Vanguard International Semiconductor Corporation and Subsidiaries

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

DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES

The companies required to be included in the consolidated financial statements of affiliates in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises" for the year ended December 31, 2014 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Accounting Standard 27 "Consolidated and Separate Financial Statements". Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we do not prepare a separate set of consolidated financial statements of affiliates.

Very truly yours,

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION

By

CHING-CHU CHANG
Chairman

February 5, 2015

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Vanguard International Semiconductor Corporation

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014 and 2013, and their consolidated financial performance and consolidated cash flows for the years ended 2014 and 2013 in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers 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 Vanguard International Semiconductor Corporation as of and for the years ended December 31, 2014 and 2013 on which we have issued an unqualified report.

February 5, 2015

<u>Notice to Readers</u>

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	2014		2013	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 17,149,735	51	$ 16,041,723	56
Financial assets at fair value through profit or loss - current (Notes 4, 7 and 28)	810,921	2	196,498	1
Derivative financial assets for hedging - current (Notes 4, 9 and 28)	70	-	-	-
Notes and accounts receivable, net (Notes 4, 5 and 11)	3,261,444	10	2,299,089	8
Receivables from related parties (Notes 4, 5 and 29)	729,171	2	727,356	3
Other receivables (Note 4)	57,910	-	68,609	-
Other receivables from related parties (Notes 4 and 29)	18,515	-	21,263	-
Inventories (Notes 4, 5 and 12)	2,498,400	7	1,670,944	6
Prepaid expenses	114,271	-	104,371	-
Other current assets (Notes 4, 16 and 28)	473,989	2	426,342	1
Total current assets	25,114,426	74	21,556,195	75
NON-CURRENT ASSETS				
Financial assets at fair value through profit or loss - noncurrent (Notes 4, 7 and 28)	-	-	148,455	1
Available-for-sale financial assets - noncurrent (Notes 4, 8 and 28)	143,038	1	24,913	-
Financial assets carried at cost - noncurrent (Notes 4 and 10)	78,436	-	77,539	-
Investment accounted for using equity method (Notes 4 and 13)	85,751	-	94,614	-
Property, plant and equipment (Notes 4, 14 and 29)	7,983,767	24	6,639,474	23
Intangible assets (Notes 4 and 15)	37,174	-	17,011	-
Deferred tax assets (Notes 4, 5 and 23)	3,554	-	4,168	-
Refundable deposits	5,240	-	4,290	-
Other noncurrent assets (Notes 4, 16 and 30)	303,384	1	283,300	1
Total non-current assets	8,640,344	26	7,293,764	25
TOTAL ASSETS	$ 33,754,770	100	$ 28,849,959	100

	2014		2013	
LIABILITIES AND SHAREHOLDERS' EQUITY	**Amount**	**%**	**Amount**	**%**
CURRENT LIABILITIES				
Financial liabilities at fair value through profit or loss - current (Notes 4, 7 and 28)	$ 90,584	-	$ 21,499	-
Derivative financial liabilities for hedging - current (Notes 4, 9 and 28)	15,206	-	12,324	-
Notes and accounts payable	1,160,066	4	824,849	3
Payables to contractors and equipment suppliers	408,351	1	112,293	1
Accrued profit sharing to employees and bonus to directors (Note 20)	850,483	3	665,248	2
Other payables - related parties (Note 29)	108,535	-	105,675	1
Current income tax liabilities (Notes 4 and 23)	840,431	3	331,980	1
Provisions - current (Notes 4, 5 and 18)	110,906	-	101,104	-
Other current liabilities (Note 17)	1,807,237	5	1,522,893	5
Total current liabilities	5,391,799	16	3,697,865	13
NON-CURRENT LIABILITIES				
Deferred income tax liabilities (Notes 4 and 23)	104,192	-	103,275	-
Accrued pension cost (Notes 4, 5 and 19)	625,190	2	569,989	2
Other non-current liabilities (Note 29)	99,357	-	49,070	-
Total non-current liabilities	828,739	2	722,334	2
Total liabilities	6,220,538	18	4,420,199	15
EQUITY (Notes 4 and 20)				
Capital stock				
Common stock	16,389,823	49	16,365,859	57
Capital surplus	838,029	2	733,578	3
Retained earnings				
Legal reserve	2,547,224	8	2,110,125	7
Special reserve	53,700	-	68,948	-
Unappropriated earnings	7,785,837	23	5,691,940	20
Total retained earnings	10,386,761	31	7,871,013	27
Other equity	(70,506)	-	(53,700)	-
Treasury stock	(9,875)	-	(486,990)	(2)
Total equity	27,534,232	82	24,429,760	85
TOTAL LIABILITIES AND EQUITY	$ 33,754,770	100	$ 28,849,959	100

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	2014		2013	
	Amount	**%**	**Amount**	**%**
NET REVENUE (Notes 4, 5, 21, 29 and 34)	$ 23,931,479	100	$ 21,135,060	100
COST OF REVENUE (Notes 4, 12, 19 and 22)	15,317,806	64	14,272,127	67
GROSS PROFIT	8,613,673	36	6,862,933	33
OPERATING EXPENSES (Notes 4, 19, 20, 22, 26 and 29)				
Marketing	247,934	1	211,209	1
General and administrative	969,344	4	830,779	4
Research and development	1,192,128	5	983,737	5
Total operating expenses	2,409,406	10	2,025,725	10
OPERATING INCOME	6,204,267	26	4,837,208	23
NONOPERATING INCOME AND EXPENSES				
Other income (Notes 4, 22 and 29)	281,022	1	225,963	1
Other gains and losses (Notes 4 and 22)	21,817	-	18,046	-
Share of losses of associates and joint ventures (Notes 4 and 13)	(13,232)	-	(18,886)	-
Total nonoperating income and expenses	289,607	1	225,123	1
INCOME BEFORE INCOME TAX	6,493,874	27	5,062,331	24
INCOME TAX EXPENSE (Notes 4 and 23)	(1,055,985)	(5)	(691,343)	(3)
NET INCOME	5,437,889	22	4,370,988	21
OTHER COMPREHENSIVE LOSS (Notes 4, 13, 19 and 20)				
Exchange differences on translation of foreign operations	15,996	-	6,442	-
Unrealized (losses) gains on available-for-sale financial assets	(31,875)	-	9,692	-
Cash flow hedges	70	-	-	-
Actuarial loss arising from defined benefit plans	(48,816)	-	(22,114)	-
Share of other comprehensive loss of associates and joint ventures	(997)	-	(841)	-
Total other comprehensive loss	(65,622)	-	(6,821)	-
TOTAL COMPREHENSIVE INCOME	$ 5,372,267	22	$ 4,364,167	21

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	2014		2013	
	Amount	**%**	**Amount**	**%**
NET INCOME ATTRIBUTABLE TO				
Owner of the Corporation	$ 5,437,889	22	$ 4,370,988	21
Non-controlling interests	-	-	-	-
	$ 5,437,889	22	$ 4,370,988	21
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO				
Owner of the Corporation	$ 5,372,267	22	$ 4,364,167	21
Non-controlling interests	-	-	-	-
	$ 5,372,267	22	$ 4,364,167	21
EARNINGS PER SHARE (Note 24)				
Basic	$ 3.35		$ 2.76	
Diluted	$ 3.30		$ 2.71	

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

			Retained Earnings			Other Equity				
	Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Operations	Unrealized (Losses) Gains on Available-for-sale Financial Assets	Cash Flow Hedge	Treasury Stock	Total Equity
BALANCE, JANUARY 1, 2013	$ 16,284,830	$ 594,675	$ 1,877,144	$ 105,057	$ 3,092,261	$ (70,682)	$ 1,689	$ -	$ (917,777)	$ 20,967,197
Appropriation of prior year's earnings										
Legal reserve	-	-	232,981	-	(232,981)	-	-	-	-	-
Cash dividends - 10%	-	-	-	-	(1,552,323)	-	-	-	-	(1,552,323)
Reversal of special reserve	-	-	-	(36,109)	36,109	-	-	-	-	-
Changes in capital surplus from investment in associates and joint venture accounted for using equity method	-	4,961	-	-	-	-	-	-	-	4,961
Net income for the year ended December 31, 2013	-	-	-	-	4,370,988	-	-	-	-	4,370,988
Other comprehensive income for the year ended December 31, 2013	-	-	-	-	(22,114)	5,601	9,692	-	-	(6,821)
Total comprehensive income for the year ended December 31, 2013	-	-	-	-	4,348,874	5,601	9,692	-	-	4,364,167
Share-based payment transaction	81,029	133,942	-	-	-	-	-	-	430,787	645,758
BALANCE, DECEMBER 31, 2013	16,365,859	733,578	2,110,125	68,948	5,691,940	(65,081)	11,381	-	(486,990)	24,429,760
Appropriation of prior year's earnings										
Legal reserve	-	-	437,099	-	(437,099)	-	-	-	-	-
Cash dividends - 18%	-	-	-	-	(2,873,325)	-	-	-	-	(2,873,325)
Reversal of special reserve	-	-	-	(15,248)	15,248	-	-	-	-	-
Changes in capital surplus from investment in associates and joint venture accounted for using equity method	-	3,804	-	-	-	-	-	-	-	3,804
Net income for the year ended December 31, 2014	-	-	-	-	5,437,889	-	-	-	-	5,437,889
Other comprehensive income for the year ended December 31, 2014	-	-	-	-	(48,816)	14,999	(31,875)	70	-	(65,622)
Total comprehensive income for the year ended December 31, 2014	-	-	-	-	5,389,073	14,999	(31,875)	70	-	5,372,267
Share-based payment transaction	23,964	100,647	-	-	-	-	-	-	477,115	601,726
BALANCE, DECEMBER 31, 2014	$ 16,389,823	$ 838,029	$ 2,547,224	$ 53,700	$ 7,785,837	$ (50,082)	$ (20,494)	$ 70	$ (9,875)	$ 27,534,232

