TSE: 2344

winbond

We Deliver

Winbond Electronics Corp.

2018 Annual Report

Printed on March 31, 2019

Taiwan Stock Exchange Market Observation Post System:
http://mops.twse.com.tw
Winbond Website: http://www.winbond.com

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4. Common Stock Transfer Office
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6. Overseas Securities Listing Exchange and Information
   Luxembourg Stock Exchange
   Website：http://www.bourse.lu

7. Company Website：http://www.winbond.com

Table of Contents

Financial position, financial performance and risk analysis

Important Notice

Letter to Shareholders

Dear Shareholders,

Winbond continued to grow steadily and deliver brilliant results in 2018. Our consolidated revenue reached a record high and has been profitable for six consecutive years. The overall economy continued to flourish in 2018, driving strong demand for electronic devices and the semiconductor industry. The global semiconductor output reached US$476.7 billion in 2018, over 10% annual growth, which was benefited by rising average selling price. The memory industry's annual revenue growth reached 30%, accounting for about 35% of the whole semiconductor market. It is the sector that drove the biggest increase for the semiconductor industry.

Financial Performance

The consolidated revenue, including Nuvoton Technology Group and other subsidiaries, amounted to NT$51.19 billion in 2018, an 8% increase compared to NT$47.59 billion in 2017. Memory and logic products made up respectively 80% and 20% of the total revenue. The gross margin was 37% in 2018, a 3% growth compared to the gross margin of 34% in 2017. The consolidated operating profit margin was 15%, which was a 1% growth compared to 14% of the previous year. Consolidated net income after tax amounted to NT$7.73 billion, which was a significant increase of 33% compared to NT$5.82 billion in 2017. Net margin was 15% and earnings per share were NT$1.87.

Market and Product Applications

Winbond is committed to total memory solutions, focusing on the design and manufacturing of Specialty DRAM. We are ranked among the world's top five DRAM manufacturers, and also a leading Serial NOR Flash supplier. We are one of a few memory solution providers with both DRAM and Flash product lines in the world.

In 2018, Winbond's DRAM revenue accounted for 52% of total memory revenue, while Flash revenue accounted for 48%. In the aspect of product applications, communications and consumer products each contributed 29% of memory revenue in 2018. The revenue of computer and peripheral products on the other hand accounted for 26%. With the increasing demand for memory products by automotive electronics and industrial applications, revenue from this sector has grown to nearly 20% of total memory revenue.

Winbond upholds the "pursuit for excellence" and demands "zero defects" as its standards for high-quality products, thus gaining customer recognition. With perfect after-sales services and stable supplying abilities, Winbond has maintained good long-term partnerships with major customers, and has been keeping tabs on customers and the market demand for new products, thereby improving operations in niche markets.

Capacity planning

The production capacity of our fab at Central Taiwan Science Park (CTSP) has increased from 44,000 to 52,000 wafers per month, amounting to growth of nearly 20% in 2018. Considering market demands and customer commitment, Winbond started an investment for the Kaohsiung Fab Construction Plan in October 2018. It is expected that the fab will be completed in 2020 and start production in 2021. The production capacity will be gradually expanded along with customer demands. The highest level of smart automation designs, self-developed technologies and flexible production advantages will be implemented in the Kaohsiung Fab so that we will be able to meet the needs of Tier-1 customers and bring growth momentum to our future revenue. As the second 12-inch fab of Winbond, the Kaohsiung Fab will be a key milestone for the Company's development in the memory market.

Technology Development and Manufacturing

Given constantly evolving electronic technologies and ever-changing business environment, Winbond endeavors to enhance its processing technologies and product design abilities. In processing technology, our 25nm DRAM products went into mass production in 4Q 2018. We will continue to release related products for various applications in 2019 to strengthen our competitiveness. In the aspect of product design, the new products developed by Winbond in 2018 include ULTRA Low Power DRAM and 1.2V Flash for mobile and IoT devices with low-power consumption requirements;

high-speed and high-quality Flash for automotive electronics; and the TrustMe Secure Flash for secure storage solutions with the industry’s first Common Criteria (CC) and EAL5+ certifications. We expect to add more value to our products through innovative design and maintain our long-term competitiveness.

Honors and Awards

Winbond received several awards in customer relations, product technology, corporate governance and sustainable development in 2018.

In terms of customer relations, Winbond was recognized as the “Quality Star” by Siemens Industrial Automation Products Ltd. Chengdu, which demonstrated Winbond's customer-oriented services and resulted in strengthened customer satisfaction.

In terms of product technology, Winbond's 1.2V Serial NOR Flash was awarded the ASPENCORE 2018 World Electronics Achievement Award. The ultra-low power consumption of this product was selected as the Innovative Product of the Year in the memory product category.

In terms of corporate governance, Winbond always upholds business integrity as its topmost ethical principle. In the past four years, we have been evaluated by the Taiwan Stock Exchange as one of the top 20% listed companies for corporate governance and have even been ranked in the top 5% for two out of four years.

In terms of sustainable development, Winbond was awarded the Sustainability Excellence Award by the British Standards Institute (BSI), representing Winbond's outstanding performance and international recognition on corporate social responsibility and sustainable development issues over the years.

Future Outlook

The economic uncertainty mainly caused by the U.S.-China trade war and uncertainties of Eurozone continue to pervade in 2019. Consumers tend to spend conservatively and the demands for smartphones, computers, servers, and consumer products have slowed down. However, multi-applications have created emerging demand for memory products. The development of emerging technologies such as AI and 5G will accelerate application of the Internet of Things (IoT) to a higher level. The implementation of edge computing on various terminal devices will also create demand for next-generation products. Automotive electronics and industrial IoT are expected to prosper, thereby creating new growth momentum. Winbond believes that the memory industry will benefit from these changes, and will continue to maintain a long-term growth trend.

Winbond will continue taking cautious and steady steps forward, keeping close tabs on market trends while meeting the wide range of needs with innovative solutions. We pursue excellence, welcome challenges, and look forward to working side by side with world-class customers to create maximum value and returns for our shareholders, customers, and employees.

On behalf of the management team at Winbond, I would like to thank you for your continued support.

Chairman and CEO

Company Profile

1. Company History

Winbond was established in September 1987 and listed on Taiwan Stock Exchange in 1995, with headquarters in Central Taiwan Science Park, Taichung, Taiwan.

Winbond is a specialty memory IC company engaged in design, manufacturing and sales services. From product design, research and development, and wafer fabrication to the marketing of brand name products, Winbond endeavors to provide its global clientele top quality low to medium density memory solutions.

Winbond's major product lines include Code Storage Flash Memory, Specialty DRAM and Mobile DRAM. Our advantage of technological autonomy and prudent capacity strategy enables us to build a highly flexible production system and create synergy among product lines, which allows us to meet the diverse demands of customers while building the brand image.

In the area of Code Storage Flash Memory products, we focus on the “low to medium density” market by offering a full spectrum of Serial Flash products. Our Flash memory packages offer features such as low pin count, small size and low cost. We also develop SPI NAND and SLC NAND flash products to meet client demands for code storage. With considerable market share in computer peripheral markets, we also actively develop a diversity of flash memory products for applications in mobile devices, consumer electronics, automotive electronics, IoT and wearable devices. Winbond specializes in the design of high-performance, low-power memory. With a 12-inch fab, we offer a whole series of Specialty DRAM and Mobile DRAM products that target a top-tier clientele and quality-oriented applications. Winbond’s products are used extensively in handheld devices, consumer electronics and computer peripherals. We also focus on high-barrier, high-quality applications, such as KGD, automotive and industrial electronics.

To provide timely and respective services to clients around the world, Winbond has set up operations and distributor networks in the USA, Japan, China, Hong Kong and Israel to serve clients better and expand the depth and breadth of product sales. With regard to quality, Winbond implements rigorous process control and quality control, strengthening yield analysis and supply chain management to satisfy customer needs. The long-standing efforts in quality assurance have earned the Company a good reputation and resulted in the accreditation of ISO 9001, ISO26262, IATF 16949, QC 080000, ISO 14001 and OHSAS 18001.

In the future, Winbond will continue to provide customer-oriented services and concentrate our resources on the markets in which we have a competitive advantage. At the same time, riding on the strength of our advanced semiconductor design and manufacturing know-how, coupled with the innovation and wisdom of our employees, observing the core values of "accountability, innovation and synergy" and incorporating the corporate spirits of "execution, innovation and passion" in all operational activities, Winbond will strive towards the goal of becoming a world-class solution provider.

2. Major business development in the past year and up to the date of report

(1) Our in-house developed 25nm DRAM process successfully entered volume production in the fourth quarter of 2018, which is expected to continue injecting revenue into 2019 operations.

(2) To continue meeting customer demands, our fab at Central Taiwan Science Park (CTSP) increases its output of 12-inch wafers from 48,000 per month to 52,000 per month in 2018.

(3) To fulfill our commitment to our clients, we embarked on the Kaohsiung fab construction project in October 2018, which is expected to be completed in 2020. The new fab will start operation in 2021 and its capacity will be expanded gradually in view of market demands.

(4) We issued domestic secured corporate bonds in 2018 and successfully raised NT$10 billion.

(5) We secured a 7-year syndicated loan with 19 banks for an amount of NT$42 billion in January 2019.

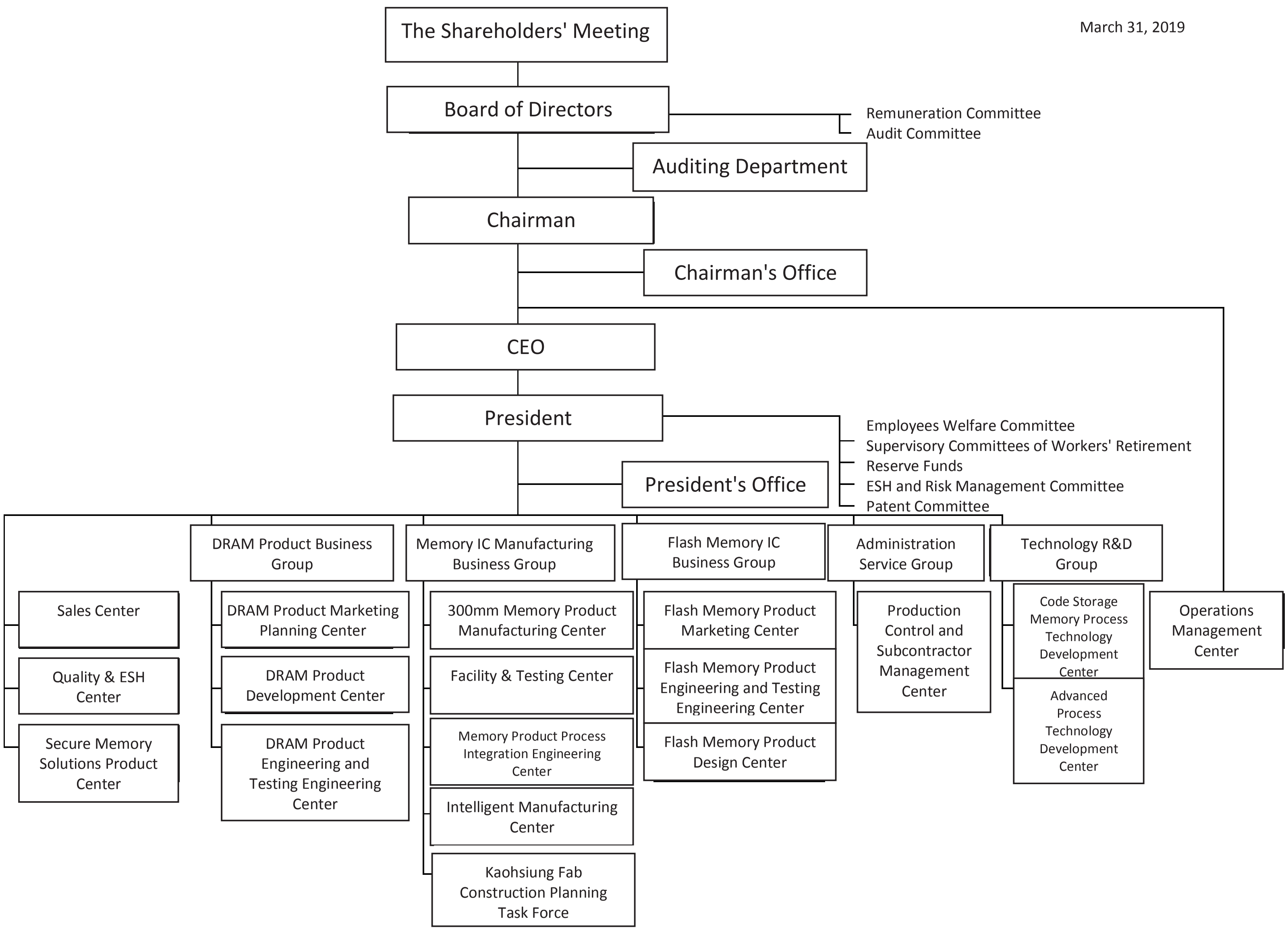
3. Investment in affiliates in the past year and up to the date of report

For investments in affiliated enterprises, please see page 217~222 of this report.

