

TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD
Form 6-K
May 17, 2016

1934 Act Registration No. 1-14700

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2016

Taiwan Semiconductor Manufacturing Company Ltd.

(Translation of Registrant's Name Into English)

No. 8, Li-Hsin Rd. 6,

Hsinchu Science Park,

Taiwan

(Address of Principal Executive Offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes No

(If Yes is marked, indicated below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82: .)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Semiconductor Manufacturing Company Ltd.

Date: May 17, 2016

By /s/ Lora Ho
Lora Ho
Senior Vice President & Chief Financial Officer

**Taiwan Semiconductor Manufacturing
Company Limited and Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2016 and 2015 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Board of Directors and Shareholders

Taiwan Semiconductor Manufacturing Company Limited

We have reviewed the accompanying consolidated balance sheets of Taiwan Semiconductor Manufacturing Company Limited and subsidiaries (the Company) as of March 31, 2016 and 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months ended March 31, 2016 and 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, Review of Financial Statements, issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, Interim Financial Reporting, endorsed by the Financial Supervisory Commission of the Republic of China.

May 10, 2016

Notice to Readers

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

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	March 31, 2016 (Reviewed)		December 31, 2015 (Audited)		March 31, 2015 (Reviewed)	
	Amount	%	Amount	%	Amount	%
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents (Note 6)	\$ 617,984,318	36	\$ 562,688,930	34	\$ 437,412,411	28
Financial assets at fair value through profit or loss (Note 7)	618,810		6,026		297,698	
Available-for-sale financial assets (Note 8)	22,232,905	1	14,299,361	1	68,204,390	5
Held-to-maturity financial assets (Note 9)	7,561,182	1	9,166,523	1	13,060,038	1
Hedging derivative financial assets (Note 10)			1,739			
Notes and accounts receivable, net (Note 11)	96,273,270	6	85,059,675	5	98,529,745	6
Receivables from related parties (Note 32)	683,818		505,722		592,021	
Other receivables from related parties (Note 32)	141,009		125,018		162,908	
Inventories (Notes 12 and 36)	57,242,320	3	67,052,270	4	64,599,666	4
Other financial assets (Notes 4, 33 and 36)	7,057,944		4,305,358		3,946,604	
Other current assets (Note 17)	2,695,531		3,533,369		3,688,211	
Total current assets	812,491,107	47	746,743,991	45	690,493,692	44
NONCURRENT ASSETS						
Held-to-maturity financial assets (Note 9)	17,525,301	1	6,910,873			
Financial assets carried at cost (Note 13)	4,093,568		3,990,882		1,817,677	
Investments accounted for using equity method (Note 14)	24,715,683	1	24,091,828	2	30,363,144	2
Property, plant and equipment (Note 15)	844,305,450	49	853,470,392	52	813,219,884	52
Intangible assets (Note 16)	13,989,513	1	14,065,880	1	13,138,963	1

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Deferred income tax assets (Note 4)	7,561,741	1	6,384,974	6,246,031	1
Refundable deposits	443,337		430,802	442,633	
Other noncurrent assets (Note 17)	1,399,936		1,428,676	1,173,031	
Total noncurrent assets	914,034,529	53	910,774,307	866,401,363	56
TOTAL	\$ 1,726,525,636	100	\$ 1,657,518,298	\$ 1,556,895,055	100

LIABILITIES AND EQUITY

CURRENT LIABILITIES					
Short-term loans (Note 18)	\$ 34,690,040	2	\$ 39,474,000	2	\$ 18,683,595 1
Financial liabilities at fair value through profit or loss (Note 7)	16		72,610		64,929
Hedging derivative financial liabilities (Note 10)	458				11,627,838 1
Accounts payable	18,513,952	1	18,575,286	1	18,595,310 1
Payables to related parties (Note 32)	1,115,073		1,149,988		1,609,613
Salary and bonus payable	8,580,300	1	11,702,042	1	8,032,667 1
Accrued profit sharing bonus to employees and compensation to directors and supervisors (Notes 22 and 28)	25,395,073	1	20,958,893	1	23,436,465 1
Payables to contractors and equipment suppliers	33,953,061	2	26,012,192	2	27,372,814 2
Income tax payable (Note 4)	41,474,426	2	32,901,106	2	38,954,401 2
Provisions (Note 19)	10,090,163	1	10,163,536	1	8,130,817 1
Long-term liabilities - current portion (Note 20)	33,272,901	2	23,517,612	1	
Accrued expenses and other current liabilities (Note 21)	28,807,760	2	27,701,329	2	31,056,696 2
Total current liabilities	235,893,223	14	212,228,594	13	187,565,145 12
NONCURRENT LIABILITIES					
Bonds payable (Note 20)	181,151,058	11	191,965,082	12	213,208,771 14
Long-term bank loans	30,000		32,500		40,000
Deferred income tax liabilities (Note 4)	13,831		31,271		159,538
Obligations under finance leases					799,612
Net defined benefit liability (Note 4)	7,437,455		7,448,026		6,553,652
Guarantee deposits (Note 21)	19,492,280	1	21,564,801	1	23,715,049 2
Others (Note 19)	1,561,713		1,613,545		937,535
Total noncurrent liabilities	209,686,337	12	222,655,225	13	245,414,157 16
Total liabilities	445,579,560	26	434,883,819	26	432,979,302 28

EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE PARENT						
Capital stock (Note 22)	259,303,805	15	259,303,805	16	259,303,020	17
Capital surplus (Note 22)	56,317,375	3	56,300,215	3	56,274,436	4
Retained earnings (Note 22)						
Appropriated as legal capital reserve	177,640,561	11	177,640,561	11	151,250,682	10
Unappropriated earnings	781,434,518	45	716,653,025	43	632,904,503	40
	959,075,079	56	894,293,586	54	784,155,185	50
Others (Note 22)	5,276,848		11,774,113	1	24,110,858	1
Equity attributable to shareholders of the parent						
	1,279,973,107	74	1,221,671,719	74	1,123,843,499	72
NONCONTROLLING INTERESTS						
	972,969		962,760		72,254	
Total equity						
	1,280,946,076	74	1,222,634,479	74	1,123,915,753	72
TOTAL						
	\$ 1,726,525,636	100	\$ 1,657,518,298	100	\$ 1,556,895,055	100

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
NET REVENUE (Notes 24, 32 and 38)	\$ 203,495,361	100	\$ 222,034,144	100
COST OF REVENUE (Notes 12, 28, 32 and 36)	112,124,894	55	112,585,333	51
GROSS PROFIT BEFORE UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	91,370,467	45	109,448,811	49
UNREALIZED GROSS PROFIT ON SALES TO ASSOCIATES	(32,889)		(19,547)	
GROSS PROFIT	91,337,578	45	109,429,264	49
OPERATING EXPENSES (Notes 28 and 32)				
Research and development	15,618,963	7	16,781,463	7
General and administrative	3,844,935	2	4,366,053	2
Marketing	1,415,099	1	1,390,996	1
Total operating expenses	20,878,997	10	22,538,512	10
OTHER OPERATING INCOME AND EXPENSES, NET (Note 28)	8,733		(264,629)	
INCOME FROM OPERATIONS (Note 38)	70,467,314	35	86,626,123	39
NON-OPERATING INCOME AND EXPENSES				
Share of profits of associates and joint venture	840,895		1,134,649	1
Other income	1,332,589	1	881,782	
Foreign exchange gain (loss), net (Note 37)	(1,093,618)	(1)	48,183	
Finance costs	(850,580)		(793,942)	
Other gains and losses (Note 25)	1,559,299	1	362,185	
Total non-operating income and expenses	1,788,585	1	1,632,857	1

INCOME BEFORE INCOME TAX	72,255,899	36	88,258,980	40
INCOME TAX EXPENSE (Notes 4 and 26)	7,463,302	4	9,275,072	4
NET INCOME	64,792,597	32	78,983,908	36

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

(Reviewed, Not Audited)

	Three Months Ended March 31			
	2016		2015	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS) (Notes 22 and 26)				
Items that may be reclassified subsequently to profit or loss				
Exchange differences arising on translation of foreign operations	\$ (6,593,053)	(3)	\$ (2,279,138)	(1)
Changes in fair value of available-for-sale financial assets	51,294		(204,815)	
Share of other comprehensive income of associates and joint venture	26,157		843,163	
Income tax benefit (expense) related to items that may be reclassified subsequently	17,440		(4,793)	
Other comprehensive loss for the period, net of income tax	(6,498,162)	(3)	(1,645,583)	(1)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	\$ 58,294,435	29	\$ 77,338,325	35
NET INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 64,781,493	32	\$ 78,989,911	36
Noncontrolling interests	11,104		(6,003)	
	\$ 64,792,597	32	\$ 78,983,908	36
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Shareholders of the parent	\$ 58,284,228	29	\$ 77,351,478	35
Noncontrolling interests	10,207		(13,153)	
	\$ 58,294,435	29	\$ 77,338,325	35
	2016		2015	
	Income Attributable to		Income Attributable to	
	Shareholders of		Shareholders of	

	the Parent		the Parent	
EARNINGS PER SHARE (NT\$, Note 27)				
Basic earnings per share	\$	2.50	\$	3.05
Diluted earnings per share	\$	2.50	\$	3.05