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 6,493,874	$ 5,062,331
Adjustments for:		
Depreciation	2,072,554	2,273,164
Amortization	8,837	3,998
Net (gain) loss arising from changes in fair value of financial assets and liabilities designated as at fair value through profit or loss	(29,288)	58
Interest income	(192,453)	(139,239)
Dividend income	(19,860)	(13,497)
Share-based payment	88,277	89,226
Share of losses of associates and joint ventures	13,232	18,886
Loss (gain) on disposal of property, plant and equipment	1,917	(73)
Gain on disposal of investments	(684)	(4,863)
Net gain on foreign currency exchange	(18,425)	(1,509)
Changes in operating assets and liabilities:		
Financial assets held for trading	(489,190)	17,090
Derivative financial assets for hedging	-	86
Notes and accounts receivable	(962,355)	(58,875)
Accounts receivable from related parties	(1,815)	(363,002)
Other receivables	12,879	3,854
Other receivables from related parties	2,748	(10,856)
Inventories	(827,456)	181,628
Prepayments	(9,829)	19,599
Other current assets	(19,055)	9,507
Financial liabilities held for trading	69,085	21,081
Derivative financial liabilities for hedging	2,882	12,250
Notes and accounts payable	335,217	87,330
Other payable to related parties	2,860	(21,779)
Provisions	9,802	45,373
Other current liabilities	284,344	194,543
Accrued pension cost	6,385	1,321
Accrued profit sharing to employees and bonus to directors	185,235	300,554
Cash generated from operations	7,019,718	7,728,186
Interest received	190,379	135,639
Income tax paid	(544,148)	(330,796)
Net cash provided by operating activities	6,665,949	7,533,029

(Continued)

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

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

	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in financial assets designated as fair value through profit or loss	$ (262,238)	$ (339,155)
Proceeds from disposal of financial assets designated as fair value through profit or loss	314,725	40,000
Acquisition of available-for-sale financial assets	(150,000)	(1,720)
Proceeds from disposal of available-for-sale financial assets	-	128,790
Acquisition of financial assets carried at cost	-	(24,000)
Proceeds from liquidation of investment accounted for using equity method	-	1,526
Acquisition of property, plant and equipment	(3,120,408)	(953,081)
Proceeds from disposal of property, plant and equipment	870	73
(Increase) decrease in refundable deposits	(950)	872
Acquisition of intangible assets	(29,000)	(14,349)
Increase in other financial assets	(32,652)	(461,175)
Dividends received	19,860	13,497
Net cash used in investing activities	(3,259,793)	(1,608,722)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in other non-current liabilities	50,287	23,525
Cash dividends	(2,873,325)	(1,552,323)
Proceeds from exercise of employee stock options	34,747	123,918
Treasury stock transferred to employees	476,955	430,641
Net cash used in financing activities	(2,311,336)	(974,239)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	13,192	1,380
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,108,012	4,951,448
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	16,041,723	11,090,275
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 17,149,735	$ 16,041,723

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

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. ORGANIZATION

Vanguard International Semiconductor Corporation (the "Corporation") was incorporated in Hsinchu Science-based industrial Park in December 1994 and commenced business in January 1995. The Corporation engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

The Corporation's shares have been traded over the counter on the Republic of China (ROC) GreTai Securities Market since March 25, 1998.

The functional currency of the Corporation is New Taiwan dollars. The consolidated financial statements are presented in New Taiwan dollars.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board of Directors and issued on February 5, 2015.

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

a. 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) not yet effective

   Rule No. 1030029342 and Rule No. 1030010325 issued by the FSC on April 3, 2014, stipulated that 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 Regulations Governing the Preparation of Financial Reports by Securities Issuers starting January 1, 2015.

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Improvements to IFRSs (2009) - amendment to IAS 39	January 1, 2009 and January 1, 2010, as appropriate
Amendment to IAS 39 "Embedded Derivatives"	Effective for annual periods ended on or after June 30, 2009
Improvements to IFRSs (2010)	July 1, 2010 and January 1, 2011, as appropriate
Annual Improvements to IFRSs 2009-2011 Cycle	January 1, 2013

(Continued)

New, Amended and Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note)
Amendment to IFRS 1 "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters"	July 1, 2010
Amendment to IFRS 1 "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters"	July 1, 2011
Amendment to IFRS 1 "Government Loans"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Offsetting Financial Assets and Financial Liabilities"	January 1, 2013
Amendment to IFRS 7 "Disclosure - Transfer of Financial Assets"	July 1, 2011
IFRS 10 "Consolidated Financial Statements"	January 1, 2013
IFRS 11 "Joint Arrangements"	January 1, 2013
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"	January 1, 2013
Amendments to IFRS 10 and IFRS 12 and IAS 27 "Investment Entities"	January 1, 2014
IFRS 13 "Fair Value Measurement"	January 1, 2013
Amendment to IAS 1 "Presentation of Other Comprehensive Income"	July 1, 2012
Amendment to IAS 12 "Deferred Tax: Recovery of Underlying Assets"	January 1, 2012
IAS 19 (Revised 2011) "Employee Benefits"	January 1, 2013
IAS 27 (Revised 2011) "Separate Financial Statements"	January 1, 2013
IAS 28 (Revised 2011) "Investments in Associates and Joint Ventures"	January 1, 2013
Amendment to IAS 32 "Offsetting Financial Assets and Financial Liabilities"	January 1, 2014
IFRIC 20 "Stripping Costs in Production Phase of a Surface Mine"	January 1, 2013

(Concluded)

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

Except for the following, whenever applied, the initial application of the above 2013 IFRSs version and the related amendments to the Regulations 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 unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) IFRS 13 “Fair Value Measurement”

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

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

4) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

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

The Group will apply the above amendments in presenting the consolidated statement of comprehensive income, starting from the year 2015. Items not expected to be reclassified to profit or loss are the actuarial gain (loss) arising from defined benefit plans. Item expected to be reclassified to profit or loss is the exchange differences on translation of foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of the other comprehensive income (except the share of the actuarial gain (loss) arising from defined benefit plans) of associates/joint ventures accounted for using the equity method. However, the application of the above amendments will not result in any impact on the net profit for the year, other comprehensive income for the year (net of income tax), and total comprehensive income for the year.

5) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminates the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all remeasurements of the defined benefit plans to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

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

According to the retrospective application of aforementioned amendments, as of December 31,2014 and January 1, 2014, the primary impacts on the Group would include the adjustment in accrued pension cost for a decrease of $12,084 thousand and $12,822 thousand, respectively, and the adjustment in retained earnings for an increase of $12,084 thousand and $12,822 thousand, respectively.

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 4)
IFRS 9 “Financial Instruments”	January 1, 2018
Amendments to IFRS 9 and IFRS 7 “Mandatory Effective Date of IFRS 9 and Transition Disclosures”	January 1, 2018
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	January 1, 2016 (Note 3)
Amendments to IFRS 10, IFRS 12 and IAS 28“'Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendment to IFRS 11 “ Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 “Regulatory Deferral Accounts”	January 1, 2016
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2017
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014

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

Note 4: 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.

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"

   <u>Recognition and measurement of financial assets</u>

   With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

   For the Group's debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows：

   a) If they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

   b) If they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment continuously. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the debt instruments is derecognized or reclassified, the cumulative gains or losses previously recognized in other comprehensive income shall be reclassified from equity to profit or loss.

   Except for above, all other financial assets are measured at fair value through profit or loss. However, the Group may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gains or losses previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

   <u>The impairment of financial assets</u>

   IFRS 9 requires that impairment loss on financial assets is recognized by using the "Expected Credit Losses Model". The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 "Revenue from Contracts with Customers", certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not have a significant financing component.

   For purchased or originated credit-impaired financial assets, the Group calculates the credit-adjusted effective interest rate by taking into account the expected credit losses at initial recognition. Subsequently, any changes in expected losses are recognized as a loss allowance.

Hedge accounting

The main change in hedge accounting is the amendment to the application requirements for hedge accounting, and it let the financial statements better reflect the entity's risk management activities. Compared with IAS 39, the main changes include: (1) enhancing types of transactions eligible for hedge accounting, specifically broadening the risk eligible for hedge accounting of non-financial items; (2) changing the way hedging derivative instruments are accounted for to reduce profit or loss volatility; and (3) replacing retrospective effectiveness assessment with the principle of economic relationship between the hedging instrument and the hedged item.

2) Amendment to IAS 19: Amendment in 2013

The amended IAS 19 states that if contributions from employees or third parties are not linked to service, these contributions affect the remeasurement of the net defined benefit liability (asset). If the contributions are linked solely to service, the employees' service rendered in that period in which they are paid, these contributions may be recognized as a reduction of service cost in the same period. If the contributions depend on the number of years of service, an entity is required to attribute these contributions to service periods as a reduction of service cost.

3) Amendment to IAS 36 "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 by using a present value technique.

4) Annual Improvements to IFRSs: 2010-2012 Cycle

Several standards including IFRS 2 "Share-based Payment", IFRS 3 "Business Combinations" and IFRS 8 "Operating Segments" were amended in this annual improvement.

The amended IFRS 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 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.

5) Annual Improvements to IFRSs: 2011-2013 Cycle

Several standards including IFRS 3, IFRS 13 and IAS 40 "Investment Property" were amended in this annual improvement.

6) 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 from January 1, 2017.

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

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

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

7) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

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

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

8) Annual Improvements to IFRSs: 2012-2014 Cycle

Several standards including IFRS 5 “Non-current assets held for sale and discontinued operations”, IFRS 7, IAS 19 and IAS 34 were amended in this annual improvement.

Except for the above impact, as of the date the consolidated financial statements were reported for issue, the Group continuingly assesses the possible impact that the application of other standards and interpretations will have on the Group’s financial position and operating result, and will disclose the relevant impact when the assessment is complete.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. 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.

b. Basis of preparation

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

c. Classification of current and non-current assets and liabilities

Current assets include:

1) Assets held primarily for the purpose of trading;

2) Assets expected to be realized within twelve months after the reporting period; and

3) Cash and cash equivalents 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 include:

1) Liabilities held primarily for the purpose of trading;

2) Liabilities due to be settled within twelve months after the reporting period; and

3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least twelve months after the reporting period.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

1) Principles for preparing consolidated financial statements

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

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

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

2) Subsidiary included in consolidated financial statements

The detail information of the subsidiaries at the end of reporting period was as follows:

			Percentage of Ownership December 31		
Investor	**Investee**	**Main Business**	**2014**	**2013**	**Remark**
Vanguard International Semiconductor Corporation	VIS Associates Inc.	Investments	100%	100%	-
VIS Associates Inc.	Specialty TechFarm, Inc.	Investments	100%	100%	-
VIS Associates Inc.	VIS Investment Holding, Inc.	Investments	100%	100%	-
VIS Investment Holding, Inc.	VIS Micro, Inc.	Marketing service	100%	100%	-

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (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 or translation are recognized in profit or loss in the period

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the 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 at 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 (including of the subsidiaries, associates, joint ventures or branches operations in other countries or currencies used different with the Company) 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. Exchange differences arising are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

f. Cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

g. Inventories

Inventories consist of raw materials, supplies and spare parts, work-in-process and finished goods. Inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made item 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 necessary selling costs. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

h. Investment 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.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. 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 recognized the changes in the share of equity of associates.