Corporate Governance Report

(I) Organization system

1. Organizational structure



1.2 Major business units

Unit		Functions
Auditing Department		1. Planning and execution of internal audit operations. 2. Planning and execution of internal control self-assessment operations. 3. Review of company codes and rules.
Operations Management Center		1. Planning and execution of accounting system and tax matters. 2. Planning and evaluation of budget and costs. 3. Planning and maneuvering of company funds and investment management. 4. Planning and execution of investors relations and shareholder services. 5. Integrating organizational strategies, building complete human resources and information system management systems and implementing the systems effectively to enhance the organizational performance. 6. Management of knowledge, intellectual property and legal affairs to enhance operational performance.
Sales Center		1. In charge of worldwide sales (except for foundry). 2. New client development and new product promotion. 3. Responsible for the attainment of annual sales targets. 4. Management of dealers and distributors. 5. Collection of accounts receivable.
Quality & ESH Center		1. Planning and execution of company quality policy. 2. Drafting and implementing quality indicators and maintaining quality system. 3. Elevating the quality and professional knowhow of employees and continuously improving the quality of products through continuous improvement of quality management system and employee training. 4. In charge of internal quality management and external quality assurance, reliability assurance and handling of quality complaints. 5. Management of outsourcing quality. 6. Supervising the implementation of effective ESH plans and risk management measures, establishing a work environment in compliance with environmental regulations and international standards, and reducing the company's operational risks.
Secure Memory Solutions Product Center		1. Marketing planning and promotion of new products. 2. Optimization of product mix. 3. Market trend analysis. 4. Implementing volume production of new products and improving product yield, quality, costs and process to meet customer demands. 5. New product promotion and design-in support
DRAM Business Group	DRAM Product Marketing Planning Center	1. Planning and marketing of new products. 2. Optimization of DRAM product mix. 3. Promotion of DRAM products. 4. Development and management of DRAM products. 5. Trend analysis of DRAM market. 6. Troubleshooting of customer application problems and error analysis.
	DRAM Product Development Center	1. Research and development of DRAM products. 2. Improving the DRAM product design platform. 3. Improving the quality of DRAM products and enhancing competitiveness. 4. Confirmation of product specifications and mapping market blueprint. 5. Analysis of customer-reported failure. 6. Resources planning and use for IC design and layout. 7. Central planning of R&D manpower allocation and OEM project support. 8. Planning and management of outside premises R&D personnel.
	DRAM Product Engineering and Testing Engineering Center	1. Verification of product performance 2. Improvement of product yield 3. Improvement of product quality 4. Product failure analysis 5. Efficient product testing 6. Development of advanced product testing technology 7. Process development validation
Memory IC Manufacturing Business Group	300mm Memory Product Manufacturing Center	1. Planning of fab establishment, capacity and display. 2. Analysis of fab budget/cost structure. 3. Establishment of fab process system and SOP documents. 4. Introduction of new products and new technologies and volume production. 5. Establishment and execution of foundry system. 6. Establishment of fab quality system. 7. Planning and implementation of fab EHS system. 8. Scope and guidelines for fab's risk management. 9. Fab's automated operations.
	Facility & Testing Center	1. Planning and execution of memory product trial production. 2. Planning and execution of memory product yield improvement. 3. Planning and execution of construction, expansion and improvement of plants and facilities. 4. Improvement and maintenance of clean rooms and production related facilities. 5. Maintenance and management of industrial environment, health and safety facilities.

Unit		Functions
	Memory Product Process Integration Center	1. Improvement of process/ product yield, quality and reliability. 2. Analysis and improvement of production and engineering problem analysis. 3. Transfer, implementation and volume production of new process/product. 4. Technology development and management of generative process and custom-made products. 5. Process cost improvement and process streamlining. 6. Optimization and tolerance adjustment of process conditions. 7. Establishment, optimization and maintenance of defect monitoring system. 8. Compilation and measurement of WAT parameters. 9. Supporting audit works. 10. Training and education.
	Intelligent Manufacturing Center	1. Establishment and maintenance of fab automation related systems. 2. Establishment and maintenance of plant management information systems. 3. Establishment and maintenance of yield improvement systems. 4. Establishment and maintenance of automated handling and storage systems. 5. Establishment and maintenance of plant quality related systems. 6. Establishment and maintenance of testing systems. 7. Establishment and maintenance of packaging/testing outsourcing information system. 8. Customer production and engineering report support. 9. Development and applications of big data and artificial intelligence technology.
	Kaohsiung Fab Construction Planning Taskforce	1. Planning and execution of Kaohsiung fab construction. 2. Simulation and planning of capacity optimization. 3. Implementation of new process and new products. 4. Advanced planning of volume production KPIs.
Flash Memory IC Business Group	Flash Memory Product Marketing Center	1. Planning of new flash products. 2. Development management of flash products. 3. Promotion of flash products. 4. Optimization of flash product mix. 5. Trend analysis of flash market.
	Flash Memory Product Engineering and Testing Engineering Center	1. Design, testing and validation of flash memory products. 2. Implementing volume production of new products and improving product yield, quality, costs and process to meet customer demands.
	Flash Memory Development Center	1. Providing high speed, high quality, low power and low voltage code storage memory with innovative design and technology. 2. Developing competitive and value-added product design. 3. Creating user-friendly EDA/CAD solutions and environment to product design. 4. Producing key documents needed for product design. 5. Managing the designed IP and providing design service support.
Administration Service Group	Production Control and Subcontractor Management Center	1. Production planning and execution and production-sales coordination. 2. Planning and execution of logistics supply. 3. Planning and execution of outsourcing capacity and production plan. 4. Vendor management and quality control. 5. Outsourcing process and production procedure streamlining. 6. Import and verification of new IC assembly technology.
Technology R&D Group	Code Storage Memory Process Technology Development Center	1. Developing new technologies to lift Winbond's standing in code storage memory market. 2. New technologies including but not limited to NAND, NOR and RRAM. 3. Design and development of memory cell and peripheral components. 4. Ensuring attainment of product yield and reliability targets and transferring to volume production. 5. Supporting customer product testing service and failure analysis. 6. Supporting company-wide SPICE model parameter extraction and TCAD component simulation. 7. Supporting company-wide ESD/LU design and product analysis
	Advanced Process Technology Development Center	1. Developing new technologies to lift Company's standing in low-density memory market. 2. Developing new technologies to lift Company's standing in working memory market. 3. New technologies include but are not limited to DRAM and 3D printing. 4. Design and development of memory cell and peripheral components. 5. Ensuring attainment of product yield and reliability targets and transferring to volume production. 6. Developing and supporting company-wide OPC technology. 7. Developing and supporting company-wide modular technology.

2. Profile of Directors, President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

2.1 Directors (1)

March 31, 2019

Title	Nationality or place of registration	Name	Gender	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Education/Work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree		
							Shares	% (Note 1)	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relationship
Chairman	ROC	Arthur Yu-Cheng Chiao	M	2017.06.13	3 yrs	1987.09.04	58,264,955	1.63%	63,472,995	1.59%	11,778,797	0.30%	-	-	• Master in Electrical Engineering and Researcher of Management College of Washington University • Chairman of Walsin Lihwa Corp.	Note 3	Director and Chief Administrative Officer Director	Yung Chin Wei-Hsin Ma	Spouse Relative by marriage
Vice Chairman	ROC	Yuan-Mow Su	M	2017.06.13	3 yrs	2017.06.13	1,330,859	0.04%	963,279	0.02%	-	-	-	-	• MSEE, University of Southern California • Bachelor in Department of Electronics Engineering, National Chiao Tung University	Note 4	None	None	None
Director	ROC	Yung Chin	F	2017.06.13	3 yrs	1996.04.09	10,720,537	0.30%	11,778,797	0.30%	63,472,995	1.59%	-	-	• Master in Applied Mathematics, Washington University • Bachelor of Mathematics, National Taiwan University	Note 5	Chairman and CEO Director	Arthur Yu-Cheng Chiao Wei-Hsin Ma	Spouse Relative by marriage
Independent director	ROC	Francis Tsai	M	2017.06.13	3 yrs	2014.06.17	-	-	-	-	-	-	-	-	• Computer & Control Engineering Department, National Chiao Tung University, Taiwan • Chairman and CEO of Waffer Technology Corp. (incumbent) • Convener of the Company's Remuneration Committee (incumbent)	Note 6	None	None	None
Independent director	ROC	Allen Hsu	M	2017.06.13	3 yrs	2014.06.17	-	-	-	-	-	-	-	-	• MBA, National Chengchi University and Refresher course of Walton Business School • Chairman of Altek Corporation • Chairman of Taiwan Mask Corporation • Chairman of Myson Century, Inc. • Chairman of Hestia Power Inc. (incumbent) • Convener of Company's Remuneration Committee (incumbent)	Note 7	None	None	None
Independent director	ROC	Jerry Hsu	M	2017.06.13	3 yrs	2014.06.17	-	-	-	-	-	-	-	-	• MBA, Waseda Business School • Director and Executive VP of AcBel Polytech (incumbent)	Note 8	None	None	None
Independent director	ROC	San-Cheng Chang	M	2017.06.13	3 yrs	2017.06.13	-	-	-	-	189	0.00%	-	-	• Ph.D., Civil and Environmental Engineering, Cornell University • Chairman of Taiwan Mobile Foundation	Note 9	None	None	None

Title		Nationality or place of registration	Name	Gender	Date appointed	Term	Date first elected	Shares held when elected		Shares currently held		Shares currently held by spouse and minor children		Shares held in the name of others		Education/Work experience	Other positions at the Company or elsewhere	Other officer, director or supervisor who is the spouse or a relative within second degree		
								Shares	% (Note 1)	Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relation ship
Director		ROC	Wei-Hsin Ma	F	2017.06.13	3 yrs	2017.06.13	-	-	-	-	25,409,166	0.64%	-	-	• Ph. D., School of Humanities, Tsinghua University • Master of Business Administration for Senior Managers, Peking University • University of California (Berkeley), Department of East Asian Languages • Chairman of HannsTouch Solution Incorporated	Note 10	Chairman and CEO Director	Arthur Yu-Cheng Chiao Yung Chin	Relative by marriage Relative by marriage
Director		ROC	Chih-Chen Lin	M	2017.06.13	3 yrs	2017.06.13	-	-	-	-	-	-	-	-	• Bachelor of Science in Chemical Engineering, National Taiwan University • MBA, Stern School of Business, New York University • President of Taiwan Mobile Corporation Ltd. (took office on April 1, 2019)	Note 11	None	None	None
Director	Corporation	ROC	Walsin Lihwa Corp.	-	2017.06.13	3 yrs	1987.09.04	811,327,531	22.66%	883,848,423	22.21%	-	-	-	-	-	Note 12	-	-	-
	Representative	ROC	Sophi Pan	F	2017.06.13	3 yrs	2017.06.13	10,131	0.00%	11,036	0.00%	-	-	-	-	•Bachelor of Accounting from National Chengchi University	Note 13	None	None	None

Note 1: "Shareholding Percentage" when appointed is based on then issued and outstanding shares common shares of 3,580,000,193 shares.

Note 2: "Shareholding percentage" was based on then issued and outstanding common shares of 3,980,000,193 shares as of March 31, 2019.

Note 3: Mr. Arthur Yu-Cheng Chiao serves concurrently as the CEO of Winbond, Chairman of Nuvoton Technology Co. and Chin Xin Investment Corp., Director of Walsin Lihwa Corp., Walsin Technology Corporation, United Industrial Gases Co., Ltd., Kolin Cons. & Development Co., Ltd., Landmark Group Holdings Ltd., Peaceful River Corp., Winbond International Corporation, Winbond Electronics Corporation America, Marketplace Management Limited, Nuvoton Investment Holding Ltd. and Song Yong Investment Corporation; Manager of Goldbond LLC; Supervisor of MiTAC Holdings Corporation; and Independent director, Audit Committee member and Remuneration Committee Convener of Taiwan Cement and Independent director, Audit Committee member and Remuneration Committee Convener of Synnex Technology International Corporation.

Note 4: Mr. Yuan-Mow Su serves concurrently as the deputy CEO of Winbond, Chairman of Winbond Electronics Corporation America, and Director of Winbond Electronics (Suzhou) Ltd. and Winbond Electronics (HK) Ltd.

