, representing 1% and 1%, respectively, of the base net profit (offset a deficit included). Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The relevant information about the Company is available on MOPS.

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2015	2014
Current income tax	$ 731,757	$ 701,605
Adjustments for prior year's tax	(5,675)	4,743
Current income tax credit	(5,358)	(6,173)
Deferred tax	54,587	30,319
Income tax expense recognized in profit or loss	$ 775,311	$ 730,494

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

	For the Year Ended December 31	
	2015	2014
Profit before tax from continuing operations	$ 788,657	$ 760,789
Adjustments		
Permanent differences	(82,749)	(65,283)
Others	31,090	5,653
Additional income tax on unappropriated earnings	5,759	6,446
Tax-exempt income	(11,000)	(6,000)
Current income tax	731,757	701,605
Deferred income tax	54,587	30,319
Current income tax credit	(5,358)	(6,173)
Adjustment for prior years' tax	(5,675)	4,743
Income tax expense recognized in profit or loss	$ 775,311	$ 730,494

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

Since statement of profit distribution for 2015 has not been approved by shareholders' meeting, the potential effect on income tax for 10% legal reserve appropriated may not be decided.

b. Current tax assets and liabilities

	December 31	
	2015	2014
Current tax assets		
Tax refund receivables (recorded as "other receivables")	$ -	$ 20,433
Current tax liabilities		
Income tax payables (recorded as "other payables")	$ 61,628	$ 97,853

c. As of December 31, 2015 and 2014, deferred income tax assets of $2,853,873 thousand and $3,490,222 thousand, respectively, were mainly net operating loss carryforwards.

d. Information about the Group's investment tax credit, operating loss carryforwards as of December 31, 2015, and tax exemption was as follows:

As of December 31, 2015, WECA's operating loss carryforward was US$13,921 thousand, and will expire in 2025.

As of December 31, 2015, the Company's operating loss carryforwards comprised of:

Operating Loss Carryforwards	Expiry Year
$ 2,502,000	2017-2019
475,000	2022
$ 2,977,000	

As of December 31, 2015, NTC's profits attributable to the following expansion projects were exempted from income tax for a five-year period:

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

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

	December 31	
	2015	2014
Balance of imputation credit account	$ 381,823	$ 339,974
Undistributed earnings for the years of 1997 and before	$ -	$ -
Undistributed earnings (accumulated deficits) for the years of 1998 and thereafter	$ 2,086,060	$ (1,119,684)

f. The Company's tax returns through 2012 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	For the Year Ended December 31, 2015				
	Amounts (Numerator)			Earnings Per Share (NT$)	
	Before Tax	After Tax and Attributable to Owners of the Parent	Shares (Denominator) (In Thousands)	Before Tax	After Tax and Attributable to Owners of the Parent
Basic earnings per share					
Net income attributed to common shareholders	$ 4,248,184	$ 3,291,251	3,648,377	$ 1.16	$ 0.90
Diluted earnings per share					
Net income attributed to common shareholders	$ 4,248,184	$ 3,291,251	3,648,377	$ 1.16	$ 0.90

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

24. SHARE-BASED PAYMENT ARRANGEMENT

Employee Stock Option

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

As of December 31, 2015, there is no outstanding stock options.

In 2014, employee stock options were summarized as follows:

Employee Stock Options	Number of Options (In Thousands)	Weighted Average Exercise Price (NT$)
	For the Year Ended December 31, 2014	
Outstanding balance, beginning of year	959	$ 5.08
Options exercised	(959)	5.08
Outstanding balance, end of year	-	-
Options exercisable, end of year	-	-

25. NON-CASH TRANSACTIONS

	For the Year Ended December 31	
	2015	2014
Non-cash investing and financing activities		
Current portion of long-term borrowings	$ 4,352,267	$ 5,879,760
Exchange differences on translation of foreign financial statements	$ 65,506	$ 82,832
Unrealized (loss) gain on available-for-sale financial assets	$ (1,729,602)	$ 213,780
Change in equity of associates accounted for using equity method	$ -	$ (252)
Acquisitions of available-for-sale financial assets by offset with accounts receivable	$ -	$ 902
Property, plants and equipment was reclassified to finance lease receivable	$ -	$ 169,429

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

NTC and the Company leased land from Science Park Administration, and the lease term will expire in 2017 and 2023, respectively, which can be extended after the expiration of the lease periods.