When the Group subscribes for additional new shares of the associate, at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. If the

Group’s ownership interest is reduced due to the additional subscription of the new shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required if the investee had directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for by the equity method is insufficient, the shortage is debited to retained earnings.

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

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

i. Property, plant, and equipment

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

Depreciation is recognized using the straight-line method. Each significant part is depreciated separately. 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 estimates 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.

j. Intangible assets

1) Intangible assets acquired separately

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 estimates accounted for on a prospective basis over their estimated useful lives. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Group expects to dispose of the intangible asset before the end of its economic life.

2) Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognized if, and only if, all of the following have been demonstrated:

a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

b) The intention to complete the intangible asset and use or sell it;

c) The ability to use or sell the intangible asset;

d) How the intangible asset will generate probable future economic benefits;

e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Subsequent to initial recognition, it is measured at cost less accumulated amortization and accumulated impairment loss.

3) Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount.

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

l. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

<u>Financial assets</u>

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

1) Measurement category

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

   a) Financial assets at fair value through profit or loss

      Financial assets are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

      A financial asset may be designated as at fair value through profit or loss upon initial recognition if:

      i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

      ii) The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

      iii) The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be 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. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

   b) Available-for-sale financial assets

      Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets at fair value through profit or loss.

      Available-for-sale financial assets are measured at fair value. Dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount 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.

c) Loans and receivables

Loans and receivables (including cash and cash equivalent, accounts receivable, other receivables, and other financial assets) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

Cash and cash equivalents consisted of highly liquid time deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2) 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.

Objective evidence of impairment could include: significant financial difficulty of the debtor; or it is becoming probable that the debtor will enter bankruptcy or financial reorganization.; or a default or delinquency in interest or principal payments; or extension of the maturity date; or significant financial difficulty of the final issuer or debtor; or active market for that financial asset has disappeared because of the issuer's financial difficulties or other reasons.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Group's past experience in the collection of payments, an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, 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.

For financial assets measured at amortized cost, 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.

For all other financial assets, objective evidence of impairment could include:

a) Significant financial difficulty of the issuer or counterparty; or

b) Breach of contract, such as a default or delinquency in interest or principal payments; or

c) It is becoming probable that the borrower will enter bankruptcy or financial re-organization; or

d) The disappearance of an active market for that financial asset because of financial difficulties.

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 unrealized gain or loss from available-for-sale financial assets. In respect of available-for-sale debt securities, impairment losses 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 a trade receivable is considered uncollectible, it 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.

3) 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 entity.

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.

Equity instruments

Equity instruments issued by a group entity are classified as equity in accordance with the substance of the contractual arrangements and the definitions of an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

1) Subsequent measurement

Except the following situation, all the financial liabilities are measured at amortized cost using the effective interest method.

Financial liabilities at fair value through profit or loss

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. The net gain or loss recognized in profit or loss incorporates any interest or dividend paid on the financial liability. Fair value is determined in the manner described in Note 28.

2) Derecognition of financial liabilities

The difference between the carrying amount of the financial liability derecognized and the consideration paid, including any noncash assets transferred or liabilities assumed is recognized in profit or loss.

Derivative financial instruments

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

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.

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the contracts are not measured at FVTPL.

m. Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of foreign currency risk, as both fair value hedges and cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are transferred and are included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued prospectively when the Group revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

n. Provisions

The amount recognized as provisions is 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. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

o. 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 and recognizes a liability for returns based on previous experience and other relevant factors.

1) Sale of goods

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;

b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) The amount of revenue can be measured reliably;

d) It is probable that the economic benefits associated with the transaction will flow to the Group; and

e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group does not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Sales of goods are recognized when goods are delivered and title has passed.

2) Dividend and interest income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably.

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

p. 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 leases.

1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rents arising under operating leases are recognized as revenue in the period in which they are incurred.

2) The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the lessee's benefit from the use of the leased asset. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

q. Retirement benefit costs

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

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

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

r. Share-based payment arrangements

<u>Employee stock options granted to employee</u>

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in capital surplus - employee stock options. The fair value determined at the grant date of the employee stock options is recognized as an expense in full at the grate date when the stock options granted are vested immediately.

s. Taxation

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

1) 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 the retention of the earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for research and development expenditures, and personnel training expenditures to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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. A previously unrecognized deferred tax asset is also reassessed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax 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.

3) Current and deferred tax for the period

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

t. Treasury stocks

Repurchase of the Group’s own equity instruments (treasury stocks) is recognized and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

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.

a. Revenue recognition

The Group recognizes revenue when the conditions described in Note 4 are satisfied. The Group also records a provision for estimated future returns and other allowances in the same period the related revenue is recorded. Provision for estimated sales returns and other allowances is generally made and adjusted at a specific percentage based on historical experience and any known factors that would significantly affect the allowance, and our management periodically reviews the adequacy of the percentage used.

As of December 31, 2014 and 2013, the Group recognized provisions for estimated sales returns and other allowances of $110,906 thousand and $101,104 thousand, respectively.

b. Income taxes

As of December 31, 2014 and 2013, the carrying amount of the deferred tax assets in relation to unused tax losses were $28,044 thousand and $24,809 thousand, respectively. As of December 31, 2014 and 2013, no deferred tax asset has been recognized on the tax losses of $25,672 thousand and $24,138 thousand, respectively, due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. 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 reversal takes place.

c. Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

d. Write-down 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 was based on current market conditions and the historical experience of selling products of a similar nature. Changes in market conditions may have a material impact on the estimation of net realizable value.

e. Recognition and measurement of defined benefit plans

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2014	**2013**
Deposits in bank	$ 17,109,735	$ 15,739,695
Cash equivalents		
Bonds acquired under resale agreements	40,000	302,028
	$ 17,149,735	$ 16,041,723

The market rate intervals of cash and cash equivalents at the end of the reporting period were as follows:

	December 31	
	2014	**2013**
Bank deposits	0%-3.30%	0%-3.40%
Bonds acquired under resale agreements	0.60%-0.62%	0.60%-0.64%

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2014	**2013**
Financial assets designated as at FVTPL		
Interest rate linked structured dollar investment notes (a)	$ 158,007	$ 148,455
Credit linked notes (a)	27,842	80,019
Exchangeable bonds	-	94,753
Convertible bonds	111,369	16,766
	297,218	339,993

(Continued)

	December 31	
	2014	2013
Financial assets held for trading		
Derivative financial assets (not designated as hedging instruments)		
Forward exchange contracts (b)	$ 318	$ 1,782
Currency-swap contracts (c)	1,288	3,178
Non-derivative financial assets		
Funds	512,097	-
	513,703	4,960
	$ 810,921	$ 344,953
Current	$ 810,921	$ 196,498
Non-current	-	148,455
	$ 810,921	$ 344,953
Financial liabilities held for trading		
Derivative financial liabilities (not designated as hedging instruments		
Forward exchange contracts (b)	$ 3,731	$ 1,535
Currency-swap contracts (c)	86,853	19,964
	$ 90,584	$ 21,499
Current	$ 90,584	$ 21,499

(Concluded)

a. The Group entered into structured investment contracts with a bank in 2014 and 2013. The structured investment contracts include an embedded derivative instrument which is not closely related to the host contracts. The Group designated the entire contract as financial asset at FVTPL on initial recognition.

b. At the end of the reporting period, outstanding forward exchange contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2014			
Sell forward exchange contracts	US$ to NT$	2015.01.06-2015.04.07	US$ 5,000
Sell forward exchange contracts	US$ to JPY	2015.01.22	US$ 3,000
December 31, 2013			
Sell forward exchange contracts	US$ to NT$	2014.01.03-2014.03.31	US$ 32,000
Buy forward exchange contracts	NT$ to US$	2014.01.03-2014.02.05	US$ 4,000

c. At the end of the reporting period, outstanding currency-swap contracts that did not meet the criteria of hedge accounting were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2014			
Sell forward exchange contracts	US$ to NT$	2015.01.08-2015.03.24	US$ 149,000
Buy forward exchange contracts	JPY to US$	2015.01.22	US$ 500
December 31, 2013			
Sell forward exchange contracts	US$ to NT$	2014.01.09-2014.03.19	US$ 98,500
Buy forward exchange contracts	NT$ to US$	2014.01.13-2014.01.22	US$ 6,000

The Group entered into foreign exchange forward contracts during the years ended December 31, 2014 and 2013 to manage exposures due to exchange rate fluctuations of foreign currency denominated assets and liabilities. However, those contracts did not meet the criteria of hedge effectiveness and therefore were not accounted for by using hedge accounting.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2014	2013
Listed stocks	$ 143,038	$ 24,913

9. DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGING

	December 31			
	2014		2013	
	Fair Value Hedge	Cash Flow Hedge	Fair Value Hedge	Cash Flow Hedge
Derivative financial assets for hedging				
Currency-swap contracts	$ -	$ 70	$ -	$ -
Derivative financial liabilities for hedging				
Currency-swap contracts	$ 15,206	$ -	$ 12,324	$ -

a. Fair value hedge

The Group used forward exchange contracts and currency-swap contracts to hedge risks on exchange rate fluctuations of expected sales and foreign-currency denominated accounts receivable. The forward exchange contracts and currency-swap contracts had the same term as the respective financial assets; the management believed the forward exchange contracts and currency-swap contracts were highly effective hedge instruments.

The outstanding currency-swap contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2014			
Sell forward exchange contracts	US$ to NT$	2015.01.09-2015.03.09	US$ 16,000
December 31, 2013			
Sell forward exchange contracts	US$ to NT$	2014.01.07-2014.02.19	US$ 33,000

b. Cash flow hedge

The Group used cash flow hedge to manage risks on exchange rate fluctuation and changes in time value of money for those expected sales transactions.

The terms of the currency-swap contracts had been negotiated to match the terms of the respective designated hedged items.

The outstanding currency-swap contracts at the end of the reporting period were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
December 31, 2014			
Sell forward exchange contracts	US$ to NT$	2015.02.26-2015.03.19	US$ 2,000

10. FINANCIAL ASSETS CARRIED AT COST

	December 31	
	2014	2013
Unlisted stocks	$ 78,436	$ 77,539
The classification of financial assets		
Available-for-sale financial assets	$ 78,436	$ 77,539

The management believed that the fair value of the aforementioned unlisted equity investments held by the Group cannot be reliably measured due to the range of reasonable fair value estimates was significant and the probabilities of the various estimates cannot be reasonably assessed. Therefore, the unlisted stocks were measured at cost less impairment at the end of the reporting period.