Note 5: Ms. Yung Chin serves concurrently as the Chief Administrative Officer of Winbond; Chairman of Pine Capital Investment Ltd., Winbond Electronics (HK) Ltd. and Hwa Bao Botanic Conservation Corp.; Director of Nuvoton Technology Co., Peaceful River Corp., Winbond Electronics Corp. America, and Nuvoton Electronics Technology (H.K.) Ltd.; and Supervisor of Qing An Investment Limited, Yau Cheung Investment Limited, Winbond Electronics Corporation Japan, Nuvoton Electronics Technology (Shanghai) Ltd. and Winbond Electronics (Suzhou) Ltd.

Note 6: Mr. Francis Tsai serves concurrently as Chairman of NAFCO and Vice Chairman of Getac Technology Corporation.

Note 7: Mr. Allen Hsu serves concurrently as Chairman of Jet King International Co., Yizhong Technology Inc., You Yuan Investment Ltd., and Fortune Star Investment Ltd.; Independent director of Nuvoton Technology Co. and ANZ Bank (Taiwan) Limited; and Director of Pilot Electronics Corporation, Innodisk Corporation, ACME Electronics Corporation, and Bao Yue Investment Co.

Note 8: Mr. Jerry Hsu serves concurrently as director of Cal-Comp Biotech, Kun Ji Venture Capital Inc., Kinpo Electronics, Inc., Prudence Venture investment Corp., Breeze Development Ltd., PCHome Store, Lippo Big Data, Eslite Life, Kang Exhibition Electronics (Dongguan), AcBel Polytech (Dongguan), AcBel Polytech (Wuhan), AcBel (USA) Polytech Inc., AcBel Polytech (SAMOA) Investment Inc., AcBel Polytech (Singapore) Pte Ltd., AcBel Polytech (UK) Limited, AcBel Polytech Japan Inc. and Power Station Holdings Ltd.; Independent director of Nuvoton Technology Corporation and Sirtec International; Supervisor of Foo Bo Investment Inc., Teleport Access Services, and CastleNet Technology; President of AcBel Polytech (Wuhan) and Assistant Manager of Compal Electronics.

Note 9: Mr. San-Cheng Chang serves concurrently as Director of Taiwan Mobile Corporation Ltd and Xue Xue Institute Co., Ltd.; Independent director of Acer Ltd., and Chairman of I.B.M.I Taiwan.

Note 10: Ms. Wei-Hsin Ma serves concurrently as Chairman of Shinshi Yaoma Investment, Hannspree, Yaoma No. 1 Investment, and Whitestone Corp.; and Director of HannStar Display Corporation and Walsin Lihwa Corp.

Note 11: Mr. Chih-Chen Lin serves concurrently as Chairman of AppWorks Ventures and AppWorks Fund III Co., Ltd.

Note 12: Walsin Lihwa Corporation serves concurrently as Director of Waltuo Green Resources Corporation, HannStar Display Corporation, Walsin Technology Corporation, Walton Advanced Engineering, Inc., Kolin Cons. & Development Co., Walsin Lippo Industrial Co., P. T. Walsin Lippo Kabel, Min Maw Precision Industry Corp, Walsin Info-Electric Co., Global Investment Holdings, Kuang Tai Metal Industrial Co. and I-Chi United Trading Corp; and Supervisor of Zhong Tai Technology Development Engineering Co. and Hwa Bao Botanic Conservation Corp.

Note 13: Ms. Sophi Pan serves concurrently as head of Financial Department of Walsin Lihwa Corp; Director of Walsin Info-Electric Co., Min Maw Precision Industry Corp, Nanjing Walsin Nonferrous Metals Corp, Jiangyin Walsin Steel Cable Corp, Global Investment Holdings, Walsin Lippo Industrial Co. and Borrego Solar Systems, Inc.; Supervisor of Waltuo Green Resources Corporation, Zhong Tai Technology Development Engineering Co. and Hwa Bao Botanic Conservation Corp.; Supervisor of Cool Settlement Nanjing Business Management Inc., Cool Hua Cai Nanjing Cultural and Art Inc., Xi'an Walsin Metal Product Co., Xi'an Green Technology Co., Xi'an Walsin Optoelectronics Co., Xi'an Walsin United Technology Co., and Shaanxi Optoelectronics Technology Co.; Manager of Green Lake Capital, LLC.; and Liquidator of Touch Micro-System Technology.

Note 14: Mr. Matthew Feng-Chiang Miau resigned from Winbond's Board of Directors on January 1, 2019.

Directors who are major shareholders of institutional shareholders

March 31, 2019

Name of institutional shareholder	Major shareholders of institutional shareholders
Walsin Lihwa Corporation	Chin Xin Investment Corp.(6.31%), Winbond Electronics Corporation (6.19%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (5.80%), Yu-Hui Chiao (2.77%), Yu-Heng Chiao (1.74%), Norges Bank Investment Fund under the custody of Citibank Taiwan (1.68%), Yu-Chi Chiao (1.53%), Vanguard Emerging Markets Stock Index Fund under the custody of Standard Charter (1.45%), Walsin Lihwa Corporation Employees' Welfare Committee (1.44%), Pai-Yung Hong (1.43%).

Major shareholders in the above table who are institutional investor and their major shareholders

March 31, 2019

Name of institutional shareholder	Major shareholders of institutional shareholders
Chin Xin Investment Corp.	Winbond Electronics Corporation (37.69%), Walsin Lihwa Corporation (37.00%), Oriental Consortium Investment Limited (4.43%), Arthur Yu-Cheng Chiao (3.14%), Yu-Lon Chiao (3.14%), Yu-Heng Chiao (3.14%), Yu-Chi Chiao (3.14%), Yau Cheung Investment Limited (2.81%), Walsin Technology Corporation (1.86%), HannStar Board Corporation (1.34%).
Winbond Electronics Corporation	Walsin Lihwa Corporation (22.21%), Chin Xin Investment Corp.(5.03%), LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch (2.36%), Arthur Yu-Cheng Chiao (1.59%), Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.09%), Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch (1.06%), Pai-Yung Hong (0.97%), Yu-Heng Chiao (0.80%), Yu-Lon Chiao (0.75%), Yu-Chi Chiao (0.57%).

Profile of Directors (2)

March 31, 2019

Name \ Criteria	Has at least 5 years of work experience and meet one of the following professional qualifications			Meet the independence criteria (Note 1)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and Been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Area of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Arthur Yu-Cheng Chiao			V							V		V	V	2
Yuan-Mow Su			V			V	V	V	V	V	V	V	V	-
Yung Chin			V						V	V		V	V	-
Francis Tsai			V	V	V	V	V	V	V	V	V	V	V	-
Allen Hsu			V	V	V	V	V	V	V	V	V	V	V	2
Jerry Hsu			V	V	V	V	V	V	V	V	V	V	V	2
San-Cheng Chang			V	V	V	V	V	V	V	V	V	V	V	1
Wei-Hsin Ma			V	V	V					V		V	V	-
Chih-Chen Lin			V	V	V	V	V	V	V	V	V	V	V	-
Walsin Lihwa Corporation (representative: Sophi Pan)			V	V	V	V	V			V	V	V		-

Note 1: If the director (independent directors included) meets any of the following criteria in the two years before being elected or during the term of office, please check "V" in the corresponding boxes

(1) Not an employee of the Company or any of its affiliates.

(2) Not a director or supervisor of the Company or any of its affiliates (the same does not apply if the person is an independent director of the Company or its parent company, or any subsidiary appointed in accordance with the ROC law or law of the host country).

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within second degree of kinship, or lineal relative within fifth degree of kinship of any of the persons in the preceding three paragraphs.

(5) Not a director, supervisor or employee of an institutional shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks among the top five shareholders.

(6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company. Provided that this restriction does not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or Traded Over the Counter";

(8) Not having a marital relationship or a relative within the second degree of kinship to any other director of the Company.

(9) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(10) Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the R.O.C.

Note 2: Mr. Matthew Feng-Chiang Miau resigned from Winbond's Board of Directors on January 1, 2019.

Profile of Directors (3)

The board member diversity policy stated in Article 20 of the Company's corporate governance principles is as follows:
The Company's Board of Directors reports to the Shareholders' Meeting. Operations and arrangements under the Company's corporate governance policy shall ensure that directors will exercise their authority and duty in accordance with laws and regulations, the Company's Articles of Incorporation or resolutions adopted in shareholders' meetings.
The structure of the Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of board members, for example, different professional backgrounds, gender or field of work. The Company should select an appropriate number of board members, which should not be less than five, given consideration to actual operational needs,

The members of the Board of Directors should be selected with an emphasis on gender equality, and general knowledge, skills and the competencies required performing their duties. To achieve an ideal level of corporate governance, the Board of Directors as a whole should be equipped with the following abilities:
I. Ability to make sound business judgments.
II. Ability to conduct accounting and financial analysis.
III. Ability to manage the business.
IV. Ability to manage a crisis.
V. Industry knowledge.
VI. An understanding of international markets.
VII. Leadership ability.
VIII. Decision-making ability.

The Board of Directors is Winbond's highest governing body. The 11th-term Board of Directors consists of 11 directors (see Profile of Directors (1)). The ages of board members cover different generations and their professional background covers different industries. All board members possess the ability to perform their duties and to give constructive feedback and make recommendations for corporate strategies. The Board has 4 independent directors and 3 female directors. Directors who do not hold managerial positions in the Company make up more than two thirds of board members. All board members are highly experienced in business operations. The only institutional director on the board - Walsin Lihwa Corporation is a founder of the Company, also the largest shareholder and a director since Company's inception.

Implementation of board member diversity policy

Title	Name	Gender	Diverse core items				
			Business management	Leadership	Industry knowledge	Finance/Accounting	Information
Chairman	Arthur Yu-Cheng Chiao	M	V	V	V	V	V
Vice Chairman	Yuan-Mow Su	M	V	V	V	V	V
Director	Yung Chin	F	V	V	V	V	V
Independent director	Francis Tsai	M	V	V	V	V	V
Independent director	Allen Hsu	M	V	V	V	V	
Independent director	Jerry Hsu	M	V	V	V	V	
Independent director	San-Cheng Chang	M	V	V	V		V
Director	Wei-Hsin Ma	F	V	V	V	V	V
Director	Chih-Chen Lin	M	V	V	V	V	V
Director	Walsin Lihwa Corporation (Representative: Sophi Pan)	F	V	V	V	V	

Note: Mr. Matthew Feng-Chiang Miau resigned from Winbond's Board of Directors on January 1, 2019.

2. Profile of President, Vice Presidents, Assistant Vice Presidents, and Department and Branch Managers

March 31, 2019

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and minor children		Shares held in the name of others		Main work (education) experiences	Other positions	Other manager who is the spouse or a relative within second degree		
					Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relationship
CEO	ROC	Arthur Yu-Cheng Chiao	M	2005.08.01	63,472,995	1.59%	11,778,797	0.30%	-	-	• Master in Electrical Engineering and Researcher of Management College of Washington University • Chairman of Walsin Lihwa Corp.	Note 3	None	None	None
Deputy CEO	ROC	Yuan-Mow Su	M	2017.06.13	963,279	0.02%	-	-	-	-	• MSEE, University of Southern California	• Chairman of Winbond Electronics Corporation America • Director of Winbond Electronics (Suzhou) Ltd. • Director of Winbond Electronics (HK) Ltd.	None	None	None
President	ROC	Tung-Yi Chan	M	2009.02.09	901,000	0.02%	-	-	-	-	• Ph.D. in Electrical Engineering, U.C. Berkeley and Master in Management Science, Stanford University • BCD Semiconductor CEO • President of Winbond Electronics Corp.(incumbent)	Note 4	None	None	None
Executive Vice President	ROC	Wilson Wen (Note 5)	M	2008.05.02	340,663	0.01%	-	-	-	-	• BS in Electronic Physics, National Chiao Tung Univ. • CEO of HannStar Display Corporation	Director of Mobile Magic Design Corp.	None	None	None
Vice President	ROC	Pei-Ming Chen	M	2005.10.01	345,647	0.01%	-	-	-	-	• M.S.E.E., University of Detroit, USA	• Chairman of Mobile Magic Design Corp. • Director of Winbond Electronics (Suzhou) Ltd. • Director of Winbond Electronics Corporation America	None	None	None
Vice President	ROC	Cheng-Kung Lin	M	2006.11.01	1,684,607	0.04%	175,978	0.00%	-	-	• MS in Engineering Technology of National Taiwan University of Science and Technology • Division Director and Assistant Vice President of Winbond Electronics Corporation	• President of Winbond Electronics (Suzhou) Ltd. • Director of Pine Capital Investment Ltd. • Supervisor of Techdesign Corporation • Chairman of Callisto Holding Limited	None	None	None
Vice President	ROC	Chin-Fen Tsai	M	2011.11.01	335,000	0.01%	-	-	-	-	• PhD. in Material Science and Engineering of University of Utah • CTO of Sunny Optronics Corp. • Vice President of Eversol Corp. • Deputy Divisional Director, UMC	Vice President of Winbond (H.K.)	None	None	None
Vice President	ROC	Pei-Lin Pai	M	2014.10.01	191,608	0.00%	18,000	0.00%	-	-	• Ph.D. in Electrical Engineering, U.C. Berkeley • Vice President of FocalTech Systems Co., Ltd. • Vice President of Nanya Technology Co., Ltd. • President of Ascent Semiconductor Corporation	• Director of HiTi Digital Inc. • Independent director of Green River Holding Co., Ltd. • Supervisor of Excelsior Bio-System Incorporation	None	None	None
Vice President, Chief Financial Officer, Chief Accounting Officer and Corporate Governance Officer	ROC	Jessica Huang	F	2015.04.01	618,290	0.02%	-	-	-	-	• MBA, Indiana University • Chief Auditor of Winbond Electronics Corp. • Vice President, Citibank	Note 6	None	None	None