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

The Group leased some of the offices in the United States, China, Japan, Israel, India, and part in Taiwan, and the lease terms will expire between 2016 and 2022 which can be extended after the expiration of the lease periods.

As of December 31, 2015 and 2014, deposits paid under operating leases amounted to $56,653 thousand and $48,252 thousand, respectively (recorded as "other non-current assets").

b. Prepayments for lease obligations

	For the Year Ended December 31	
	2015	2014
Current (recorded as "other current assets")	$ 3,140	$ 3,393
Non-current (recorded as "other non-current assets")	42,273	44,655
	$ 45,413	$ 48,048

c. Lease expense

	2015	2014
Lease expenditure	$ 197,158	$ 178,314

The Group as Lessor

Operating lease agreements

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

As of December 31, 2015 and 2014, deposits received under operating leases amounted to $2,026 thousand and $1,873 thousand, respectively (recorded as "other non-current liabilities")

27. CAPITAL MANAGEMENT

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

28. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Nyquest Technology Co., Ltd.	Related party in substance (Note 1)
Walton Advanced Engineering Inc.	Related party in substance
Global Brands Manufacture (Dongguan) Ltd.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
Capella Microsystems Inc.	Related party in substance (Note 2)
Chin Cherng Construction Co., Ltd.	Related party in substance
HannStar Display Corporation	Related party in substance
Walsin Technology Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance
HannStar Board Corporation	Related party in substance

Note 1: The ownership interest of Nyquest Technology Co., Ltd. was decreased under 20%, the Group accordingly lost its significant influence. Since December 2014, the relationship between Nyquest Technology Co., Ltd. and the Group has changed from Associate to related party in substance.

Note 2: Capella Microsystems Inc. was not the related party in substance of the Group from January 1, 2015.

b. Operating activities

	For the Year Ended December 31	
	2015	2014
1) Operating revenue		
Related party in substance	$ 367,829	$ 286,322
Associate	-	231,208
	$ 367,829	$ 517,530
2) Purchase		
Associate	$ -	$ 1,215
Related party in substance	-	36
	$ -	$ 1,251
3) Manufacturing expenses		
Related party in substance	$ 2,842,432	$ 2,667,828
4) General and administrative expenses		
Related party in substance	$ 11,868	$ 7,318
Investor that exercises significant influence over the Group	8,566	8,450
	$ 20,434	$ 15,768
5) Dividend income		
Related party in substance	$ 34,590	$ 22,405
6) Other income		
Related party in substance	$ 996	$ 99
Associate	-	659
	$ 996	$ 758

	December 31	
	2015	2014
7) Accounts receivable due from related parties		
Related party in substance	$ 80,915	$ 85,234

	December 31	
	2015	2014
8) Accounts payable to related parties		
Related party in substance	$ 707,064	$ 642,564
9) Other current assets		
Investor that exercises significant influence over the Group	$ 277	$ 3
10) Other payables		
Related party in substance	$ 33,423	$ 13,146
Investor that exercises significant influence over the Group	1,545	38
	$ 34,968	$ 13,184
11) Refundable deposits (recorded as "other non-current assets")		
Related party in substance	$ 1,722	$ 1,722
Investor that exercises significant influence over the Group	203	203
	$ 1,925	$ 1,925

The related party transactions were conducted under normal terms.

c. Guarantee

As of December 31, 2015, the chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Please refer to Note 26.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2015	2014
Short-term employment benefits	$ 233,446	$ 224,354
Post-employment benefits	25,048	4,799
Other long-term employment benefits	677	607
Share - based payments	-	2,431
	$ 259,171	$ 232,191

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

29. PLEDGED AND COLLATERALIZED ASSETS

Please refer to Note 6, Note 11, Note 15 and Note 18.

30. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of December 31, 2015 were approximately US$8,264 thousand, JPY44,640 thousand and EUR46 thousand.

b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2015
TASA Construction Corporation	$ 1,140,000	$ 513,821

31. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stocks, mutual funds and convertible bonds).