11. NOTES AND ACCOUNTS RECEIVABLE, NET

	December 31	
	2014	2013
Notes and accounts receivable	$ 3,263,431	$ 2,301,488
Allowance for doubtful accounts	(1,987)	(2,399)
Notes and accounts receivable, net	$ 3,261,444	$ 2,299,089

The average credit period on sales of goods is 30 to 45 days after the end of the month. No interest is charged on notes and accounts receivable. In determining the recoverability of a trade receivable, the Group considered any changes in the credit quality of the trade receivable since the date credit was initially granted to the end of the reporting period. Allowance for doubtful accounts is based on estimated irrecoverable amounts determined by reference to past default experience of the counterparts and an analysis of their current financial position.

For the accounts receivable balance that were past due at the end of the reporting period, the Group had not recognized an allowance for doubtful accounts since there had not been a significant change in the credit quality of its customers and the amounts were still considered recoverable.

The aging analyses of accounts receivable that were past due but not impaired were as follows:

	December 31	
	2014	2013
Less than 60 days	$ 3,087	$ 16,576
61-90 days	2,423	8,756
More than 90 days	14,499	-
	$ 20,009	$ 25,332

The above analyses were based on the past due dates.

Movements of the allowance for doubtful accounts were as follows:

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 2,399	$ 2,399
Less: Reversal of collection	(412)	-
Balance, end of year	$ 1,987	$ 2,399

The Group had no impairment loss recognized on the accounts receivable during the years ended December 31, 2014 and 2013.

12. INVENTORIES

	December 31	
	2014	2013
Finished goods	$ 418,565	$ 103,477
Work in process	1,397,276	1,106,269
Raw materials	281,253	270,122
Supplies and spare parts	401,306	191,076
	$ 2,498,400	$ 1,670,944

The write-downs of inventories included in the cost of revenue were as below:

	Years Ended December 31	
	2014	2013
Provision of inventory valuation losses	$ 124,536	$ 35,957

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in associates

	December 31	
	2014	2013
Unlisted stocks		
CMSC, Inc.	$ 50,447	$ 55,527
SkyTraq Technology, Inc.	28,222	31,919
INNO-TECH Co., Ltd.	7,082	7,168
	$ 85,751	$ 94,614

Linear Artwork, Inc. had been liquidated and the Group received the return of the capital in cash which amounted to 1,526 thousand in September, 2013.

At the end of the reporting period, the proportion of ownership and voting rights in associates held by the Group were as follows:

	December 31	
	2014	2013
CMSC, Inc.	25%	25%
SkyTraq Technology, Inc.	26%	26%
INNO-TECH Co., Ltd.	16%	20%

The summarized financial information of the Group's associates was set out as follow:

	December 31	
	2014	2013
Total assets	$ 492,966	$ 475,234
Total liabilities	$ 136,485	$ 89,970

	Years Ended December 31	
	2014	2013
Revenue	$ 406,388	$ 438,851
Net loss for the period	$ (58,968)	$ (66,289)
Other comprehensive loss	$ (4,132)	$ (4,325)

The investments accounted for using the equity method and the share of net income or loss and other comprehensive income (loss) from investments were accounted for based on the unaudited financial statements. The Group's management considered the use of unaudited financial statements of the investees did not have material impact on its consolidated financial statements.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Cost					
Balance, January 1, 2013	$ 13,848,397	$ 51,185,889	$ 356,228	$ 1,203,887	$ 66,594,401
Additions	131,429	1,631,468	18,509	(1,088,613)	692,793
Disposal	-	(1,554)	(2,569)	-	(4,123)
Translation adjustments	-	-	41	-	41
Balance, December 31, 2013	$ 13,979,826	$ 52,815,803	$ 372,209	$ 115,274	$ 67,283,112
Accumulated depreciation					
Balance, January 1, 2013	$ 10,257,962	$ 47,598,931	$ 334,145	$ -	$ 58,191,038
Depreciation expense	598,064	1,664,041	11,059	-	2,273,164
Disposal	-	(1,554)	(2,569)	-	(4,123)
Translation adjustments	-	-	38	-	38
Balance, December 31, 2013	$ 10,856,026	$ 49,261,418	$ 342,673	$ -	$ 60,460,117
Accumulated impairment					
Balance, January 1, 2013 and December 31, 2013	$ -	$ 183,521	$ -	$ -	$ 183,521
Carrying amounts on December 31, 2013	$ 3,123,800	$ 3,370,864	$ 29,536	$ 115,274	$ 6,639,474
Cost					
Balance, January 1, 2014	$ 13,979,826	$ 52,815,803	$ 372,209	$ 115,274	$ 67,283,112
Additions	628,747	1,803,091	18,645	969,134	3,419,617
Disposal	-	(7,592)	(2,780)	-	(10,372)
Translation adjustments	-	-	117	-	117
Balance, December 31, 2014	$ 14,608,573	$ 54,611,302	$ 388,191	$ 1,084,408	$ 70,692,474
Accumulated depreciation					
Balance, January 1, 2014	$ 10,856,026	$ 49,261,418	$ 342,673	$ -	$ 60,460,117
Depreciation expense	621,867	1,439,893	10,794	-	2,072,554
Disposal	-	(4,835)	(2,750)	-	(7,585)
Translation adjustments	-	-	100	-	100
Balance, December 31, 2014	$ 11,477,893	$ 50,696,476	$ 350,817	$ -	$ 62,525,186

(Continued)

	Buildings	Machinery and Equipment	Other Equipment	Advance Payments and Construction in Progress	Total
Accumulated impairment					
Balance, January 1, 2014 and December 31, 2014	$ -	$ 183,521	$ -	$ -	$ 183,521
Carrying amounts on December 31, 2014	$ 3,130,680	$ 3,731,305	$ 37,374	$ 1,084,408	$ 7,983,767

(Concluded)

The following useful lives are used in the calculation of depreciation under straight-line:

Buildings	
Main plants	20 years
Mechanical and electrical power equipment	5 to 10 years
Clean rooms	10 years
Machinery and equipment	3 to 5 years
Other equipment	3 to 7 years

15. INTANGIBLE ASSETS

	Years Ended December 31 2014	2013
Computer software		
Cost		
Balance, beginning of year	$ 731,644	$ 717,295
Additions	29,000	14,349
Balance, end of year	760,644	731,644
Accumulated amortization		
Balance, beginning of year	714,633	710,635
Amortization	8,837	3,998
Balance, end of year	723,470	714,633
Carrying amount, end of year	$ 37,174	$ 17,011

The intangible assets are amortized on a straight-line basis at the following useful lives:

Computer software	3 to 5 years

16. OTHER ASSETS

	December 31 2014	2013
Pledged time deposit	$ 303,384	$ 283,300
Other financial assets	387,392	358,800
Tax receivables	83,802	65,662
Others	2,795	1,880
	$ 777,373	$ 709,642

(Continued)

	December 31	
	2014	2013
Current	$ 473,989	$ 426,342
Non-current	303,384	283,300
	$ 777,373	$ 709,642

(Concluded)

17. OTHER CURRENT LIABILITIES

	December 31	
	2014	2013
Other payables		
Bonus	$ 649,586	$ 492,462
Maintenance	343,613	343,097
Utilities	148,855	112,836
Royalties	18,855	16,711
Others	558,608	471,622
	1,719,517	1,436,728
Other liabilities		
Others (Note)	87,720	86,165
	$ 1,807,237	$ 1,522,893

Note: Other liabilities - others primarily were advances receipts from customers.

18. PROVISIONS

	December 31	
	2014	2013
Sales returns and allowances	$ 110,906	$ 101,104

	Sales Returns and Allowances
Year ended December 31, 2014	
Balance, beginning of year	$ 101,104
Provision recognized	204,931
Amount utilized	(195,129)
Balance, end of year	$ 110,906

(Continued)

	Sales Returns and Allowances
Year ended December 31, 2013	
Balance, beginning of year	$ 55,731
Provision recognized	131,202
Amount utilized	(85,829)
Balance, end of year	$ 101,104

(Concluded)

The provision of sales returns and allowances was estimated based on historical experience, management's judgments and any other known factors that would affect the returns and allowances. The provision was recognized as a reduction of revenue in the periods of the related products sold.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plans

The Corporation adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Based on the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Besides, VIS Micro is required by local regulations to make monthly contributions at certain percentage of the basic salary of their employees. Pursuant to the aforementioned Act and local regulations, the Corporation recognized pension cost of $172,368 thousand and $146,576 thousand in the consolidated statements of comprehensive income for the years ended December 31, 2014 and 2013, respectively.

b. Defined benefit plans

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

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

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

	December 31	
	2014	2013
Discount rates	2.25%	2.15%
Expected rate of return on plan assets	1.50%	1.25%
Expected rate of salary increase	3.50%	3.50%

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

The pension costs for defined benefit plans recognized in profit or loss were as follows:

	Years Ended December 31	
	2014	2013
Current service cost	$ 7,076	$ 8,427
Interest cost	18,815	14,909
Expected return on plan assets	(4,069)	(6,532)
Past service cost	(738)	(738)
	$ 21,084	$ 16,066
An analysis by function		
Cost of revenue	$ 17,260	$ 12,789
Marketing expenses	526	575
General and administrative expenses	1,766	1,408
Research and development expenses	1,532	1,294
	$ 21,084	$ 16,066

Actuarial losses recognized in other comprehensive income for the years ended December 31, 2014 and 2013 were $48,816 thousand and $22,114 thousand, respectively. The cumulative amounts of actuarial losses recognized in other comprehensive income as of December 31, 2014 and 2013 were $106,879 thousand and $58,063 thousand, respectively.