Title	Nationality	Name	Gender	Date appointed	Shares held		Shares held by spouse and minor children		Shares held in the name of others		Main work (education) experiences	Other positions	Other manager who is the spouse or a relative within second degree		
					Shares	% (Note 2)	Shares	% (Note 2)	Shares	% (Note 2)			Title	Name	Relationship
Chief Business Officer	USA	Eungjoon Park	M	2008.08.04	250,000	0.01%	-	-	-	-	• Master in Electrical Engineering, U.C. Berkeley • Executive Vice President of Winbond Electronics Corp. America • Executive Vice President of NexFlash Technologies Inc. • Vice President of Azalea Microelectronics Corp.	Director and President of Winbond Electronics Corporation America	None	None	None
Assistant Vice President	ROC	Shi-Yuan Wang	M	2005.08.01	817,200	0.02%	202,689	0.01%	-	-	• M.S. in Electric Engineering, National Tsing Hua University • Junior Engineer, Industrial Technology and Research Institute	Director and president of Mobile Magic Design Corp.	None	None	None
Assistant Vice President	ROC	Wen-Chang Hong	M	2012.01.16	148,990	0.00%	6,000	0.00%	-	-	• M.S. in Industrial Engineering and System Management, Chung Hua University	• Director of Winbond Electronics (Suzhou) Ltd. • Director of Winbond Electronics Corporation Japan	None	None	None
Assistant Vice President	ROC	Mao-Hsiang Yen	M	2012.07.01	319,465	0.01%	17,402	0.00%	-	-	• MS in Electric Engineering, National Cheng Kung University	None	None	None	None
Assistant Vice President	ROC	Hsiu-Han Liao	M	2014.10.01	295,797	0.01%	-	-	-	-	• M.S., Institute of Electronics, National Chiaotung University • Division Director of Winbond Electronics Corporation • Project Division Director of Episil Technologies Inc. • Senior Division Director of Brilliance Semiconductor Corporation	None	None	None	None
Assistant Vice President	ROC	Yo-Song Cheng	M	2015.04.01	162,356	0.00%	-	-	-	-	• D.E.Eng., Tamkang University • Division Director of Winbond Electronics Corporation	None	None	None	None
Assistant Vice President	ROC	Jiin-Shiarng Wen (Note 7)	M	2018.03.01	100,000	0.00%	-	-	-	-	• Master in Industrial Management, University of Technology Sydney • Vice President of Nuvoton Technology Co., Ltd.	None	None	None	None

Note 1: Manager is defined the same as the interpretation provided in the Ministry of Finance letter Tai-Cai-Zheng-San-Zi- 0920001301, including president, vice president, assistant vice president, chief financial officer and chief accounting officer.

Note 2: "Shareholding percentage" was based on then issued and outstanding common shares of 3,980,000,193 shares as of March 31, 2019.

Note 3: Refer to Note 3 under Profile of Directors (1).

Note 4: President Tung-Yi Chan serves concurrently as Chairman of Winbond Electronics (Suzhou) Ltd. and Winbond Technology Ltd.; Director of Walton Advanced Engineering, Inc.; Director of Landmark Group Holdings Ltd., Winbond Electronics Corporation Japan, Peaceful River Corp., Winbond International Corporation, Winbond Electronics Corporation America, Walsin Lihwa Corporation, Mobile Magic Design Corp., Pine Capital Investment Ltd., Techdesign Corporation, and Marketplace Management Limited; and CEO of Mobile Magic Design Corp.

Note 5: Mr. Wilson Wen was an executive VP at Winbond from May 2, 2008 to November 5, 2018. The above table discloses his information up to the date his service as a manager of the Company ends.

Note 6: VP Jessica Huang serves concurrently as Director of Winbond Electronics (HK) Ltd., Winbond Electronics Corporation Japan, Winbond Technology Ltd., Winbond Electronics Corporation America, Winbond Electronics (Suzhou) Ltd. and Nuvoton Investment Holding Ltd.; President of Pine Capital Investment Ltd.; Supervisor of Search Marketing Co., Chin Xin Investment and Mobile Magic Design Corp.; and Manager of Goldbond LLC;

Note 7: Mr. Jiin-Shiarng Wen was an assistant VP at Winbond from March 1, 2018 to October 31, 2018. The above table discloses his information up to the date his service as a manager of the Company ends.

(III) Remunerations to directors, supervisors, president, and vice presidents in recent years

1. Remuneration to directors

December 31, 2018; Unit: NT$1,000; 1,000 shares

Title		Name	Director's remuneration								Ratio of total (A),(B), (C), and (D) to after-tax income (%) (Note 7)		Pay received as an employee								Ratio of total (A), (B), (C), (D), (E), (F) and (G) to after-tax profit (%) (Note 7)		Remuneration received from investees other than subsidiaries (Note 8)
			Remuneration (A) (Note 1)		Pension (B) (Note 2)		Remuneration to directors (C) (Note 3)		Business expense (D) (Note 4)				Salary, bonus and special allowance (E) (Note 5)		Pension (F) (Note 2)		Employee compensation (G) (Note 3)						
			Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond	All companies in consolidated statements (Note 6)	Winbond		All companies in consolidated statements (Note 6)		Winbond	All companies in consolidated statements (Note 6)	
																	Cash	Stock	Cash	Stock			
Chairman		Arthur Yu-Cheng Chiao	2,400	2,880	-	-	81,825	85,560	3,960	4,392	1.18	1.25	43,380	44,530	96	151	1,290	-	1,290	-	1.79	1.86	39,577n
Vice Chairman		Yuan-Mow Su																					
Director		Matthew Feng-Chiang Miau (Note 9)																					
Director		Yung Chin																					
Independent director		Francis Tsai																					
Independent director		Allen Hsu																					
Independent director		Jerry Hsu																					
Independent director		San-Cheng Chang																					
Director		Wei-Hsin Ma																					
Director		Chih-Chen Lin																					
Director	Corporation	Walsin Lihwa Corporation																					
	Representative	Sophi Pan																					

*Remuneration received by directors for services rendered to all companies in the consolidated statements (e.g. non-employee consultant) aside from those disclosed in the table above in the past year: 0

Note 1: Remuneration to the director in the past year (including salary, additional pay, severance pay, bonuses and rewards).

Note 2: Pension includes:

a. Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.

b. Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Supervisory Committees of Workers' Retirement Reserve Funds pursuant to the old pension system under the Labor Standards Act.

c. Other types of pensions that should be paid according to law in addition to the pensions that require appropriation as described above.

Note 3: The Company's Board of Directors has passed the 2018 compensation plan for directors, supervisors and employees. As of the date of the report, compensation to individual directors who also worked as an employee has not been decided. The figures in the table above are estimates.

Note 4: This is business expense of directors in the past year (including transportation allowance, special allowance, stipends, dormitory, and car).

Note 5: All pays to the director who is also employee of the Company (including the position of president, vice president, other manager and staff), including salary, additional pay, severance pay, bonuses, rewards, transportation allowance, special allowance, stipends, dormitory, and car. In addition, according to IFRS2, salary expenses recognized under "share-based payment" including employee stock options, restricted stock award and stocks subscribed through cash capital increase should also be included in the remuneration.

Note 6: The total pay to the director from all companies in the consolidated statements (including the Company).

Note 7: Calculated based on the Company's after-tax income from the 2018 stand-alone financial statements of NT$7,446,496,000.

Note 8: a. This field shows the amount of remuneration a director of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expenses received by the director serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Note 9: Mr. Matthew Feng-Chiang Miau resigned from Winbond's Board of Directors on January 1, 2019.

Range of remuneration paid to each director	Name of director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	Winbond	All companies in consolidated statements	Winbond	Winbond and all investees (Note)
Below NT$2,000,000	Walsin Lihwa Corporation (representative: Sophi Pan)	Walsin Lihwa Corporation (representative: Sophi Pan)	Walsin Lihwa Corporation (representative: Sophi Pan)	
NT$2,000,000 (inclusive)~NT$5,000,000 (exclusive)				Walsin Lihwa Corporation (representative: Sophi Pan)
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)	Yuan-Mow Su, Matthew Feng-Chiang Miau, Yung Chin, Francis Tsai, Allen Hsu, Jerry Hsu, San-Cheng Chang, Wei-Hsin Ma, Chih-Chen Lin, Walsin Lihwa Corporation	Yuan-Mow Su, Matthew Feng-Chiang Miau, Yung Chin, Francis Tsai, Allen Hsu, Jerry Hsu, San-Cheng Chang, Wei-Hsin Ma, Chih-Chen Lin, Walsin Lihwa Corporation	Matthew Feng-Chiang Miau, Francis Tsai, Allen Hsu, Jerry Hsu, San-Cheng Chang, Wei-Hsin Ma, Chih-Chen Lin, Walsin Lihwa Corporation	Matthew Feng-Chiang Miau, Francis Tsai, Allen Hsu, Jerry Hsu, San-Cheng Chang, Chih-Chen Lin
NT$10,000,000(inclusive)~NT$15,000,000 (exclusive)	Arthur Yu-Cheng Chiao			
NT$15,000,000(inclusive)~NT$30,000,000 (exclusive)		Arthur Yu-Cheng Chiao	Yuan-Mow Su, Yung Chin	Yuan-Mow Su, Yung Chin, Wei-Hsin Ma, Walsin Lihwa Corporation
NT$30,000,000(inclusive)~NT$50,000,000 (exclusive)			Arthur Yu-Cheng Chiao	Arthur Yu-Cheng Chiao
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)				
Greater than NT$100,000,000				
Total	12 people	12 people	12 people	12 people

Note: When calculating the range of remuneration, remuneration received by each director from investees other than subsidiaries was also included.

2. Remunerations to president and vice president

December 31, 2018; Unit: NT$1,000; 1,000 shares

Title	Name	Salary (A) (Note 1)		Pension (B) (Note 2)		Bonus and special allowance (C) (Note 3)		Employee compensation (D) (Note 4)				Ratio of total (A), (B), (C), and (D) to after-tax income (%) (Note 6)		Remuneration received from investees other than subsidiaries (Note 7)
		Winbond	All companies in consolidated statements (Note 5)	Winbond	All companies in consolidated statements (Note 5)	Winbond	All companies in consolidated statements (Note 5)	Winbond		All companies in consolidated statements (Note 5)		Winbond	All companies in consolidated statements (Note 5)	
								Cash	Stock	Cash	Stock			
CEO	Arthur Yu-Cheng Chiao	46,882	52,278	21,389	21,611	84,441	84,441	3,358	0	3,358	0	2.10	2.17	8,970
Deputy CEO	Yuan-Mow Su													
President	Tung-Yi Chan													
Executive Vice President	Wilson Wen (Note 8)													
Vice President	Pei-Ming Chen													
Vice President	Cheng-Kung Lin													
Vice President	Chin-Fen Tsai													
Vice President	Pei-Lin Pai													
Vice President, Chief Financial Officer, Chief Accounting Officer and Corporate Governance Officer	Jessica Huang													

Note 1: Salary, additional pay, and severance pay received by the president or vice president in the past year.

Note 2: Pension includes:

a. Amount equal to 6% of the monthly salary paid into an account at the Bureau of Labor Insurance pursuant to the new pension system under the Labor Pension Act.

b. Amount equal to 2% of the monthly salary deposited into an account at Bank of Taiwan under the name of the Company's Supervisory Committees of Workers' Retirement Reserve Funds pursuant to the old pension system under the Labor Standards Act.

c. Other types of pensions that should be paid according to law in addition to the pensions that require appropriation as described above.