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

Equity Attributable to Shareholders of the Parent				Others					
Capital Surplus	Legal Capital Reserve	Retained Earnings		Total	Foreign Currency Translation Reserve	Unrealized Gain/Loss from Available-for-sale Financial Assets	Cash Flow Hedges Reserve	Total	
		Unappropriated Earnings							
05	\$ 56,300,215	\$ 177,640,561	\$ 716,653,025	\$ 894,293,586	\$ 11,039,949	\$ 734,771	\$ (607)	\$ 11,774,113	\$ 1,2
			64,781,493	64,781,493					
					(6,587,294)	89,938	91	(6,497,265)	
			64,781,493	64,781,493	(6,587,294)	89,938	91	(6,497,265)	
	17,160								

05 \$ 56,317,375 \$ 177,640,561 \$ 781,434,518 \$ 959,075,079 \$ 4,452,655 \$ 824,709 \$ (516) \$ 5,276,848 \$ 1,2

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261,752

(1,031)

20 \$ 56,274,436 \$ 151,250,682 \$ 632,904,503 \$ 784,155,185 \$ 2,244,001 \$ 21,867,362 \$ (505) \$ 24,110,858 \$ 1,1

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

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$ 72,255,899	\$ 88,258,980
Adjustments for:		
Depreciation expense	54,950,729	54,706,227
Amortization expense	896,332	771,769
Finance costs	850,580	793,942
Share of profits of associates and joint venture	(840,895)	(1,134,649)
Interest income	(1,332,589)	(881,782)
Loss (gain) on disposal of property, plant and equipment, net	(8,235)	4,081
Loss (gain) on disposal of available-for-sale financial assets, net	10,829	(2,961)
Gain on disposal of financial assets carried at cost, net	(14,381)	(42,243)
Unrealized gross profit on sales to associates	32,889	19,547
Gain on foreign exchange, net	(1,293,976)	(1,054,551)
Loss (gain) from hedging instruments	11,870	(4,592,076)
Loss (gain) arising from changes in fair value of available-for-sale financial assets in hedge effective portion	(10,625)	4,602,284
Changes in operating assets and liabilities:		
Derivative financial instruments	(685,378)	(526,938)
Notes and accounts receivable, net	(12,473,495)	16,205,075
Receivables from related parties	(178,096)	(279,066)
Other receivables from related parties	(15,991)	15,717
Inventories	9,809,950	1,738,305
Other financial assets	(3,129,147)	(425,720)
Other current assets	837,838	(32,060)
Accounts payable	3,728	(2,573,738)
Payables to related parties	(7,283)	118,123
Salary and bonus payable	(3,121,742)	(2,541,255)
Accrued profit sharing bonus to employees and compensation to directors and supervisors	4,436,180	5,383,645
Accrued expenses and other current liabilities	760,672	(82,857)
Provisions	(64,147)	(2,314,512)
Net defined benefit liability	(10,571)	(14,130)
Cash generated from operations	121,670,945	156,119,157
Income taxes paid	(142,092)	(118,496)

Net cash generated by operating activities	121,528,853	156,000,661
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CASH FLOWS FROM INVESTING ACTIVITIES

Acquisitions of:

Available-for-sale financial assets	(11,171,713)	
Held-to-maturity financial assets	(12,439,373)	(9,372,767)
Financial assets carried at cost	(187,378)	(31,533)

(Continued)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries**CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands of New Taiwan Dollars)****(Reviewed, Not Audited)**

	Three Months Ended March 31	
	2016	2015
Property, plant and equipment	\$ (38,141,373)	\$ (48,875,682)
Intangible assets	(1,003,705)	(1,151,372)
Proceeds from disposal or redemption of:		
Available-for-sale financial assets	2,943,420	36,021
Held-to-maturity financial assets	3,000,000	800,000
Financial assets carried at cost	14,381	9,125
Property, plant and equipment	12,470	30,161
Derecognition of hedging derivative financial instrument	(9,647)	
Interest received	1,541,119	874,723
Net cash inflow from disposal of subsidiary (Note 30)		601,047
Refundable deposits paid	(55,609)	(189,442)
Refundable deposits refunded	47,608	101,714
Decrease in receivables for temporary payments	102,433	
 Net cash used in investing activities	 (55,347,367)	 (57,168,005)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(4,114,866)	(17,341,135)
Interest paid	(689,803)	(861,616)
Guarantee deposits received	200,080	176,072
Guarantee deposits refunded	(202,243)	(174,920)
Proceeds from exercise of employee stock options		30,189
Decrease in noncontrolling interests		(179)
 Net cash used in financing activities	 (4,806,832)	 (18,171,589)
 EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	 (6,079,266)	 (1,779,163)
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 55,295,388	 78,881,904
CASH AND CASH EQUIVALENTS INCLUDED IN NONCURRENT ASSETS HELD FOR SALE, BEGINNING OF PERIOD		81,478