The Corporation adopted the defined benefit plan under the Labor Standards Law and the "Pension Plan of Senior Management" of the Corporation included in the consolidated balance sheets in respect of the obligation under the defined benefit plans were as follows:

	December 31	
	2014	2013
Present value of funded defined benefit obligation	$ 953,437	$ 876,984
Fair value of plan assets	(340,331)	(319,817)
	613,106	557,167
Past service cost not yet recognized	12,084	12,822
Accrued pension cost	$ 625,190	$ 569,989

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

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 876,984	$ 853,700
Current service cost	7,076	8,427
Interest cost	18,815	14,909
Actuarial losses	52,454	19,652
Pensions paid	(1,892)	(19,704)
Balance, end of year	$ 953,437	$ 876,984

Movements in the fair value of the plan assets were as follows:

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 319,817	$ 320,706
Expected return on plan assets	4,069	6,532
Actuarial gains (losses)	3,638	(2,462)
Contributions from the employer	14,699	14,745
Pensions paid	(1,892)	(19,704)
Balance, end of year	$ 340,331	$ 319,817

The major categories of plan assets at the end of the reporting period were disclosed based on the information announced by the Labor Pension Fund Supervisory Committee:

	December 31	
	2014	2013
Cash	19	23
Equity instruments	50	45
Debt instruments	31	32
	100	100

The Corporation chose to disclose the history of experience adjustments as the amounts determined for each accounting period prospectively from the date of transition to IFRSs (January 1, 2012):

	December 31, 2014	December 31, 2013	December 31, 2012	January 1, 2012
Present value of defined benefit obligation	$ 953,437	$ 876,984	$ 853,700	$ 804,286
Fair value of plan assets	$ 340,331	$ 319,817	$ 320,706	$ 308,566
Deficit	$ (613,106)	$ (557,167)	$ (532,994)	$ (495,720)
Experience adjustments on plan liabilities	$ 66,446	$ 76,742	$ 9,080	$ -
Experience adjustments on plan assets	$ (3,638)	$ 2,462	$ 3,261	$ -

The Corporation expects to make a contribution of $15,213 thousand to the defined benefit plans during the annual period beginning in 2015.

20. EQUITY

a. Capital stock

Common stock

	December 31	
	2014	2013
Authorized shares (in thousands)	3,300,000	3,300,000
Authorized capital	$ 33,000,000	$ 33,000,000
Issued and fully paid shares (in thousands)	1,638,982	1,636,586
Issued shares	$ 16,389,823	$ 16,365,859
Additional paid-in capital	544,884	534,101
	$ 16,934,707	$ 16,899,960

The changes of the Group's capital stock mainly arose from the exercise of employee stock options.

The authorized shares include 300,000 thousand shares reserved for the exercise of employee stock options.

b. Capital Surplus

	December 31	
	2014	**2013**
Additional paid-in capital	$ 544,884	$ 534,101
Arising from employee stock options	-	109,867
From share of changes in equities of associates and joint ventures	15,352	11,548
Treasury stock transaction	268,220	75,278
Others	9,573	2,784
	$ 838,029	$ 733,578

The capital surplus from shares issued in excess of par may be used to offset a deficit; in addition, when the Group has no deficit, such capital surplus may be appropriated as cash dividends or stock dividends, which are limited to a certain percentage of the Group's paid-in capital.

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

c. Retained earnings and dividend policy

The Corporation's Articles of Incorporation provide that the following should be appropriated from the annual net income after deducting any deficit and 10% legal reserve:

1) Special reserve;

2) Not more than 1% as remuneration to directors;

3) At least 1% as bonus to employees; and

4) Final balance, appropriation in accordance with the resolutions of shareholders' meeting.

The bonus to employees and the remuneration to directors were estimated based on past experiences, corporation policy and related law and decree, which were respectively 15% of net income and 1% of net income (net of the bonus to employees, remuneration to directors, legal reserve and special reserve), respectively. Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If bonuses are resolved to be distributed to employees in the form of common shares, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares on the day preceding the shareholders' meeting. Based on the aforementioned estimation method, the bonuses to employees were $815,683 thousand and $655,648 thousand, and the remuneration to directors were $34,800 thousand and $9,600 thousand for the years ended December 31, 2014 and 2013, respectively.

All profits may be distributed after taking into consideration to financial, business and operational factors. Dividends are in cash and/or in the form of stock. Since the Corporation's operation is at the steady growth stage, the cash dividend paid (in any given year) should be at least 10% of the dividends of the current year's appropriation. If there is no profit for distribution, or the profit is far less than the profit actually distributed by the Corporation in the previous year or other reasons so require, all or part of the capital surplus may be transferred to capital for distribution in accordance with relevant laws or regulations of the authorities in charge.

The Corporation appropriates or reverses a special reserve in accordance with Rule No. 1010012865 and Rule No. 1010047490 issued by the FSC and the directive entitled "Questions and Answers about Special Reserves Appropriated Following the Adoption of IFRSs". Distributions can be made out of any subsequent reversal of the debit to other equity items.

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

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

The appropriations of earnings for 2013 and 2012 were approved in the shareholders' meeting on June 12, 2014 and June 18, 2013, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend Per Share (NT$)	
	2013	2012	2013	2012
Legal reserve	$ 437,099	$ 232,981	$ -	$ -
Reversal of special reserve	(15,248)	(36,109)	-	-
Cash dividends	2,873,325	1,552,323	1.80	1.00
	$ 3,295,176	$ 1,749,195		

	Years Ended December 31			
	2013		2012	
	Cash	Stock	Cash	Stock
Bonus to employees	$ 655,648	$ -	$ 349,471	$ -
Remuneration to directors	9,600	-	14,824	-

The bonus to employees and the remuneration to directors for 2013 and 2012 approved in the shareholders' meeting on June 12, 2014 and June 18, 2013, respectively, were as follows:

	2013		2012	
	Bonus to Employees	Remuneration to Directors	Bonus to Employees	Remuneration to Directors
Amounts resolved in shareholders' meeting	$ 655,648	$ 9,600	$ 349,471	$ 14,824
Amounts recognized in respective financial statements	655,648	9,600	349,471	15,223

The difference had been adjusted in profit and loss for the year ended December 31, 2013.

The appropriation of earnings for 2014 had been proposed in the board meeting on February 5, 2015. The appropriation and dividends per share were as follows:

	Appropriation of Earnings	Dividends Per Share (NT$)
Legal reserve	$ 543,789	$ -
Special reserve	16,806	-
Cash dividends	4,259,353	2.60

The appropriation of earnings, bonus to employees and remuneration to directors for 2014 are subject to the shareholders' meeting to be held on June 8, 2015.

The information about the appropriations of bonus to employees and remuneration to directors is available at the Market Observation Post System website.

d. Other equity

1) Exchange differences on translation of foreign operations

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ (65,081)	$ (70,682)
Exchange differences on translation of foreign operations	15,996	6,442
Share of exchange differences of associates accounted for using equity method	(997)	(841)
Balance, end of year	$ (50,082)	$ (65,081)

2) Unrealized gains or losses on available-for-sale financial assets

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ 11,381	$ 1,689
Unrealized (losses) gains on available-for-sale financial assets	(31,875)	9,692
Balance, end of year	$ (20,494)	$ 11,381

Unrealized gains or losses on available-for-sale financial assets represent the cumulative gains or losses arising from the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income netting the amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

3) Cash flow hedges

	Years Ended December 31	
	2014	2013
Balance, beginning of year	$ -	$ -
Losses arising from changes in fair value of hedging instruments for cash flow hedges		
Currency-swap contracts	70	-
Balance, end of year	$ 70	$ -

The cash flow hedges represent the cumulative gains or losses arising from changes in fair value of the hedging instruments entered into as cash flow hedges. The cumulative gains or losses will be reclassified to profit or loss only when the hedge transaction affects the profit or loss, or used for adjusting the recognition of the non-financial hedged item.

e. Treasury stock

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Period	Addition During the Period	Reduction During the Period	Number of Shares, End of Period
Year ended December 31, 2014				
Transfer to employees	40,294	-	39,524	770
Year ended December 31, 2013				
Transfer to employees	76,160	-	35,866	40,294

The Corporation held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Corporation's common shares up to 76,160 thousand shares from the GreTai Securities Market during the period from December 16, 2011 to February 15, 2012 with buyback prices in the range from NT$8 to NT$15. The Corporation had repurchased 44,525 thousand shares.

The Corporation held a meeting of the Board of Directors and approved a share buyback plan to repurchase the Corporation's common shares up to 31,635 thousand shares from the GreTai Securities Market during the period from February 20, 2012 to April 19, 2012 with buyback prices in the range from NT$10 to NT$16. The Corporation had repurchased 31,635 thousand common shares.

Under the Securities and Exchange Act of the R.O.C., the Corporation shall neither pledge its treasury stock nor exercise rights to receive dividends and vote.

Treasury stocks were granted on March 1, 2012, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$ 12.70
Exercise price (NT$)	11.49
Expected volatility	30.12%-31.53%
Expected life	2 years
Risk-free interest rate	0.8012%

Treasury stocks were granted on April 25, 2012, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$ 13.35
Exercise price (NT$)	12.83
Expected volatility	29.46%-29.72%
Expected life	2 years
Risk-free interest rate	0.8442%

Treasury stocks were granted on August 2, 2013, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$ 31
Exercise price (NT$)	12.83
Expected volatility	42.85%
Expected life	1 year
Risk-free interest rate	0.6952%

Treasury stocks were granted on November 1, 2013, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$ 32.35
Exercise price (NT$)	12.83
Expected volatility	43.26%
Expected life	0.4822 year
Risk-free interest rate	0.641%

Treasury stocks were granted on May 30, 2014, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$ 46.50
Exercise price (NT$)	11.49-12.83
Expected volatility	45.90%
Expected life	0.2027 year
Risk-free interest rate	0.5329%

Treasury stocks were granted on December 1, 2014, and determined their fair value by using the binomial option pricing model. The valuation assumptions were as follows:

Stock price on grant date (NT$)	$ 47.30
Exercise price (NT$)	12.83
Expected volatility	32.44%
Expected life	0.0356 year
Risk-free interest rate	0.4798%

Expected volatility was based on the historical stock price volatility over the same period as the expected life of each treasury stocks at the date of grant. The yield of two-year government bond was used as the risk-free interest rate.

Compensation costs recognized were $88,277 thousand and $89,226 thousand for the years ended December 31, 2014 and 2013, respectively.

21. REVENUE

Revenue of the Group for the years ended December 31, 2014 and 2013 were analyzed as follow:

	Years Ended December 31	
	2014	2013
Revenue from the sale of goods	$ 23,674,857	$ 20,911,425
Other revenue	200,193	170,189
Rental revenue	56,429	53,446
	$ 23,931,479	$ 21,135,060

The Group designated certain foreign sales as hedged items to hedge the risk of cash flow. The portion of the gain or loss on the hedging instrument amounting $14,230 thousand and $13,887 thousand that was determined to be an effective hedge were reclassified to net revenue for the years ended December 31, 2014 and 2013, respectively.