Note 3: Bonus, reward, transportation allowance, special allowance, stipends, dormitory, car and other pays received by the president or vice president in the past year. In addition, according to IFRS2, salary expenses recognized under "share-based payment" including employee stock options, restricted stock award and stocks subscribed through cash capital increase should also be included in the remuneration.

Note 4: The Company's Board of Directors has passed the 2018 compensation plan for employees. Figures of employee compensation to president and vice presidents in the table above are estimates.

Note 5: The total pay to the president or vice president from all companies in the consolidated statements (including the Company).

Note 6: Calculated based on the Company's after-tax income from the 2018 stand-alone financial statements of NT$7,446,496,000.

Note 7: a. This field shows the amount of remuneration the president or vice president of the Company receives from investees other than subsidiaries of the Company.

b. The remuneration means pay, compensation (including compensation of employees, directors and supervisors) and business expense received by the president or vice president serving as a director, supervisor or manager of an investee of the Company other than subsidiaries.

Note 8: Mr. Wilson Wen was an executive VP at Winbond from May 2, 2008 to November 5, 2018. The above table discloses his information up to the date his service as a manager of the Company ends.

Range of remuneration paid to presidents and vice presidents	Names of presidents and vice presidents	
	Winbond	Winbond and all investees (Note)
Below NT$2,000,000		
NT$2,000,000 (inclusive)~NT$5,000,000 (exclusive)		
NT$5,000,000 (inclusive)~NT$10,000,000 (exclusive)		
NT$10,000,000 (inclusive)~NT$15,000,000 (exclusive)	Pei-Ming Chen, Cheng-Kung Lin, Chin-Fen Tsai, Pei-Lin Pai, Jessica Huang	Pei-Ming Chen, Cheng-Kung Lin, Chin-Fen Tsai, Pei-Lin Pai, Jessica Huang
NT$15,000,000 (inclusive)~NT$30,000,000 (exclusive)	Arthur Yu-Cheng Chiao, Yuan-Mow Su, Tung-Yi Chan	Arthur Yu-Cheng Chiao, Yuan-Mow Su, Tung-Yi Chan
NT$30,000,000 (inclusive)~NT$50,000,000 (exclusive)	Wilson Wen	Wilson Wen
NT$50,000,000 (inclusive) to NT$100,000,000 (exclusive)		
Greater than NT$100,000,000		
Total	9 people	9 people

Note: When calculating the range of remuneration, remuneration received by president and vice presidents from investees other than subsidiaries was also included.

3. Manager's name and the distribution of employee bonus

December 31, 2018; Unit: NT$1,000

	Title	Name	Stock	Cash	Total	Total as a percentage of earnings (%) (Note 2)
Manager	CEO	Arthur Yu-Cheng Chiao	-	5,007	5,007	0.07%
	Deputy CEO	Yuan-Mow Su				
	President	Tung-Yi Chan				
	Executive Vice President	Wilson Wen (Note 3)				
	Vice President	Pei-Ming Chen				
	Vice President	Cheng-Kung Lin				
	Vice President	Chin-Fen Tsai				
	Vice President	Pei-Lin Pai				
	Vice President, Chief Financial Officer, Chief Accounting Officer and Corporate Governance Officer	Jessica Huang				
	Chief Business Officer	Eungjoon Park				
	Assistant Vice President	Shi-Yuan Wang				
	Assistant Vice President	Wen-Chang Hong				
	Assistant Vice President	Mao-Hsiang Yen				
	Assistant Vice President	Hsiu-Han Liao				
	Assistant Vice President	Yo-Song Cheng				

Note 1: The Company's Board of Directors has passed the 2018 compensation plan for employees. Figures in the table above are estimates.

Note 2: Calculated based on the Company's after-tax income from the 2018 stand-alone financial statements of NT$7,446,496,000.

Note 3: Mr. Wilson Wen was an executive VP at Winbond from May 2, 2008 to November 5, 2018. The above table discloses his information up to the date his service as a manager of the Company ends.

4. Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of the after-tax income of the Company and all the companies' consolidated statements in the stand-alone financial statements from the last two years and description of the policy, standards and packages of remunerations, procedure for making such decision and correlation with business performance and future risks

(1) Analysis of remunerations to directors, supervisors, president and vice presidents as a percentage of the Company's after-tax income in the stand-alone financial statements from the last two years

Title	Total remuneration as a percentage of earnings (%)			
	2018		2017	
	Winbond	All companies in consolidated statements	Winbond	All companies in consolidated statements
Director	1.79%	1.86%	1.76%	1.89%
Supervisor	-	-	0.15%	0.15%
President and Vice Presidents	2.10%	2.17%	1.70%	1.81%

(2) Description of remuneration policy, standards and packages of remunerations, procedure for making such decision and correlation with business performance and future risks.

A. Remuneration policy, standards and packages of remunerations, procedure for making such decision

(A) Director

Article 22 of the Company's Articles of Incorporation: Not more than 1% of the Company's pre-tax earnings before deducting remunerations to employees and directors shall be appropriated as remuneration to directors.

The Remuneration Committee will recommend remuneration to directors and supervisors in accordance with the Company's articles of incorporation, the internal Rules for Remuneration and Performance Evaluation of Directors, board members' self-assessment results, and Company earnings for the year after deducting accumulated deficit, and report the recommendation to Shareholders' Meeting after it has been approved by the Board of Directors.

(B) President and Vice Presidents

The remuneration of managers will be decided in accordance with the Company's articles of incorporation and the internal Rules for Remuneration and Performance Evaluation of Managers, including salary, bonus and employee compensation systems and standards. The remuneration will be distributed after it is passed by the Remuneration Committee and approved by the Board of Directors.

B. Correlation with business performance and future risks

In a move to reduce operating risks, the Company established a Remuneration Committee in 2011. The committee reviews regularly the annual performance targets of directors, supervisors and managers as well as salary and remuneration policy, systems, standards and structure in view of actual operational status and related regulations to seek a balance between sustainable operations and risk management. As described above, there is a positive correlation between the remuneration of directors, supervisors and managers and the Company's business performance.

(IV) Implementation of corporate governance

1. Operation of Board of Directors

(1) A total of 7 (A) meetings of the Board of Directors were held in the most recent year. The attendance was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Notes
Chairman	Arthur Yu-Cheng Chiao	7	0	100%	
Vice Chairman	Yuan-Mow Su	7	0	100%	
Director	Matthew Feng-Chiang Miau	7	0	100%	Resigned on January 1, 2019.
Director	Yung Chin	6	1	86%	
Independent director	Francis Tsai	6	1	86%	
Independent director	Allen Hsu	7	0	100%	
Independent director	Jerry Hsu	5	2	71%	
Independent director	San-Cheng Chang	7	0	100%	
Director	Wei-Hsin Ma	6	1	86%	
Director	Chih-Chen Lin	4	3	57%	
Director	Walsin Lihwa Corporation (Representative: Sophi Pan)	6	1	86%	

Attendance of board meetings by independent directors in 2018

○: In person ☆: By proxy ✱: Absent

Title	Name	2018/2/2	2018/3/23	2018/4/24	2018/7/27	2018/8/17	2018/10/26	2018/12/27	Notes
Independent director	Francis Tsai	○	○	○	○	○	☆	○	
Independent director	Allen Hsu	○	○	○	○	○	○	○	
Independent director	Jerry Hsu	☆	○	○	○	☆	○	○	
Independent director	San-Cheng Chang	○	○	○	○	○	○	○	

(2) Resolutions adopted by the Board of Directors pursuant to Article 14-3 of the Securities and Exchange Act: The Company has set up an Audit Committee. Hence the provisions of Article 14-3 of the Securities and Exchange Act do not apply. For relevant information, please see p. 20~21 of this report.

(3) Other resolutions adopted by the Board of Directors, to which an independent Director has a dissenting or qualified opinion that is on record or stated in a written statement: None.

(4) Directors recused themselves from discussion or voting on an agenda item in which they have an interest:

Name of director	Agenda item	Reason for recusal	Voting on the agenda item	Notes
Francis Tsai Jerry Hsu San-Cheng Chang Wei-Hsin Ma Sophi Pan	Remove non-compete clause for directors	The director has an interest in the matter	Did not participate in voting	6th meeting of 11th-term Board
Jerry Hsu	Remove non-compete clause for independent directors	The director has an interest in the matter	Did not participate in voting	7th meeting of 11th-term Board
Arthur Yu-Cheng Chiao Yuan-Mow Su	Performance bonus for Q3 and Q4 2017 and retention of performance bonus for 2017	The director has an interest in the matter	Did not participate in voting	7th meeting of 11th-term Board
Arthur Yu-Cheng Chiao Yuan-Mow Su	2017 employee bonuses for individual managers	The director has an interest in the matter	Did not participate in voting	7th meeting of 11th-term Board
Arthur Yu-Cheng Chiao Yuan-Mow Su	2018 pay and compensation for individual managers	The director has an interest in the matter	Did not participate in voting	7th meeting of 11th-term Board
Arthur Yu-Cheng Chiao, Yuan-Mow Su	2018 Q1 and Q2 performance bonus for managers	The director has an interest in the matter	Did not participate in voting	10th meeting of 11th-term Board

(5) An evaluation of the goals set for strengthening the functions of the Board and implementation status during the current and immediately preceding fiscal years:

1. The Company has established the Rules of Procedures for Board of Directors Meetings in accordance with the Regulations Governing Procedure for Board of Directors Meetings of Public Companies and would post information on the attendance by directors and supervisors on the Market Observation Post System after each board meeting and disclose important resolutions adopted by board meetings on the Company website.
2. The Company holds strategy review meeting every quarter before the scheduled board meeting, at which directors and supervisors are present to understand Company's finance and business conditions as well as the execution of major business plans. The Company endeavors to enhance the transparency of corporate information. Aside from holding investors conference to discuss the Company's business and financial conditions after the semi-annual and annual board meetings, the Company also posts related information on the Market Observation Post System and Company website.
3. The Company established a Board of Directors performance assessment system in 2011 to measure the works of directors guiding the Company's strategic directions and overseeing the Company's operations and management so as to help increase the long-term shareholder value.
4. The Company's board members perform self-assessment of the overall board operation in December every year with respect to participation in company operations, enhancing the quality of board decisions, composition and structure of the Board of Directors, appointment/election of directors and continuing education, and internal controls in accordance with the Rules for Remuneration and Performance Evaluation of Directors. Members of the board also conduct self-assessment of their familiarity with Company goals and missions, knowledge of director's responsibilities, personal participation in company operations, internal relationship management and communications, professional knowhow and continuing education, and internal controls. The staff in charge of board meeting affairs will compile the self-assessment results and submit the results to the Remuneration Committee and the Board of Directors, and based on which, draw up the Board of Directors performance enhancement plan. The 2018 overall evaluation results show that the board's participation in company operations, composition of the board and continuing education of directors

received respectively a score of 0.97, 0.8 and 0.96 (out of full score of 1 whereas board performance in other areas received a score of 1), which is relatively low. Thus, based on the evaluation results, the Company will provide members of the Board more comprehensive definitions and supplementary information and continue to improve the internal control procedures. Related evaluation results will also be taken into consideration in the composition of the next term Board of Directors. The 2018 evaluation results have been submitted to the Remuneration Committee and the Board of Directors on March 25, 2019.

5. The Company attaches great importance to corporate governance and has switched the election of Board of Directors' members to candidate nomination system since 2014. The Company set up an audit committee in June 2017 in place of supervisors. All Important agenda items are first submitted to the audit committee for review.
6. Pursuant to the newly promulgated Statements on Auditing Standards and applicable regulations, the Company's independent directors and supervisors/audit committee have communicated key auditor matters (KAM) in 2017/2018 financial statements with the Company's CPA.

2. State of operations of the audit committee

A total of 6 (A) meetings of the 1st-term Audit Committee were held in 2018. The attendance of independent directors was as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Notes
Convenor of Audit Committee	Allen Hsu	6	0	100	N/A
Audit committee member	Francis Tsai	5	1	83	N/A
Audit committee member	Jerry Hsu	4	2	67	N/A
Audit committee member	San-Cheng Chang	6	0	100	N/A

Other matters that require reporting:

I. If the operation of Audit Committee has any of the following situations, describe the date of board meeting, term of the board, agenda items, resolutions adopted by the board, and actions taken by the Company in response to the opinion of the audit committee:

(1) Matters provided under Article 14-5 of the Securities and Exchange Act.