CASH AND CASH EQUIVALENT ON CONSOLIDATED BALANCE SHEET, BEGINNING OF PERIOD	562,688,930	358,449,029
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 617,984,318	\$ 437,412,411

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

(Concluded)

Taiwan Semiconductor Manufacturing Company Limited and Subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2016 and 2015

(Amounts in Thousands of New Taiwan Dollars, Unless Specified Otherwise)

(Reviewed, Not Audited)

1. GENERAL

Taiwan Semiconductor Manufacturing Company Limited (TSMC), a Republic of China (R.O.C.) corporation, was incorporated on February 21, 1987. TSMC is a dedicated foundry in the semiconductor industry which engages mainly in the manufacturing, selling, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing of masks.

On September 5, 1994, TSMC's shares were listed on the Taiwan Stock Exchange (TWSE). On October 8, 1997, TSMC listed some of its shares of stock on the New York Stock Exchange (NYSE) in the form of American Depositary Shares (ADSs).

The address of its registered office and principal place of business is No. 8, Li-Hsin Rd. 6, Hsinchu Science Park, Taiwan. The principal operating activities and operating segments information of TSMC and its subsidiaries (collectively as the Company) are described in Notes 4 and 38.

2. THE AUTHORIZATION OF FINANCIAL STATEMENTS

The accompanying consolidated financial statements were reported to the Board of Directors and issued on May 10, 2016.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has not applied the following International Financial Reporting Standards (IFRS), International Accounting Standards (IASs), Interpretations of International Financial Reporting Standards, and Interpretations of IASs (collectively, IFRSs) issued by the International Accounting Standards Board (IASB) but not endorsed by the Financial Supervisory Commission (FSC). On March 10, 2016, the FSC preannounced the scope of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers and those with undetermined effective dates. In addition, the FSC announced that an entity should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were issued, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Annual Improvements to IFRSs 2010 - 2012 Cycle	July 1, 2014 or transactions on or after July 1, 2014
Annual Improvements to IFRSs 2011 - 2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012 - 2014 Cycle	January 1, 2016 (Note 2)
IFRS 9 Financial Instruments	January 1, 2018

(Continued)

New, Revised or Amended Standards and Interpretations	Effective Date Issued by IASB (Note 1)
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosure	January 1, 2018
Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date to be determined by IASB
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 15 Revenue from Contracts with Customers	January 1, 2018
Amendment to IFRS 15 Clarifications to IFRS 15	January 1, 2018
IFRS 16 Leases	January 1, 2019
Amendment to IAS 1 Disclosure Initiative	January 1, 2016
Amendment to IAS 7 Disclosure Initiative	January 1, 2017
Amendment to IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization	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 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

(Concluded)

Note 1: The aforementioned new, revised or amended standards or interpretations are effective after fiscal year beginning on or after the effective dates, unless specified otherwise.

Note 2: 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.

Except for the following, the initial application of the above new standards and interpretations has not had any material impact on the Company's accounting policies:

a. IFRS 9, Financial Instruments

All recognized financial assets currently in the scope of IAS 39, Financial Instruments: Recognition and Measurement, will be subsequently measured at either the amortized cost or the fair value. The classification and measurement requirements in IFRS 9 are stated as follows:

For the debt instruments invested by the Company, if the contractual cash flows that are solely for payments of principal and interest on the principal amount outstanding, the classification and measurement requirements are stated as follows:

- 1) If the objective of the Company's business model is to hold the financial asset to collect the contractual cash flows, such assets are measured at the amortized cost. Interest revenue should be recognized in profit or loss by using the effective interest method, continuously assessed for impairment and the impairment loss or reversal of impairment loss should be recognized in profit and loss.