22. OTHER ITEMS IN THE STATEMENTS OF COMPREHENSIVE INCOME

a. Other income

	Years Ended December 31	
	2014	2013
Interest income	$ 192,453	$ 139,239
Dividends income	19,860	13,497
Others	68,709	73,227
	$ 281,022	$ 225,963

b. Other gains and losses

	Years Ended December 31	
	2014	2013
Net losses on financial assets designated as at FVTPL	$ (213,908)	$ (77,776)
Net foreign exchange gains	237,025	90,981
Gains on disposal of investment	684	4,863
(Losses) gains on disposal of property, plant and equipment	(1,917)	73
Other losses	(67)	(95)
	$ 21,817	$ 18,046

c. Depreciation and amortization

	Years Ended December 31	
	2014	2013
Property, plant and equipment	$ 2,072,554	$ 2,273,164
Intangible assets	8,837	3,998
	$ 2,081,391	$ 2,277,162
Classification of deprecation - by function		
Cost of revenue	$ 2,012,534	$ 2,214,757
Operating expenses	60,020	58,407
	$ 2,072,554	$ 2,273,164
Classification of amortization - by function		
Cost of revenue	$ 3,836	$ 1,359
Operating expenses	5,001	2,639
	$ 8,837	$ 3,998

d. Employee benefits expense

	Years Ended December 31 2014	2013
Post-employment benefits (see Note 19)		
Defined contribution plans	$ 172,368	$ 146,576
Defined benefit plans	21,084	33,958
	193,452	180,534
Share-based payments (see Note 20)		
Equity-settled share-based payments	88,277	89,226
Other employee benefits	5,523,038	4,741,003
Total employee benefits expense	$ 5,804,767	$ 5,010,763
Employee benefits expense summarized by function		
Cost of revenue	$ 4,494,225	$ 3,825,869
Operating expenses	1,310,542	1,184,894
	$ 5,804,767	$ 5,010,763

23. INCOME TAXES

a. Income tax recognized in profit or loss

The major components of income tax expenses were as follows:

	Years Ended December 31 2014	2013
Current tax		
In respect of the current year	$ 1,047,312	$ 408,348
In respect of prior years	6,947	1,359
Other	196	82
	1,054,455	409,789
Deferred income tax		
In respect of the current year	1,530	281,554
Income tax expenses recognized in profit or loss	$ 1,055,985	$ 691,343

A reconciliation of income before tax and income tax expense recognized in profit or loss was as follows:

	Years Ended December 31 2014	2013
Income before income tax	$ 6,493,874	$ 5,062,331
Income tax expense calculated at the statutory rate	$ 1,105,713	$ 862,860
Additional (deductible) items in determining taxable income	7,453	5,339
Tax-exempt income	(168,345)	(132,960)

(Continued)

	Years Ended December 31	
	2014	2013
Additional income tax on unappropriated earnings	$ 107,581	$ 58,061
The origination and reversal of temporary differences	6,362	(45,075)
Effect of tax on investment credits	(8,334)	(58,323)
Effect of tax on loss carryforward	(1,588)	-
Adjustments for prior years' tax	6,947	1,359
Others	196	82
Income tax expense recognized in profit or loss	$ 1,055,985	$ 691,343

(Concluded)

The Corporation applied a tax rate of 17% for entities subject to the Income Tax Law of the Republic of China; for other jurisdictions, the Company measures taxes by using the applicable tax rate for each individual jurisdiction.

As the status of 2015 appropriations of 2014 earnings is uncertain, the potential income tax consequences of 2014 unappropriated earnings cannot be reliably determined.

b. Current tax liabilities

	December 31	
	2014	2013
Current tax liabilities		
Income tax payable	$ 840,431	$ 331,980

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2014

Deferred Tax Assets	Balance, Beginning of the Year	Movements	Balance, End of the Year
Loss carryforwards	$ 671	$ 1,701	$ 2,372
Temporary differences	3,497	(2,315)	1,182
	$ 4,168	$ (614)	$ 3,554

Deferred Tax Liabilities	Balance, Beginning of the Year	Movements	Balance, End of the Year
Temporary differences	$ 103,275	$ 917	$ 104,192

For the year ended December 31, 2013

Deferred Tax Assets	Balance, Beginning of the Year	Movements	Balance, End of the Year
Loss carryforwards	$ 82,644	$ (81,973)	$ 671
Income tax credit	98,620	(98,620)	-
Temporary differences	1,183	2,314	3,497
	$ 182,447	$ (178,279)	$ 4,168

Deferred Tax Liabilities	Balance, Beginning of the Year	Movements	Balance, End of the Year
Temporary differences	$ -	$ 103,275	$ 103,275

d. Items for which no deferred tax assets have been recognized

	December 31	
	2014	2013
Loss carryforwards		
Expire in 2020	$ 23,463	$ 23,691
Expire in 2021	308	291
Expire in 2027	166	156
Expire in 2034	1,735	-
	$ 25,672	$ 24,138
Deductible temporary differences	$ 189,062	$ 177,335

e. Unrecognized deferred tax liabilities associated with investments

As of December 31, 2014 and 2013, there were no taxable temporary differences associated with investment in subsidiaries for which no deferred tax liabilities have been recognized.

f. Integrated income tax

	December 31	
	2014	2013
Balance of the Imputation Credits Accounts - the Corporation	$ 472,583	$ 214,533

The expected and actual creditable ratios for distributing the earnings of 2014 and 2013 were 15.02% and 8.78%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders of the Corporation was based on the balance of the Imputation Credit Accounts as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2014 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

The unappropriated retained earnings as of December 31, 2014 and 2013 did not contain the unappropriated earnings generated on and before January 1, 1998.

g. Income tax exemption with respect to the issuance of shares

The Corporation was granted a five-year income tax exemption period with respect to the issuance of shares from the appropriation for year 2015. The income tax exemption period is from January 1, 2012 to December 31, 2016.

h. Income tax assessments

Income tax returns through 2012 had been examined and cleared by the tax authorities.

24. EARNINGS PER SHARE

Unit: NT$ Per Share

	Years Ended December 31	
	2014	2013
Basic earnings per share	$ 3.35	$ 2.76
Diluted earnings per share	$ 3.30	$ 2.71

The earnings and weighted average number of common shares used in the computation of earnings per share were as follows:

Earnings

	Years Ended December 31	
	2014	2013
Earnings used in computation of basic earnings per share	$ 5,437,889	$ 4,370,988
Effect of dilutive potential common stocks:		
Bonus to employees	-	-
Employee stock options	-	-
Earnings used in the computation of diluted earnings per share	$ 5,437,889	$ 4,370,988

Shares

	Years Ended December 31	
	2014	2013
Weighted average number of common stocks in computation of basic earnings per share	1,625,505	1,584,031
Effect of dilutive potential common shares:		
Bonus to employees	22,815	24,105
Employee stock options	194	2,122
Weighted average number of common stocks used in the computation of diluted earnings per share	1,648,514	1,610,258

If the Corporation may settle the bonuses paid to employees by cash or shares, the Corporation presumed that the entire amount of the bonus would be settled in shares and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share when the shares had a dilutive effect. Such dilutive effect of the potential shares will be included in the computation of diluted earnings per share until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

25. SHARE-BASED PAYMENT

On September 18, 2003, the Securities and Futures Bureau approved the Corporation's Employee Stock Option Plan (hereinafter referred to as the 2003 Plan). The 2003 Plan consisted of 70,000 thousand units. These options generally vest at a certain percentage from two years after the date of grant and the options granted are valid for 10 years.

Information about stock options was as follow:

	Years Ended December 31			
	2014		2013	
	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)	Number of Outstanding Stock Option Rights (In Thousands)	Weighted-average Exercise Price (NT$)
Beginning balance	4,062	$ 14.50	17,923	$ 15.25
Options exercised	(4,062)	14.50	(13,730)	15.29
Options canceled	-	-	(131)	15.70
Ending balance	-	-	4,062	14.50

26. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases the sites of its manufacturing plant and parking lot from the Hsinchu Science-Based Industrial Park Administration and a certain individual under renewable operating lease agreements expiring on various dates from April 2015, June 2015, March 2016, December 2027 and December 2029. The rental pay to Hsinchu Science-Based Industrial Park Administration can be adjusted according to the lease contract, and the lease is renewable upon expiration.

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

	December 31	
	2014	2013
Not later than 1 year	$ 70,123	$ 79,373
Later than 1 year and not later than 5 years	249,806	257,583
Later than 5 years	520,516	582,863
	$ 840,445	$ 919,819

The lease payments recognized as expenses were as follows:

	Years Ended December 31	
	2014	**2013**
Minimum lease payment	$ 79,373	$ 79,240

27. CAPITAL MANAGEMENT

The Group manages its capital in a manner to ensure its ability to continue as a going concern while maximizing the return to shareholders. The Group's overall strategy has no significant variations.

The capital structure of the Group consists of net debt (loans offset by cash and cash equivalents) and equity (i.e. capital stock, capital reserves, retained earnings and other equity).

The Group is not subject to any externally imposed capital requirements.

28. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments

1) Financial instruments not carried at fair value

Except as detailed in the following table, the management considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values or their fair values cannot be reliably measured.

	December 31			
	2014		**2013**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Financial assets				
Other current asserts				
Structured deposit	$ 387,392	$ 389,013	$ 358,800	$ 359,218

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:

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

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

c) 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).

December 31, 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial instrument	$ 111,369	$ 187,525	$ -	$ 298,894
Fund	512,097	-	-	512,097
	$ 623,466	$ 187,525	$ -	$ 810,991
Available-for-sale financial assets				
Domestic listed stocks - equity investment	$ 25,738	$ 117,300	$ -	$ 143,038
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 105,790	$ -	$ 105,790

December 31, 2013

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ 111,519	$ 233,434	$ -	$ 344,953
Available-for-sale financial assets				
Domestic listed stocks - equity investment	$ 24,913	$ -	$ -	$ 24,913
Financial liabilities at FVTPL				
Derivative financial instruments	$ -	$ 33,823	$ -	$ 33,823

There were no transfers between Level 1 and 2 for the years ended December 31, 2014 and 2013, respectively.

3) Valuation techniques and assumptions applied for the purpose of measuring fair value

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

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

b) For those instruments such as derivative financial instruments with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants in their estimates of fair values.