Board of Directors Date/Term	Agenda item	Resolution adopted by the audit committee	Company's action with regard to the opinion of audit committee
2018.02.02 4th meeting of first-term committee	Propose 2017 business report, stand-alone financial report and consolidated financial report	Passed by all committee members present	None
	Propose 2017 Statement on Internal Control System	Same as above	None
	2018 capital expenditure budget	Same as above	None
	Change of CPAs and annual remuneration paid to accounting firm Deloitte & Touche	Same as above	None
2018.03.23 6th meeting of 11th -term committee	Propose 2017 earnings distribution plan	Same as above	None
	Issuance of common shares for cash capital increase and issuance of global depositary receipts	Same as above	None
	Amendment of Procedure for Engaging in Financial Derivative Transactions	Same as above	None
2018.04.24 7th meeting of 11th -term committee	Additional budget for 2018 capital expenditure	Same as above	None
	Amendment to Internal Control System for Shareholder Service Unit.	Same as above	None
2018.07.27 8th meeting of 11th-term committee	Propose 2018 Q2 consolidated financial report	Same as above	None

2018. 08.17 9th meeting of 11th -term committee	Construction plan for 12-inch fab at Southern Taiwan Science Park	Same as above	None
	Additional budget for 2018 capital expenditure	Same as above	None
2018.10.26 10th meeting of 11th -term committee	Additional budget for 2018 capital expenditure	Same as above	None
	Proposition of 2019 audit plan	Same as above	None

(2) Matters not passed by the audit committee but approved with the consent of more than two thirds of all directors: None

II. With respect to independent directors recusing themselves from discussion or voting on an agenda item in which they have an interest, describe the name of independent director, agenda item, reason for recusal and voting on the agenda item: None

III. Communication between independent directors and the Company's internal audit chief and CPA (material items on Company's finance and business communicated, methods and results of communication):

(1) Communication between independent directors and internal audit chief:

1. The audit unit conducted audits according to the annual audit plan. The audit chief submitted the completed audit report (or follow-up report) to the independent directors for examination in the following month, and periodically reported to audit committee the implementation of the audit operation, to which the audit committee members did not raise any objection.
2. Internal audit chief's periodic reporting to the Board of Directors and Audit Committee. The communication between independent directors and the internal audit chief are as follows:

Date	Gist of the communication	Suggestions and actions taken by the Company
2018.02.02 (4th meeting of first-term Audit Committee)	• 2017 Q4 follow-up of improvement actions taken for deficiencies found in the previous period and 2017 Q4 audit results • 2017 self-evaluation of internal control system • 2017 Statement on Internal Control System.	• None of the independent directors expressed dissent. • The Committee gave consent to the 2017 Statement on Internal Control System, which will be submitted to the Board of Director for approval.
2018.04.24 (6th meeting of first-term Audit Committee)	• 2018 Q1 follow-up of improvement actions taken for deficiencies found in the previous period and 2018 Q1 audit results.	• None of the independent directors expressed dissent.
2018.07.27 (7th meeting of first-term Audit Committee)	• 2018 Q2 follow-up of improvement actions taken for deficiencies found in the previous period and 2018 Q2 audit results.	• None of the independent directors expressed dissent.
2018.10.26 (9th meeting of first-term Audit Committee)	• 2018 Q3 follow-up of improvement actions taken for deficiencies found in the previous period and 2018 Q3 audit results. • 2019 audit plan.	• None of the independent directors expressed dissent. • The Committee gave consent to the 2019 audit plan, which will be submitted to the Board of Directors for approval.

(2) Communication between independent directors and CPA:

1. If deemed necessary, independent directors would communicate directly with CPA on the financial condition of the Company. The communications taken place are as follows:

Date	Gist of communication	Suggestions and actions taken by the Company
2018.02.02 (4th meeting of first-term Audit Committee)	• CPA and independent directors discussed 2017 audit findings on key audit matters (KAM). • CPA and independent directors discussed the application of IFRS 9, IFRS 15 and IFRS 16.	• None of the independent directors expressed dissent.
2018.03.23 (5th meeting of first-term Audit Committee)	• CPA and independent directors discussed the evaluation of IFRS 16 – Leases.	• None of the independent directors expressed dissent.
2018.07.27 (7th meeting of first-term Audit Committee)	• CPA and independent directors discussed the appropriateness of allowances and reserves set aside, such as allowance for uncollectible accounts, allowance to inventory write-downs & scraps, and reserve for product warranties.	• None of the independent directors expressed dissent.

3. State of operations of the Remuneration Committee:

The Remuneration Committee is in charge of the performance evaluation of directors, supervisors and managers, setting and reviewing the remuneration policy, system standards and structure, and the remuneration of individual director, supervisor and manager, and propose same to the Board of Directors for discussion.

Responsibilities of Remuneration Committee:

1. Periodically review Remuneration Committee rules and offer suggestions for amendment.
2. Set and review the annual performance targets for directors and managers as well as salary and remuneration policy, system, standards and structure.
3. Periodically evaluate the attainment of performance targets by directors and managers, and set the components and amount of salary and compensation for individual director and manager.

(1) The 3rd-term Remuneration Committee comprises 4 members, who are all independent directors of the Company with the following qualifications:

Status	Criteria / Name	Has at least 5 years of work experience and meet one of the following professional qualifications			Compliance of independence (Note)								Number of other public companies in which the member also serves as a member of their Remuneration Committee	Notes
		An instructor or higher position in the department of commerce, law, accounting, finance or other department related to the business needs of the Company in a public or private junior college or university	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialists Who Has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have work experience in commerce, law, accounting, finance, or a profession necessary for the business of the Company	1	2	3	4	5	6	7	8		
Independent director	Francis Tsai			V	V	V	V	V	V	V	V	V	-	Convener
Independent director	Allen Hsu			V	V	V	V	V	V	V	V	V	1	
Independent director	Jerry Hsu			V	V	V	V	V	V	V	V	V	2	
Independent director	San-Cheng Chang			V	V	V	V	V	V	V	V	V	-	

Note: If the committee member meets any of the following criteria in the two years before being appointed or during the term of office, please check "V" the corresponding boxes.

(1) Not an employee of the Company or any of its affiliates;

(2) Not a director or supervisor of the Company or any of its affiliates; The same does not apply in cases where the committee member is an independent director of the Company, its parent company, or any subsidiary established in accordance with the ROC law or law of the host country.

(3) Not a natural-person shareholder whose shareholding, together with those of his/her spouse, minor children, and shares held under others' names, exceed 1% of the total number of outstanding shares of the Company, or ranks the person in the top ten shareholders of the Company.

(4) Not a spouse, relative within second degree of kinship, or lineal relative within third degree of kinship of any of the persons in the preceding three paragraphs.

(5) Not a director, supervisor or employee of an institutional shareholder that holds directly 5% or more of the total number of outstanding shares of the Company or ranks among the top five shareholders.

(6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.

(7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.

(8) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

(2) Operation of Remuneration Committee:

The third term of office: Between June 13, 2017 to June 12, 2020, the Remuneration Committee held a total of 3 (A) meetings in the most recent year. The members' attendances were as follows:

Title	Name	Attendance in person (B)	By proxy	Attendance rate (%) (B/A)	Notes
Convener	Francis Tsai	2	1	67%	Independent director
Member	Allen Hsu	3	0	100%	Independent director
Member	Jerry Hsu	2	1	67%	Independent director
Member	San-Cheng Chang	3	0	100%	Independent director

Other matters that require reporting:

I. If the Board of Directors did not adopt or revised the recommendations of the Remuneration Committee, describe the date of board meeting, term of the board, agenda item, resolutions adopted by the board, and actions taken by the company in gresponse to the opinion of the Remuneration Committee: N/A.

II. If with respect to any resolution of the Remuneration Committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, describe the date of committee meeting, term of the committee, agenda item, opinions of all members, and actions taken by the company in response to the opinion of members: N/A.

4. Corporate governance implementation status and deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
I. Does the company establish and disclose its corporate governance principles in accordance with the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies?	V		The Company has established corporate governance principles in accordance with the TWSE Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and disclosed it on Company website.	None
II. Shareholding structure & stockholders' equity				
(I) Does the company establish internal operating procedures for handling shareholder suggestions, questions, complaints or litigation and handled related matters accordingly?	V		(I) The Company's Shareholders' Affairs Department is in charge of shareholder services and handling shareholder suggestions, questions and complaints in accordance with the Regulations Governing the Administration of Shareholder Services of Public Companies and the Standards for the Internal Control Systems of Shareholder Service Units.	None
(II) Does the company have a list of major shareholders that have actual control over the Company and a list of ultimate owners of those major shareholders?	V		(II) The Company discloses the list of major shareholders and the list of ultimate owners of major shareholders in accordance with applicable regulations.	None
(III) Does the company establish and implement risk management and firewall systems within its conglomerate structure?	V		(III) Business and financial dealings between the Company and an affiliate are treated as dealings with an independent third party, which are handled by the principles of fairness and reasonableness with documented rules established, and pricing and payment terms clearly defined to prevent non-arm's-length transactions.	None
(IV) Does the company establish internal rules against insiders trading with undisclosed information?	V		(IV) The Company has established the Insider Trading Prevention Procedure, publicizes the procedure among employees regularly every half a year, and discloses the procedure on Company website.	None
III. Composition and responsibilities of the Board of Directors				
(I) Does the Board of Directors develop and implement a diversified policy for the composition of its members?	V		(I) Article 20 of the Company's Corporate Governance Principles specify that the structure of Board of Directors should take into account the company operations, development and business scale, shareholding of major shareholders and diversity of Board Members, for example, different professional backgrounds, gender or fields of work. The Company's 11th-term Board of Directors' members meet the aforementioned goals.	None
(II) Does the company voluntarily establish other functional committees in addition to remuneration committee and audit committee?	V		(II) The Company has established an "Employees' Welfare Committee," "Supervisory Committees of Workers' Retirement Reserve Funds," and "ESH and Risk Management Committee," and "patent committee."	None
(III) Does the company establishes standards and method for evaluating the performance of the Board of Directors, and implemented it annually?	V		(III) The Company has established the Rules for Remuneration and Performance Evaluation of Directors, and performs self-assessment of the board operations and board members in December every year. The evaluation results will be submitted to the Remuneration Committee and the Board of Directors. Please refer to the section under "Operation of the Board of Directors."	None
(IV) Does the company regularly evaluate the independence of CPAs?	V		(IV) The Company's Board of Directors evaluates the independence of certifying CPAs every year in accordance with the Certified Public Accountant Act, Professional Ethics Standards for ROC Accountants, and CPA Assessment and Performance Evaluation Instructions to examine whether the certifying CPA is a company director or shareholder or draws salary	None

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
			from the Company and to confirm that the certifying CPA is not a stakeholder. In addition, certifying CPA is required to recuse him/herself if his/her service or him/herself has a direct relationship with or interest in the matter concerned. The Company also observes relevant rules in rotation of accountant.	
IV. A TWSE/TPEx listed company may set up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings, etc.)	V		By the resolution adopted by the 6th meeting of third-term Remuneration Committee and 13th meeting of 11th-term Board of Director, the Company decides to appoint the vice president of finance to serve concurrently as the chief governance officer who will be in charge of corporate governance related affairs with his/her main duties (but not limited) as follows in accordance with Article 21 of the Operation Directions for Compliance with the Establishment of Board of Directors by TWSE Listed Companies and the Board's Exercise of Powers: (I) Optimize the board performance, enhance the transparency of corporate information, and implement regulatory compliance and internal audit and internal controls. (II) Plan next year's board meeting dates in the previous year to facilitate planning and attendance by board members; Send out meeting notice to directors and furnish adequate meeting information at least 7 days before the scheduled board meeting and remind in advance if any board member has an interest in any of the motions to be discussed in the meeting in accordance with the Company Act and the Rules of Procedures for Board of Directors Meetings. (III) Make sure board members perform self-assessment of the board operations and board members in December every year in accordance with the Rules for Remuneration and Performance Evaluation of Directors, submit the assessment results to the Remuneration Committee and the Board of Directors, and formulate improvement plan based on the assessment results to boost the performance of the board and maximize its efficacy on a long term basis. (IV) Hold a general shareholders' meeting before June 30 every year, post the Chinese and English meeting notice, meeting brochure and annual report on the Market Observation Post System for perusal by shareholders, and implement resolutions or election affairs decided in the shareholders' meeting afterwards, such as distribution of dividends, registration of amended Articles of Incorporation or newly elected directors.	None
V. Has the Company established channels for communicating with stakeholders (including but not limited to shareholders, employees, clients and suppliers), set up a dedicated stakeholder area on the Company website, as well as appropriately responded to important corporate and social responsibility issues that stakeholders are concerned about?	V		The Company maintains an effective communication channel with stakeholders, and sets up a stakeholder section on Company website to respond properly important corporate social responsibility issues of concern to stakeholders.	None
VI. Has the Company hired a professional agency to handle tasks and issues related to holding the shareholder's meeting?		V	The Company handles shareholder service matters by itself.	N/A