- Forward exchange contracts and cross currency swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

2) Fair value measurements recognized in the consolidated 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 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3) Fair value of financial instruments that are not measured at fair value

Fair value hierarchy as at December 31, 2015

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Held-to-maturity investments					
Domestic listed securities					
Financial bonds	$ 99,900	$ 99,565	$ -	$ -	$ 99,565
Financial investments measured at cost					
Domestic emerging securities					
Equity securities	$ 493	$ -	$ 258	$ -	$ 258

Fair value hierarchy as at December 31, 2014

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Held-to-maturity investments					
Domestic listed securities					
Financial bonds	$ 101,840	$ 101,842	$ -	$ -	$ 101,842
Financial investments measured at cost					
Domestic emerging securities					
Equity securities	$ 493	$ -	$ 343	$ -	$ 343

4) Fair value of financial instruments that are measured at fair value

Fair value hierarchy as at December 31, 2015

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 2,441,832	$ -	$ -	$ 2,441,832
Overseas listed securities				
Equity securities	32,411	-	-	32,411
Mutual funds	26,307	-	-	26,307
	$ 2,500,550	$ -	$ -	$ 2,500,550
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 22,427	$ -	$ 22,427

Fair value hierarchy as at December 31, 2014

	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets				
Domestic listed securities				
Equity securities	$ 2,795,941	$ -	$ -	$ 2,795,941
Overseas listed securities				
Equity securities	50,418	-	-	50,418
Mutual funds	56,217	-	-	56,217
	$ 2,902,576	$ -	$ -	$ 2,902,576
Financial liabilities at FVTPL				
Derivative financial liabilities (not under hedge accounting)	$ -	$ 16,894	$ -	$ 16,894

There were no transfers between the levels in 2015 and 2014, respectively.

b. Categories of financial instruments

Fair values of financial instruments were summarized as follows:

	December 31			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Loans and receivables				
Cash and cash equivalents	$ 6,396,615	$ 6,396,615	$ 6,975,514	$ 6,975,514
Notes and accounts receivable (included related parties)	5,265,202	5,265,202	5,518,446	5,518,446
Other receivables	794,939	794,939	310,447	310,447
Refundable deposits (recorded in other non-current assets)	175,973	175,973	161,059	161,059
Finance lease receivable (recorded in other non-current assets)	76,732	76,732	528,789	528,789
Available-for-sale financial assets	2,500,550	2,500,550	2,902,576	2,902,576
Held-to-maturity financial assets	99,900	99,565	101,840	101,842
Financial assets measured at cost	727,786	727,551	719,378	719,228
Financial liabilities				
Measured at amortized cost				
Short-term borrowings	-	-	390,213	390,213
Notes and accounts payable (included related parties)	4,553,548	4,553,548	4,465,646	4,465,646
Payable on equipment and other payables	3,266,299	3,266,299	3,578,029	3,578,029
Long-term borrowings (included current portion)	13,136,527	13,136,527	15,693,790	15,693,790
Long-term contract payable (recorded in other non-current liabilities)	39,914	32,790	44,885	42,540
Financial liabilities at FVTPL	22,427	22,427	16,894	16,894

c. Financial risk management objectives and policies

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

The use of financial derivatives was governed by the Group's policies approved by the board of directors, which provide written principles on foreign exchange risk, and use of financial derivatives. Compliance with policies and exposure limits was reviewed by the internal auditors on a continuous basis.

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be impact on net income in the amounts of $30,609 thousand and $22,327 thousand increase for the years ended December 31, 2015 and 2014, respectively.

b) Interest rate risk

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

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

	December 31	
	2015	**2014**
Cash flow interest rate risk		
Financial assets	$ 29,114	$ 7,956
Financial liabilities	13,136,527	16,076,913

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the years ended December 31, 2015 and 2014 would have increased by $131,074 thousand and $160,690 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	December 31, 2015			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-derivative financial liabilities				
Non-interest bearing	$ 7,819,848	$ 11,127	$ 21,663	$ 7,852,638
Variable interest rate liabilities	4,352,267	3,090,180	5,694,080	13,136,527
	$ 12,172,115	$ 3,101,307	$ 5,715,743	$ 20,989,165

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

32. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Group entities and the exchange rates between foreign currencies and respective functional currencies were disclosed.