Fair values of forward exchange contacts and currency-swap contracts are determined using valuation techniques based on forward rates for each contract. The Reuter's quotation system is mainly used as reference for the forward rates.

b. Categories of financial instruments

	December 31	
	2014	**2013**
Financial assets		
Fair value through profit or loss (FVTPL)		
Held for trading	$ 513,703	$ 4,960
Designated as at FVTPL	297,218	339,993
Derivative instruments in designated hedge accounting	70	-
Loans and receivables (Note 1)	21,907,551	19,800,140
Available-for-sale financial assets (Note 2)	221,474	102,451
Financial liabilities		
Fair value through profit or loss (FVTPL)		
Held for trading	90,584	21,499
Derivative instruments in designated hedge accounting	15,206	12,324
Measured at amortized cost (Note 3)	5,087,383	3,476,773

Note 1: The balances included loans and receivables measured at amortized cost, which comprise cash and cash equivalents, other financial assets, notes and accounts receivables, and other receivables.

Note 2: The balances included the carrying amount of available-for-sale financial assets measured at cost.

Note 3: The balances included financial liabilities measured at amortized cost, which comprise accounts payables and other payables.

c. Objectives and policies of financial risk management

The Group's major financial instruments include equity investments, accounts receivable and accounts payables. The Group's Corporate Finance 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 (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provided written principles on foreign exchange risk, interest rate risk, credit risk, the use of derivatives and non-derivative financial instruments, and the investment of excess liquidity. The compliance with policies and the control of exposure limits are continuously reviewed by the internal auditors on a continuous basis. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Corporate Finance function reports quarterly to the Group's Board of Directors and Audit Committee for their independent mentorship to risks and policy implementation.

1) Market risk

The Group's activities are exposed to the financial risks primarily arising from the changes in foreign currency exchange rates (see (a) below), interest rates (see (b) below) and other prices (see (c) below). The Group enters into a variety of derivative financial instruments including forward exchange and currency - swap contracts to manage its exposure to foreign currency risk.

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

a) Foreign currency risk

The Group’s operating activities are partially denominated in foreign currencies and apply natural hedge. The purpose of the Group’s management of the foreign currency risk is to hedge the risk instead of making a profit.

The strategy of foreign currency risk management is to review the net position exposed to foreign currency risk and manage the risk of the net position. The Group selects the instruments to hedge currency exposure by considering the hedge cost and hedge period. The Group currently utilizes derivative financial instruments, primarily buy/sell forward exchange contracts, to hedge its currency exposure.

The Group use forward exchange contracts to eliminate currency exposure. It is the Group’s policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item for maximizing the hedge effectiveness.

Investing in foreign operations is for strategic purposes, it is not hedged by the Group.

<u>Sensitivity analysis</u>

The Group is mainly exposed to the exchange rate fluctuation of USD and RMB.

The following table details the Group’s sensitivity to a 5% increase and decrease in the New Taiwan dollars (the functional currency) against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (including cash and cash equivalents, accounts receivables, other receivables, accounts payables, and other payables) and the hedge contracts, for which their translation at period end is adjusted for a 5% change in foreign currency rates. The following table indicates the influences which the New Taiwan dollars strengthen 5% against foreign currency dollars.

	Currency USD Impact	
	Year Ended December 31	
	2014	**2013**
Gains	$ 32,464	$ 23,978

	Currency RMB Impact	
	Year Ended December 31	
	2014	**2013**
Losses	$ (54,073)	$ (21,904)

b) Interest rate risk

The Group's financial assets are exposed to interest rate risk both at fixed and floating interest rates.

The carrying amounts of the Group's financial assets with exposure to interest rates at the end of the reporting period were as follows.

	December 31	
	2014	**2013**
Fair value interest rate risk		
Financial assets	$ 15,884,207	$ 13,496,632
Cash flow interest rate risk		
Financial assets	2,142,153	3,415,665

Sensitivity analysis

The sensitivity analyses below are determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate assets, the analysis is prepared assuming the amount of the asset outstanding at the end of the reporting period is outstanding for the whole year.

If the market interest rate increases/decrease by 0.1% and all other variables remain constant the pre-tax profit of the Group for the years ended on December 31, 2014 and 2013 will increases/decrease $2,142 thousand and $3,416 thousand, respectively, resulting from the exposure of the net assets with floating rate.

c) Other price risk

The Group is exposed to equity price risk arising from its investments in listed equity securities. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments. The Group's equity price risk is mainly concentrated on equity instruments operating in electronic industry quoted in the Taiwan Stock Exchange and GreTai Securities Market.

Sensitivity analysis

The sensitivity analyses below were determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower, the other comprehensive income for the years ended December 31, 2014 and 2013 would have increased/decreased by $7,152 thousand and $1,246 thousand, respectively, as a result of the changes in fair value of available-for-sale financial investment.

2) Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations and result in financial loss to the Group. As of the end of the reporting period, the Group may have a financial loss due to the default on obligation from counterparts, and the maximum exposure to credit risk is the carrying amount of the respective recognized financial assets as stated in the consolidated balance sheets.

In order to mitigate credit risk, the Group has made the policy of credit management to ensure that appropriate action is taken to recover overdue receivables. In addition, the Group reviews the recoverable amount of each receivable debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group considers the credit risk is significantly reduced.

The credit risk on operating funds and derivatives is limited as the counterparts are creditworthy banks.

The Group's accounts receivable outstanding arose from trading with its customers spreading across diverse industries and geographical areas. The balances are monitored on an ongoing basis by evaluating the customer's financial condition.

The Group's credit concentration risk was related to the five largest customers. Besides the five largest customers, credit concentration risks related to other customers do not exceed 10% of total gross accounts receivables at any time during the period. The five largest customers are creditworthy counterparts, therefore, the Group believes the concentration of credit risk is insignificant for the remaining accounts receivable.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining adequate reserves of cash and cash equivalents to fund the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

December 31, 2014

	Less than 1 Year	**More than 1 Year**
Non-derivative financial liabilities		
Non-interest bearing	$ 5,087,383	$ -

December 31, 2013

	Less than 1 Year	**More than 1 Year**
Non-derivative financial liabilities		
Non-interest bearing	$ 3,476,773	$ -

The following tables detail the Group's liquidity analysis for its derivative financial instruments. The table was based on the undiscounted net inflows and outflows on those derivatives that require gross settlement.

December 31, 2014

	Less than 1 Year	More than 1 Year
Gross settled		
Forward exchange contracts		
Inflows	$ 5,442,500	$ -
Outflows	(5,546,614)	-
	$ (104,114)	$ -

December 31, 2013

	Less than 1 Year	More than 1 Year
Gross settled		
Forward exchange contracts		
Inflows	$ 5,138,981	$ -
Outflows	(5,167,844)	-
	$ (28,863)	$ -

29. TRANSACTIONS WITH RELATED PARTIES

Intercompany balances and transactions between the Corporation and its subsidiaries, which are related parties of the Corporation, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties were disclosed below.

a. Operating transactions

	Revenue from Sales of Goods	
	Years Ended December 31	
	2014	2013
Investors that have significant influence over the Corporation	$ 7,362,019	$ 6,921,443
Associates	$ 21,582	$ 13,641
Key management personnel	$ 66,104	$ 27,402
Substantial related parties	$ 38,036	$ 12,421

	Manufacturing Expenses		Research and Development Expenses	
	Years Ended December 31		Years Ended December 31	
	2014	2013	2014	2013
Investors that have significant influence over the Corporation	$ 471,272	$ 564,700	$ 1,298	$ 1,358
Associates	$ -	$ -	$ -	$ 748

	Rental Revenue		Nonoperating Income and Gains	
	Years Ended December 31		Years Ended December 31	
	2014	2013	2014	2013
Substantial related parties	$ 22,371	$ 25,567	$ -	$ -
Investors that have significant influence over the Corporation	-	-	22,895	34,480
Key management personnel	-	-	474	32
	$ 22,371	$ 25,567	$ 23,369	$ 34,512

	Purchase of Property, Plant and Equipment	
	Years Ended December 31	
	2014	2013
Substantial related parties	$ -	$ 11,325

The following balances were outstanding at the end of the reporting period:

	Receivables from Related Parties	
	December 31	
	2014	2013
Investors that have significant influence over the Corporation	$ 693,310	$ 718,378
Key management personnel	28,918	4,958
Associates	3,348	2,123
Substantial related parties	3,595	1,897
	$ 729,171	$ 727,356

	Other Receivables from Related Parties	
	December 31	
	2014	2013
Investors that have significant influence over the Corporation	$ 15,096	$ 13,208
Key management personnel	1,210	-
Substantial related parties	2,209	8,055
	$ 18,515	$ 21,263

	Other Payables to Related Parties	
	December 31	
	2014	2013
Investors that have significant influence over the Corporation	$ 108,535	$ 105,675

	Guarantee Deposits (Other Non-current Liabilities)	
	December 31	
	2014	2013
Substantial related parties	$ -	$ 5,814

The terms of sales transactions with related parties were not significantly different from those of sales to third parties. However, for other related-party transactions, license fees, research and development expenses, there were no similar transactions in the market; thus, transaction terms were determined in accordance with related contracts.

The Group leased certain plant and offices to related parties. The lease terms and prices were determined in accordance with mutual agreements. Related parties paid the rental in advance.

The Group purchased equipment from related party. The terms were based on related contracts.

Guarantee deposits of related parties were primary for lease.

b. Compensation of key management personnel

	Years Ended December 31	
	2014	2013
Short-term employee benefits	$ 198,721	$ 174,696
Share-based payments	13,806	10,804
Post-employment benefits	2,086	17,892
	$ 214,613	$ 203,392

The remuneration of directors and other key management personnel were determined by the Compensation Committee in accordance with the individual performance and the market trends.

30. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets had been pledged as collateral for the guarantee of customs duty and lease of the manufacturing plant from the Hsinchu Science-Based Industrial Park Administration:

	December 31	
	2014	2013
Pledged time deposits (presented under other non-current assets)	$ 303,384	$ 283,300

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

The significant commitments of the Group as of December 31, 2014 were as follows:

a. The Corporation entered into a "Manufacturing, License, and Technology Transfer Agreement" with Taiwan Semiconductor Manufacturing Company Ltd. beginning January 1, 2004 to pay fees according to the net sales of certain products and reserve a portion of its production capacity.

b. As of December 31, 2014, the unused letters of credit aggregated was about JPY9,600 thousand.