Assessed items	Implementation status			Deviations from Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and reasons
	Yes	No	Summary	
VII. Disclosure of information (I) Does the company establish a corporate website to disclose information regarding the company's financial, business and corporate governance status?	V		(I) The Company discloses periodically (quarterly) financial and business as well as corporate governance information on its website.	None
(II) Does the company have other information disclosure channels (e.g., maintaining an English-language website, appointing responsible people to handle information collection and disclosure, creating a spokesperson system, webcasting investor conference on company website)?	V		(II) The Company's material information is made public in accordance with the internal Spokesperson and Deputy Spokesperson Operation Instruction and the Investor Relations Department are in charge of collecting and revealing corporate information, and posting the investor conference information on Company website. The Company website posts information in traditional Chinese, simplified Chinese, English and Japanese.	None
VIII. Is there any other important information to facilitate a better understanding of the company's corporate governance practices (including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, continuing education of directors and supervisors, the implementation of risk management policies and risk evaluation standards, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		1. The Company discloses corporate governance structure, internal audit operations, corporate social responsibility policies, stakeholder section and relevant operational rules on Company website: https://www.winbond.com/hq/about-winbond/csr/policy?__locale=en 2. Continuing education of directors: To enhance the functions of the Board of Directors, the Company arranges continuing education courses for directors every year, and provides from time to time information on professional courses offered by outside institutions to the directors and supervisors. The continuing education courses taken by directors are presented in the table below. 3. Attendance records of directors: Please see p. 17 and 19 -20 of this report for the operations of the Board of Directors. 4. Purchase of liability insurance for directors: The Company has purchased liability insurance starting year 2015. Please refer to Market Observation Post System/Corporate Governance/ Liability Insurance for Directors and Supervisors at the website below: http://mops.twse.com.tw/mops/web/t135sb03	None
IX. Describe the improvement actions taken in response to the corporate governance assessment results published by the TWSE Corporate Governance Center in the most recent year and priority items and measures for matters that have not been improved. The Company ranked in the top 6% ~ 20% in the 2018 corporate governance assessment of TWSE-listed companies and will continue to improve its corporate governance.				

Continuing education for directors in 2018:

Title	Name	Date	Organizer	Course	Hours
Chairman	Arthur Yu-Cheng Chiao	2018/12/18	Taiwan Corporate Governance Association	Facets of AI Data Engine Design; Practice of Data Science in Manufacturing	3.0
Chairman	Arthur Yu-Cheng Chiao	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Chairman	Arthur Yu-Cheng Chiao	2018/10/25	Taiwan Corporate Governance Association	U.S.-China Trade Conflict and New Opportunities for Taiwan	3.0
Chairman	Arthur Yu-Cheng Chiao	2018/10/25	Taiwan Corporate Governance Association	Analysis of International, China and Taiwan's New Anti-Tax Avoidance Systems	3.0
Chairman	Arthur Yu-Cheng Chiao	2018/04/13	Taiwan Corporate Governance Association	From the Global Wave of Anti-Tax Avoidance to Changes in the Tax Environment and Tax Reform Trends in Taiwan, China and the U.S.	3.0
Vice Chairman	Yuan-Mow Su	2018/12/18	Taiwan Corporate Governance Association	Facets of AI Data Engine Design; Practice of Data Science in Manufacturing	3.0
Vice Chairman	Yuan-Mow Su	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Director	Yung Chin	2018/12/18	Taiwan Corporate Governance Association	Facets of AI Data Engine Design; Practice of Data Science in Manufacturing	3.0
Director	Yung Chin	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Independent director	Francis Tsai	2018/12/18	Taiwan Corporate Governance Association	Facets of AI Data Engine Design; Practice of Data Science in Manufacturing	3.0
Independent director	Francis Tsai	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Independent director	Francis Tsai	2018/05/28	Taiwan Corporate Governance Association	"The Dawn of Artificial Intelligence" and "The Age of Consumer to Business"	3.0
Independent director	Allen Hsu	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Independent director	Allen Hsu	2018/10/16	Securities & Futures Institute	Environment Protection and Sustainable Development of Business	3.0
Independent director	Allen Hsu	2018/08/28	Securities & Futures Institute	Corporate Governance and Securities Regulations	3.0
Independent director	Jerry Hsu	2018/12/18	Taiwan Corporate Governance Association	Facets of AI Data Engine Design; Practice of Data Science in Manufacturing	3.0
Independent director	Jerry Hsu	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Independent director	Jerry Hsu	2018/04/02	Taiwan Corporate Governance Association	Industry 4.0 - Progressive or Future	3.0
Independent director	San-Cheng Chang	2018/11/21	Taiwan Corporate Governance Association	Trends of AI and IoT Development and Operational Strategies and Risks	3.0
Independent director	San-Cheng Chang	2018/11/07	Taiwan Corporate Governance Association	2019 Global Trade Outlook - From the Observation of U.S.-China Trade Conflict	3.0
Independent director	San-Cheng Chang	2018/08/08	Taiwan Corporate Governance Association	Updates of Important Regulations	1.5
Independent director	San-Cheng Chang	2018/05/09	Taiwan Corporate Governance Association	Influence of International Politico-Economic Situations on Taiwan's ICT industry	1.5
Independent director	San-Cheng Chang	2018/03/21	Taiwan Corporate Governance Association	Current Trends of Corporate Governance Development and Prospect of Taiwan's IPO Capital Market	3.0
Director	Wei-Hsin Ma	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Frauds and Legal Liabilities - Case Study	3.0
Director	Wei-Hsin Ma	2018/04/13	Taiwan Corporate Governance Association	From the Global Wave of Anti-Tax Avoidance to Changes in the Tax Environment and Tax Reform Trends in Taiwan, China and the U.S.	3.0
Director	Chih-Chen Lin	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Director	Chih-Chen Lin	2018/10/15	Financial Supervisory Commission	12th Taipei Corporate Governance Forum	3.0
Director	Chih-Chen Lin	2018/09/10	Taiwan Stock Exchange, Taipei Bar Association	FSC's New Edition of Corporate Governance Blueprint - the "Responsibilities" and "Authorities" of Directors	3.0
Representative of institutional director	Sophi Pan	2018/12/18	Taiwan Corporate Governance Association	Adopting AI - How Do Taiwan's Industries Make the First Step? Graph & AI- Optimizing Your AI Model	3.0
Representative of institutional director	Sophi Pan	2018/11/02	Taiwan Corporate Governance Association	Causes of Corporate Frauds and Legal Liabilities - Case Study	3.0
Representative of institutional director	Sophi Pan	2018/04/13	Taiwan Corporate Governance Association	From the Global Wave of Anti-Tax Avoidance to Changes in the Tax Environment and Tax Reform Trends in Taiwan, China and the U.S.	3.0
Director	Matthew Feng-Chiang Miau (Note)	2018/11/23	Taiwan Academy of Banking and Finance	Corporate Governance Forum - Trends of Information Security and How Should Business Address the Issue	3.0
Director	Matthew Feng-Chiang Miau (Note)	2018/07/27	Taiwan Academy of Banking and Finance	Corporate Governance Forum - International Trends of Anti-Money Laundering and Combating Financing of Terrorism	3.0
Director	Matthew Feng-Chiang Miau (Note)	2018/05/28	Taiwan Corporate Governance Association	"The Dawn of Artificial Intelligence" and "The Age of Consumer to Business"	3.0

Note: Matthew Feng-Chiang Miau resigned from Winbond's Board of Directors on January 1, 2019.

5. Implementation of corporate social responsibility (CSR)

Company's systems and measures and implementation status with respect to environmental protection, community involvement, social contribution, social service, public interest, consumer interests, human rights, safety and health, and other social responsibility activities:

Assessed items	Implementation status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
I. Corporate governance implementation				
(I) Does the company establish corporate social responsibility policy or system and examine its implementation results?	V		(I) The Company has established CSR policies approved by the Board of Directors and set up the internal "Code of Practice for Corporate Social Responsibility" to examine regularly the implementation results.	None
(II) Does the company provide educational training on corporate social responsibility on a regular basis?	V		(II) The Company holds CSR training courses for all existing employees and newcomers, and produces cards to promote the CSR policies.	None
(III) Does the company establish a dedicated or concurrent unit in charge of promoting CSR with senior management authorized by the board to take charge of proposing CSR policies and reporting to the board?	V		(III) The Company's Quality & ESH Center is in charge of promoting CSR related operations and regularly reviews the implementation status. The company President reports the CSR implementation to the Board of Directors regularly (fourth quarter) every year.	None
(IV) Does the company establish a reasonable salary remuneration policy, integrate the employee performance evaluation system with its CSR policy, and establish an effective reward and disciplinary system?	V		(IV) The Company clearly defines award and disciplinary items in the work rules for observation by all employees.	None
II. Fostering a sustainable environment				
(I) Does the company endeavor to improve the efficiency of resource utilization and use recycled materials which have a low impact on the environment?	V		(I) To boost the energy use efficiency, the Company has established key performance indicators (KPI) for the use of all important energy resources, including water and electricity, and set annual goals and implement management programs to undertake reduction of water and electricity consumption and waste output or increase waste reutilization on an ongoing basis. The Company president will review the execution results and target attainment every quarter. Appropriate recycling systems have been considered in the design phase of plants and priority considerations are given to the recovery and reuse of wastewater, waste heat and solid waste generated by plant operations. Thus the Company has taken actions to effectively reduce the consumption of resources and impact on the environment. In 2018, the Company achieved 82% recycling of plant-wide water consumed, 91% recycling of process water consumed (meeting the commitments made in the environmental assessment conducted by the Science Park Administration - 77% recycling of plant-wide water consumed and 85% recycling of process water consumed). Regulatory compliance is only the basic requirements set by the Company. The Company endeavors to make sure every drop of water is fully utilized and to reduce the discharge of wastewater. In 2018, carbon reduction measures adopted by the Company helped reduce 225,592 tons of carbon dioxide equivalent emissions, which amounts to the annual carbon sequestration of 584 Da-an Forest Park (note: calculated by the standard of 386 tons of carbon dioxide absorbed by Da-an Forest Park every year). With respect to the future development of advanced technologies and capacity expansion, the Company will continue to	None

Assessed items	Implementation status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
			promote carbon reduction plans and enhance energy use efficiency with the goals of reducing total greenhouse gas emission for every photomask layer in 12-inch wafer fabrication by 8% in 2020 as compared to 2010 to as to improve production efficiency and reduce impact on the environment. In the ongoing efforts of promoting waste recycling and reuse, the Company adopts source improvement approaches by reducing chemical use and extending use cycle of chemicals and parts replacement in processes to reduce waste generation, and enhance the usability of waste through better waste collection and sorting. In 2018, the Company achieved 92% waste recycling, surpassing the self-set target of 90% or higher.	
(II) Does the company establish a proper environmental management system based on the characteristics of the industry?	V		(II) The Company has received certification of ISO 14001 environmental management system, and undertakes internal audit every half a year and external audit every year by an international certification body to ensure normal system operations.	None
(III) Does the company monitor the impact of climate change on business operations, conduct greenhouse gas inventory and formulate strategies for energy conservation and carbon and greenhouse gas reduction?	V		(III) The Company watches the impact of climate change brought about by greenhouse effect on the environment and business operations. Aside from undertaking management programs to reduce the consumptions of water, electricity, and raw materials, and reduce waste generation to achieve the KPI targets, the Company has been participating in the PFCs emission reduction programs advocated by Taiwan Semiconductor Industry Association and World Semiconductor Council since year 2000. Through process adjustment and use of alternative fuels, and installation of PFCs reduction equipment, the Company has been able to reduce greenhouse gas emission. The Company's PFCs emission reduction results over the years have passed the validation of international certification body. The Company has also been named "Company with Outstanding Performance in Voluntary Reduction of Greenhouse Gas Emission" by the Industrial Development Bureau, MOEA. In addition, as reference for formulating energy conservation and GHG reduction strategies, the Company performs greenhouse gas inventory taking every year and register the information on the Taiwan National Greenhouse Gas (GHG) Registry of Environmental Protection Administration, and furthermore, disclose relevant data in the CSR section of Company website.	None
III. Upholding public interests				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	V		(I) The Company has established CSR policies approved by the Board of Directors that comply with the highest ethical standards, and protect and support human rights, such as barring any form of discrimination and respecting employee's freedom of association, and clearly defines award and disciplinary items in the work rules for observation by all employees.	None
(II) Has the company set up an employee hotline or grievance mechanism to handle complaints properly?	V		(II) The Company has a variety of complaint channels in place, including e-mail, suggestion box and other communication channels, which are reviewed and amended from time to time to ensure effective and full communication in the workplace so that problems are rapidly and effectively communicated and resolved when they arise.	None
(III) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	V		(III) The Company is OHSAS18001 (Occupational Health and Safety Management System) and CNS15506 (Taiwan Occupational Safety and Health Management System) certified, and undertakes internal audit every half a year and external audit every year by an international certification body to ensure normal system operations. The Company vigorously observes government's safety and health regulations and	None