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

	December 31					
	2015			2014		
	Foreign Currencies (Thousand)	Exchange Rate (Note 1)	New Taiwan Dollars (Thousand)	Foreign Currencies (Thousand)	Exchange Rate (Note 1)	New Taiwan Dollars (Thousand)
Financial assets						
Monetary items						
USD	$ 180,326	32.825	$ 5,919,187	$ 183,055	31.65	$ 5,793,675
USD	14,971	120.37 (Note 2)	491,428	13,130	119.61 (Note 2)	415,557
EUR	1,669	35.88	59,868	1,779	38.47	68,453
JPY	1,136,209	0.2727	309,844	2,477,199	0.2646	655,467
RMB	72,568	4.995	362,475	64,885	5.092	330,394
ILS	12,104	8.4085	101,776	12,260	8.1478	99,892
Non-monetary items						
ILS	3,774	8.4085	31,730	3,189	8.1478	25,983
Financial liabilities						
Monetary items						
USD	86,724	32.825	2,846,723	110,794	31.65	3,506,631
USD	8,735	120.37 (Note 2)	286,741	6,610	119.61 (Note 2)	209,214
EUR	1,912	35.88	68,609	2,295	38.47	88,304
JPY	992,259	0.2727	270,589	2,690,643	0.2646	711,944
ILS	13,357	8.4085	112,313	14,548	8.1478	118,533

Note 1: Except as otherwise noted, exchange rate represents the number of New Taiwan dollars for which one foreign currency could be exchanged.

Note 2: The exchange rate represents the number of JPY for which one U.S. dollars could be exchanged.

For the years ended December 31, 2015 and 2014, realized and unrealized net foreign exchange gains were $162,565 thousand and $250,790 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

33. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) Segment of DRAM IC product

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

b) Segment of Flash Memory product

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

c) Segment of Logic IC product

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue For the Year Ended December 31		Segment Profit and Loss For the Year Ended December 31	
	2015	2014	2015	2014
DRAM IC product	$ 19,915,168	$ 20,098,806	$ 4,682,132	$ 4,204,285
Flash Memory product	11,202,459	11,106,342	881,459	720,206
Logic IC product	7,201,074	6,780,631	1,234,953	1,048,381
Total of segment revenue	38,318,701	37,985,779	6,798,544	5,972,872
Other revenue	31,614	3,881	31,614	3,881
Operating revenue	$ 38,350,315	$ 37,989,660		
Unallocated expenditure				
Administrative and supporting expense			(1,257,611)	(1,112,579)
Sales and other common expenses			(1,463,621)	(1,205,751)
Total operating profit			4,108,926	3,658,423
Non-operating income and losses				
Interest income			173,461	166,289
Dividend income			124,449	114,709
Gains on doubtful debt recoveries			-	902
Other income			53,143	43,045
Gains on disposal of investments			32,047	40,657
Foreign exchange gains			162,565	250,790
Share of profit of associates accounted for using equity method			21,884	14,663
Interest expense			(263,751)	(177,339)
Other expense			(35,172)	(34,162)

(Continued)

	Segment Revenue For the Year Ended December 31		Segment Profit and Loss For the Year Ended December 31	
	2015	2014	2015	2014
Losses on disposal of property, plant and equipment			$ (8,341)	$ (7,643)
Losses on financial instruments at fair value through profit or loss			(121,027)	(129,296)
Profit before income tax			$ 4,248,184	$ 3,941,038

(Concluded)

c. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2015	2014	2015	2014
Asia	$ 35,068,097	$ 34,713,971	$ 32,103,482	$ 34,282,266
United States	1,531,453	1,411,079	222,266	215,030
Europe	1,649,609	1,526,874	-	-
Others	101,156	337,736	-	-
	$ 38,350,315	$ 37,989,660	$ 32,325,748	$ 34,497,296

d. Major customer information

No individual customer exceeded 10% of the Group's net sales for the years ended December 31, 2015 and 2014.