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

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

	December 31			
	2014		2013	
	Foreign Currencies	Exchange Rate	Foreign Currencies	Exchange Rate
Financial assets				
Monetary items				
USD	$ 180,244	31.604	$ 154,913	29.80
EUR	799	38.65	228	41.18
JPY	31,171	0.2665	74,695	0.2865
RMB	212,717	5.084	89,076	4.919
Non-monetary items				
USD	1,390	31.604	1,568	29.80
Financial liabilities				
Monetary items				
USD	26,289	31.604	17,506	29.80
EUR	672	38.65	365	41.18
JPY	239,662	0.2665	175,655	0.2865

33. SEPARATELY DISCLOSED ITEMS

Information on significant transactions and information on investees:

a. Loans provided to other parties: None.

b. Endorsement/guarantee provided: None.

c. Marketable securities held (excluding investment in subsidiaries, associates and jointly controlled entities): Table 1 (attached)

d. Purchases or sales of the same marketable securities amounting to at least NT$300 million or 20% of the paid-in capital: None.

e. Acquisition of individual real estate at costs of at least $300 million or 20% of the paid-in capital: Table 2 (attached)

f. Disposal of individual real estate at prices of at least $300 million or 20% of the paid-in capital: None.

g. Purchase or sale with related parties amounting to at least NT$100 million or 20% of the paid-in capital: Table 3 (attached)

h. Receivable from related parties amounting to at least $100 million or 20% of the paid-in capital: Table 4 (attached)

i. Derivative transactions: Notes 7 and 9.

j. Intercompany relationships and significant intercompany transactions: Table 5 (attached)

k. Information on investees: Table 6 (attached)

l. Information on investment in Mainland China: None.

34. SEGMENT INFORMATION

a. For the purpose of resources allocation and performance assessment, the Group's chief operating decision maker reviews operating results and financial information on a per plant basis. It focuses on the operating result of each of the plants operated under Vanguard International Semiconductor Corporation and its subsidiaries. Accordingly, each of the plants constitutes an operating segment of the Group. As each plant shares similar economic characteristics, produces similar products by using similar production process and all of products produced are distributed and sold to the same level of customers through a central sales function, the Group's segments are aggregated into a single reportable segment.

The revenues, operating results and financial information on a plant by plant basis presented to the chief operating decision maker are consistent with the information in the consolidated financial statements. The segment revenues and operating results for the years ended December 31, 2014 and 2013 can be referred to in the consolidated income statements for the years ended December 31, 2014 and 2013. The segment assets as of December 31, 2014 and 2013 can be referred to the consolidated balance sheets as of December 31, 2014 and 2013.

b. Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	Years Ended December 31	
	2014	2013
Chips	$ 23,674,857	$ 20,911,425
Others	256,622	223,635
	$ 23,931,479	$ 21,135,060

c. Geographic information

	Revenue		Non-current Assets	
	Years Ended December 31		December 31	
	2014	2013	2014	2013
Taiwan	$ 20,785,293	$ 18,728,373	$ 7,983,500	$ 6,639,170
United States of America	765,561	901,185	267	304
Singapore	753,633	663,338	-	-
Austria	389,228	22,526	-	-
China	366,315	60,367	-	-
Japan	286,196	224,988	-	-
Philippines	159,212	43,242	-	-
Korea	128,864	137,108	-	-
Cayman Islands	102,526	142,451	-	-
Others	194,651	211,482	-	-
	$ 23,931,479	$ 21,135,060	$ 7,983,767	$ 6,639,474

Non-current assets exclude the investments accounted for by the equity method, financial instruments, intangible assets, deferred tax assets, guarantee deposits and other assets.

d. Major customers

Sales to customers amounting to at least 10% of total gross sales:

	Years Ended December 31			
	2014		2013	
Customer	**Amount**	**% of Total**	**Amount**	**% of Total**
A	$ 7,362,019	31	$ 6,921,443	33
B	6,206,603	26	5,056,810	24

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investing Company	Marketable Security Type and Name (Note 1)	Relationship with the Securities Issuer	Financial Statement Account	December 31, 2014				Note
				Shares/Units (Thousands)	Carrying Value (Foreign Currencies in Thousands)	% of Ownership	Market Value or Net Asset Value (Foreign Currencies in Thousands)	
Vanguard International Semiconductor Corporation	Financial instruments							
	Interest rate linked structured dollar investment notes	-	Financial assets at fair value through profit or loss - current	-	$ 158,007	-	$ 158,007	Note 4
	Farglory credit linked structured investment notes	-	Financial assets at fair value through profit or loss - current	-	27,842	-	27,842	Note 4
	Yuanta RMB Money Market Fund	-	Financial assets at fair value through profit or loss - current	19,821	212,860	-	212,860	Note 5
	Yuanta China Opportunity Bond Fund	-	Financial assets at fair value through profit or loss - current	5,834	299,237	-	299,237	Note 5
	Kingcan Convertible Bonds	-	Financial assets at fair value through profit or loss - current	-	98,888	-	98,888	Note 2
	D-Link Convertible Bonds	-	Financial assets at fair value through profit or loss - current	-	4,393	-	4,393	Note 2
	Farglory Convertible Bonds	-	Financial assets at fair value through profit or loss - current	-	8,088	-	8,088	Note 2
	Stock							
	Champion Microelectronic Corp.	Investee	Available-for-sale financial assets - noncurrent	319	25,738	1	25,738	Note 2
	Advanced Microelectronic Products Inc.	Investee	Available-for-sale financial assets - noncurrent	30,000	117,300	16	117,300	Note 4
	United Industrial Gases Co., Ltd.	Investee	Financial assets carried at cost - noncurrent	4,246	38,716	2	38,716	Note 3
	Image Match Design Inc.	Investee	Financial assets carried at cost - noncurrent	2,400	24,000	12	24,000	Note 3
Specialty TechFarm, Inc.	Stock							
	Goyatek Technology Inc.	Investee	Financial assets carried at cost - noncurrent	1,785	US$ 297	13	US$ 297	Note 3
	Uniband Electronic Corp.	Investee	Financial assets carried at cost - noncurrent	960	US$ 200	3	US$ 200	Note 3

Note 1: Marketable securities mentioned in the table include stocks, bonds, beneficiary certificate and the derivative securities from aforementioned items.

Note 2: The market value was based on stock closing price as of December 31, 2014.

Note 3: The market value was based on the book value as of December 31, 2014.

Note 4: The fair value was based on valuation techniques.

Note 5: The funds value was based on the net asset value as of December 31, 2014.

Note 6: As of December 31, 2014, all the securities were not pledged or restricted.

Note 7: With respect to the information of subsidiaries, associates and joint ventures, please see TABLE 6.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST $300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer if Counterparty is a Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
Vanguard International Semiconductor Corporation	The buildings are located at No. 168, Changrong Rd., Luzhu City, Taoyuan County, Taiwan and No. 336, Sec. 1, Nankan Rd., Luzhu City, Taoyuan County, Taiwan	March 14, 2014	$ 400,000	The transaction was completed on July 1, 2014. The cost was paid in compliance with the contract.	Nanya Technology Corporation	-	-	-	-	$ -	The transfer price was made according to the appraisal result of the professional appraisal agent, cost and future production benefit. It was resolved by the audit committee and the board of directors of Vanguard International Semiconductor Corporation on March 14, 2014.	For the business growth of Vanguard International Semiconductor Corporation	-

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction Detail				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchases/Sales	Amount	% to Total	Payment Term	Unit Price	Payment Term	Ending Balance	% to Total	
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	Sales	$ 7,362,019	31	30 days after closing	$ -	-	$ 693,310	17	-

TABLE 4

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Bad Debts
					Amount	Action Taken		
Vanguard International Semiconductor Corporation	Taiwan Semiconductor Manufacturing Company Ltd.	Major shareholder	$ 693,310	10.43	$ -	-	$ 692,215	$ -

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

For the year ended December 31, 2014

No.	Company Name	Company Name	Nature of Relationship	Intercompany Transactions			
				Financial Statement Item	Amount	Terms (Note)	Percentage of Consolidated Net Revenue or Total Assets
0	Vanguard International Semiconductor Corporation	VIS Micro, Inc.	Indirect subsidiary	Marketing expenses	$ 58,116	-	0.24%
				Other payables - related parties	5,458	-	0.02%

Note: For intercompany transactions, the terms were based on related agreements.

VANGUARD INTERNATIONAL SEMICONDUCTOR CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
FOR THE YEAR ENDED DECEMBER 31, 2014
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Investment Amount		Balance as of December 31, 2014			Net Gain (Loss) of the Investee	Investment Gain (Loss) Recognized	Note
				December 31, 2014	December 31, 2013	Shares (In Thousands)	Percentage of Ownership	December 31, 2014			
Vanguard International Semiconductor Corporation	VIS Associates Inc.	British Virgin Islands	Investments	$ 195,492	$ 195,492	6	100%	$ 291,875	$ (6,866)	$ (6,866)	Subsidiary
	CMSC, Inc.	Hsinchu City, Taiwan	Integrated circuit design services and related businesses	112,650	112,650	9,902	25%	50,447	(20,755)	(5,176)	Investment accounted for using equity method
VIS Associates Inc.	VIS Investment Holding, Inc	Delaware, USA	Investments	197,525 (US$ 6,250)	197,525 (US$ 6,250)	63	100%	54,124 (US$ 1,713)	378 (US$ 12)	378 (US$ 12)	Subsidiary
	Specialty TechFarm, Inc.	British Virgin Islands	Investments	316,040 (US$ 10,000)	316,040 (US$ 10,000)	10,000	100%	69,342 (US$ 2,194)	(8,212) (US$ (272))	(8,212) (US$ (272))	Subsidiary
VIS Investment Holding, Inc	VIS Micro, Inc.	Santa Clara CA, USA	Marketing services	6,321 (US$ 200)	6,321 (US$ 200)	200	100%	46,333 (US$ 1,466)	841 (US$ 28)	841 (US$ 28)	Subsidiary
Specialty TechFarm, Inc.	SkyTraq Technology, Inc.	British Virgin Islands	Integrated circuit design services and related businesses	47,406 (US$ 1,500)	47,406 (US$ 1,500)	4,688	26%	28,222 (US$ 893)	(17,513) (US$ (580))	(4,489) (US$ (149))	Investment accounted for using equity method
	INNO-TECH Co., Ltd.	Taipei City, Taiwan	Integrated circuit design services and related businesses	60,585 (US$ 1,917)	60,585 (US$ 1,917)	2,584	16%	7,082 (US$ 224)	(20,700) (US$ (685))	(3,567) (US$ (118))	Investment accounted for using equity method