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- 2) If the objective of the Company's business model is to hold the financial asset both to collect the contractual cash flows and to sell the financial assets, such assets are measured at fair value through other comprehensive income and are continuously assessed for impairment. Interest revenue should be recognized in profit or loss by using the effective interest method. A gain or loss on a financial asset measured at fair value through other comprehensive income should be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When such financial asset is derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

The other financial assets which do not meet the aforementioned criteria should be measured at the fair value through profit or loss. However, the Company may irrevocably designate an investment in equity instruments that is not held for trading as measured at fair value through other comprehensive income. All relevant gains and losses shall be recognized in other comprehensive income, except for dividends which are recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

IFRS 9 adds a new expected loss impairment model to measure the impairment of financial assets. A loss allowance for expected credit losses should be recognized on financial assets measured at amortized cost and financial assets mandatorily measured at fair value through other comprehensive income. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company should measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. If the credit risk on a financial instrument has increased significantly since initial recognition and is not deemed to be a low credit risk, the Company should measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses. The Company should always measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

The main change in IFRS 9 is the increase of the eligibility of hedge accounting. It allows reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. A fundamental difference to IAS 39 is that IFRS 9 (a) increases the scope of hedged items eligible for hedge accounting. For example, the risk components of non-financial items may be designated as hedging accounting; (b) revises a new way to account for the gain or loss recognition arising from hedging derivative financial instruments, which results in a less volatility in profit or loss; and (c) is necessary for there to be an economic relationship between the hedged item and hedging instrument instead of performing the retrospective hedge effectiveness testing.

b. IFRS 15, Revenue from Contracts with Customers and related amendment

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

When applying IFRS 15, the Company 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 and related amendment are effective, the Company 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.

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c. IFRS 16, Leases

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Company is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Company may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Company should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for both the principal and interest portion of the lease liability are classified within financing activities.

When IFRS 16 becomes effective, the Company may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

d. Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 clarify that the Company is only required to disclose the recoverable amount in the period of impairment accrual or reversal. Moreover, if the recoverable amount of impaired assets is based on fair value less costs of disposal, the Company should also disclose the discount rate used. The Company expects the aforementioned amendments will result in a broader disclosure of recoverable amount for non-financial assets.

Except for the aforementioned impact, as of the date that the accompanying consolidated financial statements were issued, the Company continues in evaluating the impact on its financial position and financial performance as a result of the initial adoption of the other standards or interpretations. The related impact will be disclosed when the Company completes the evaluation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except for the following, the accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2015.

For the convenience of readers, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the R.O.C. 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 consolidated financial statements shall prevail.

Statement of Compliance

The accompanying consolidated financial statements have been prepared in conformity with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IAS 34, Interim Financial Reporting, endorsed by the FSC. The consolidated financial statements do not present all the disclosures required for a complete set of annual consolidated financial statements prepared under the IFRSs.

Basis of ConsolidationThe basis for the consolidated financial statements

The basis for the consolidated financial statements applied in these consolidated financial statements is consistent with those applied in the consolidated financial statements for the year ended December 31, 2015.

The subsidiaries in the consolidated financial statements

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

Name of Investor	Name of Investee	Main Businesses and Products	Establishment and Operating Location	Percentage of Ownership			Note
				March 31, 2016	December 31, 2015	March 31, 2015	
TSMC	TSMC North America	Selling and marketing of integrated circuits and semiconductor devices	San Jose, California, U.S.A.	100%	100%	100%	
	TSMC Japan Limited (TSMC Japan)	Marketing activities	Yokohama, Japan	100%	100%	100%	a)
	TSMC Partners, Ltd. (TSMC Partners)	Investing in companies involved in the design, manufacture, and other related business in the semiconductor industry	Tortola, British Virgin Islands	100%	100%	100%	a)
	TSMC Korea Limited (TSMC Korea)	Customer service and technical supporting activities	Seoul, Korea	100%	100%	100%	a)
	TSMC Europe B.V. (TSMC Europe)	Marketing and engineering supporting activities	Amsterdam, the Netherlands	100%	100%	100%	a)
	TSMC Global, Ltd. (TSMC Global)	Investment activities	Tortola, British Virgin Islands	100%	100%	100%	
				100%	100%	100%	

TSMC China Company Limited (TSMC China)	Manufacturing and selling of integrated circuits at the order of and pursuant to product design specifications provided by customers	Shanghai, China					
VentureTech Alliance Fund III, L.P. (VTAF III)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)	
VentureTech Alliance Fund II, L.P. (VTAF II)	Investing in new start-up technology companies	Cayman Islands	98%	98%	98%	a)	
Emerging Alliance Fund, L.P. (Emerging Alliance)	Investing in new start-up technology companies	Cayman Islands	99.5%	99.5%	99.5%	a), b)	
TSMC Solar Ltd. (TSMC Solar)	Engaged in researching, developing, designing, manufacturing and selling renewable energy and saving related technologies and products	Tai-Chung, Taiwan					