Assessed items	Implementation status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	
			undertakes related management works, including carrying out safety and health risk assessment, drafting and executing safety and health related work rules, and arranging employee safety, sanitation and health training courses every year.	
(IV) Does the company set up a channel for communicating with employees on a regular basis, and reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(IV) The Company conveys important messages on changes in company operations and achieves the purpose of two-way communication through periodic executive management meeting, employee-management discussions, and internal e-bulletin and bulletin board.	None
(V) Does the company set up effective career development and training programs for its employees?	V		(V) The Company has established career development plan for employees. For managers, the Company provides proper management knowhow training based on the needs of management at different levels. For regular employees, the Company designs proper near, medium and long-term training programs based on their job requirements.	None
(VI) Does the company establish any consumer protection mechanisms and complaint procedures regarding R&D, purchasing, production, operation and service?	V		(VI) The Company has established a complaint procedure and posts the complaint channel and product information on Company website to make sure the transparency and safety of all operational activities, from R&D, purchasing, production, to operational and services.	None
(VII) Does the company advertise and label its goods and services according to relevant regulations and international standards?	V		(VII) The Company advertises and labels its goods and services in compliance with relevant regulations and international standards, and bars all employees from undertaking any form of unfair business conduct. The Company supports honest and fair competition and observes government rules and regulations as well as anti-trust code of conduct to uphold the interests of customers while earning trust and respect for the Company.	None
(VIII) Does the company evaluate the records of suppliers' impact on the environment and society before doing business with the supplier?	V		(VIII) The Company will conduct CSR audit of major material suppliers and outsourcing service providers to make sure they meet the Company's CSR policy requirements.	None
(IX) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause significant impact on the environment and society?	V		(IX) The Company requires all suppliers to comply with the Company's CSR policies. When the supplier breaches the CSR policies and causes significant impact on the environment and society, the Company will terminate business relationship with the supplier.	None
IV. Enhancing information disclosure (I) Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		The Company's CSR information is disclosed on: Company website: https://www.winbond.com/hq/about-winbond/csr/policy?__locale=en Market Observation Post System: http://mops.twse.com.tw	None
V. If the Company has established the corporate social responsibility principles based on "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established "Corporate Social Responsibility Principles" in accordance with the Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies and internal rules, and related implementation does not deviate from the established principles.				
VI. Other important information to facilitate a better understanding of the company's corporate social responsibility practices:				

Assessed items	Implementation status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	

1. The Company endeavors to meet the advanced international safety, health and environmental standards and is committed to providing employees with a complying and healthy working environment through respect, caring and counseling, and through continuous improvement, promoting personnel safety and environmental protection, and reducing risk to assets. The Company also promotes health and wellness activities and builds employee loyalty to create a corporate culture of LOHAS (lifestyle of health and sustainability). The award of "Excellence in Healthy Workplace Promotion - Ten Years of Achievement" received by the Company from the Ministry of Health and Welfare at the end of 2014 and the "2016 Work and Living Balance Award" in the categories of "Family LOHAS" and "Health Wellness" received by the Company from the Ministry of Labor in 2016 best showcase the Company's performance record in this regard. Disaster and loss can be prevented beforehand through sound management and active participation of all employees. The Company carries out effective training, communication and propagation to make sure all personnel and contractors are aware of and observe the Company's ESH rules and requirements, and conduct work in accordance with the established operating standards. Zero accident and reducing environmental loads are the social responsibility of a world-class corporation. Through optimum prevention and improvement measures, we gradually reduce workplace injury rate, resources consumption and pollutant discharge. We put the concepts of safety, health and environmental protection into actions to develop the Company into a sustainable green enterprise.
2. We attach great importance to the rights and health of employees. We prohibit the hiring of workers under 15 years of age (or under the age for completing compulsory education), and implement protective measures as required by law for employees and female workers over 15 years of age. We prohibit any and every form of job discrimination, sexual harassment and inhuman treatment of employees, and we respect the free agency of job candidates to choose employment and employees' right of free association. Our personnel systems (e.g. salary, benefits, performance review, promotion, award and discipline, employee cultivation, job assignment, termination of employment contract, etc.) do not harbor differential treatment because of employee's race, color, nationality, glass, language, ideology, religion, political affiliation, hometown, place of birth, gender, sexual orientation, age, marital status, pregnancy, look, features, disability or previous status as a workers' representative. With respect to management and supervision of working hours, we pay our employees compensation in compliance with local laws, including those relating to minimum wage, overtime hours and legally mandated benefits. We hold communication meetings regularly and propagate the setup of communication channels for employees to voice their opinions.
3. Over the years, the Company has been endeavoring to fulfill the social responsibility of a corporate citizen. The Company actively participates in academic seminars and technical forums, and fosters academia- industry collaboration.
4. To put its beliefs in social care, public service and friendly environment in actions, the Company gathers internal resources and the passion and love of its employees and put them to work in four areas - "promoting public interests", "assisting disadvantaged groups", "caring for youth and children", and "emergency aid."

A. Promotion of public interests

Arts and cultural activities: The Company encourages and has been promoting arts activities. Through the union of technology, culture and art, we aspire to transform the quality of art life into actions to enrich the rebuilding of humanism. In 2018, Winbond sponsored a stage show "Grandpa's Coffee Time" adapted from a picture book. By subscribing tickets to the show, we hope to encourage the involvement of more cultural and creative workers in the construction of a quality performance platform.

Shen Hsin-Ling's "Love, Happiness and LOHAS" lecture series: Since 2015, Winbond has been inviting employees to co-sponsor youth philanthropist Ms. Shen Hsin-Ling to give lecture at campus and social welfare institutions. The lecture series hope to inspire "how to fish" in children by converting their existing conditions into more opportunities. It is also the "charity of knowledge" with the hope to implant the seeds of hope in children with one phrase or one concept that will bring positive changes to their lives. By the end of 2018, Ms. Shen has given 32 lecture series, in which 12,455 teachers and students experienced firsthand the power of "one" from Ms. Shen, and it is hoped that through the charity of knowledge, children are inspired to convert their feelings into actions of charity.

B. Assisting disadvantaged groups

Used computer donation project: The Company participates in the used computer donation project regularly to join the efforts of narrowing urban-rural information gap and raising awareness to environmental protection and recycling. In 2018, the Company donated 71 computers. The recipients include Taiwan Fund for Children and Families in Nantou, Taichung, Penghu and Tainan, and Meimen - Wellness Society.

Orphanage home service: Working with public interest groups, Winbond employees join volunteer services to help clean orphanage homes and contribute to the replacement of damaged facilities. Starting September 2015, employees join the after-school tutoring service, providing tutoring on a long-term basis for children at Taichung Christian Herald Children's Home and Nantou Home of Charity. As of end of 2018, Winbond volunteers have provided 3,437 hours of service involving 1,683 person-times to help alleviate manpower shortage at orphanage homes.

Charity sale activity: The Company collects second-hand items, calls volunteers to participate in charity sales and donates proceeds from the sale. By participating in the donation and charity sale, employees and their families join the action of cherishing the Earth resources and giving back to the society. As of year-end 2018, the Company collected more than 2,400 books, 1,431 kg of clothing and bags, and 31 boxes of 3C products, home appliances, art works and accessories.

Assessed items	Implementation status			Departure from Corporate Social Responsibility Best Practice Principles for TWSE/TPEx listed companies and reasons
	Yes	No	Summary	

Continuing the objective of caring for youth and children, our efforts in 2018 focused on the "Seedling Project" by devoting our resources to helping disadvantaged youth and children. It is hoped that our timely help, like sunshine, air and water to the growing seedlings, will enable the seedlings to take root and grow strong, that they will one day help other people in the society and let the "kindness" recycle:

- Grants for children of low-income families: To help impoverished school children learn in a stable environment, Winbond has been working with Taiwan Fund for Children and Families since 2017 by inviting employees to join the effort of raising education grants. From Company president to low-level employees, our colleagues responded enthusiastically to the drive. In 2018, 803 employees donated more than NT$2.5 million to help 625 children for the whole school year.
- Supporting orphanage children in acquiring skills: Disadvantaged children are often academically behind due to family factors that they often experience frustration and lose passion and self-confidence in learning. By helping those children develop other skills, it creates the opportunity for them to develop passion for learning and gain self-affirmation. In 2018, Winbond donated the first time instructor fees for woodwork and Taiko drumming courses offered in the skill curriculum of the Taichung Christian Herald Children's Home that have not had the support of business, government agencies or organizations. By the end of September 2018, 29 courses were offered in which 295 students attended, and by the assessment of the instructors, more than 80% of students received a grade of "good" or better. By visiting a brief exhibition of students' works, it is apparent the courses have been nourishing to the children in terms of attentiveness, patience, and teamwork.
- Remote villages volunteer service: As all seedlings come from families in the community, Winbond works with public interest groups to help communities in remote areas build or grow organic crops in the hope to help disadvantaged families and invigorate industrial development in remote villages. Furthermore, Winbond solicit employee volunteers to visit tribal communities in remote villages, during which they assist the Taiwan Fund for Children and Families in developing community services for remote and indigenous communities and join the Company in fulfilling its corporate social responsibility. In 2018, Winbond sponsored the first time a public interest activity that was designed to assist indigenous villages build and develop tourism. A total of 37 employees participated in two sessions of the activity. Participating employees shared what they have learned about the daily life and culture of the tribal community, the community's lack of resources and other social issues. They also felt strongly about the passion and hard work of social workers working in those areas. The participants gave high praise to the activity and spent a rich and meaningful weekend.

C. Caring for youth and children

Christmas Dream activity: Company employees actively participate in donation activities organized by the Company, such as the "Dream Come True" activity, which collects year-end gifts for disadvantaged children in Hsinchu area. In 2018, Winbond employees helped 156 disadvantaged children realize their Christmas dream, indicating that the desire to promote public interest is deeply embedded in the hearts of employees.

Breakfast project: The Company has been working with a foundation for many years, funding nutritious breakfast for school children in remote areas. In 2018, the Company continued to raise funds for breakfast to provide children in remote areas with the opportunity to learn in a healthy environment. Company employees also visit schools that have received donation to learn and evaluate firsthand the benefits of the service projects.

Movie appreciation project: The Company is a regular sponsor of movie watching event for orphanage children, hoping to sow the seeds of life education and help children develop an appreciation for arts. In 2018, Winbond's movie appreciation project entertained 340 orphanage children.

Family day activity: In the Company's annual family day, children from orphanage homes are invited to participate in games and activities, watch performance and enjoy good food. It is hoped that while disadvantaged children enjoy a good time, they are also motivated in learning. In 2018, Winbond's family day invited 106 children from orphanage homes to participate.

D. Emergency aid

Emergency aid for employees: The Company has set up employee emergency aid and loan programs to help employees in financial distress when the employee or his/her family suffers sudden calamity, such as injury, disability, death, or accident, to make sure they can continue to work and live with assurance that their livelihood is secure.

Blood drive: The Company calls employees to donate blood in the annual blood drive which illustrates the Company's belief in the value of life in actions. In 2018, 389 employees participated in the blood drive and donated altogether 637 bags of blood.

E. Others

Sponsoring academic discussions and technical forums: Winbond regularly sponsors academic discussions and participates in collaboration projects among academia, industry, research institution and government agency to promote communications and interactions.

VII. If the corporate social responsibility reports have received assurance from external institutions, they should state so below: The Company's CSR report has been examined by the British Standards Institution (BSI) in accordance with the AA1000 Assurance Standard 2008.

6. Ethical corporate management and measures adopted:

Assessed items	Implementation status: Yes	Implementation status: No	Implementation status: Summary	Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
I. Establishment of ethical corporate management policy and approaches				
(I) Does the company declare its ethical corporate management policies and procedures in its rules and external documents, as well as the commitment of its board and management to implementing the management policies?	V		(I) Believing in honest management, the Company has established Ethical Corporate Management Principles that has been approved by the Board of Directors. On the basis of integrity, externally the Company serves customers with integrity and good faith, and internally, the Company rigorously requires that employees practice self-discipline and observe internal rules to build good corporate governance and risk management mechanism so as to create a sustainable business environment.	None
(II) Does the company establish policies to prevent unethical conduct with relevant procedures, guidelines of conduct, punishment for violation, rules of appeal clearly stated in the policies, and implement the policies?	V		(II) The Company has established "Conflict of Interest Reporting and Recusal Instruction", "Insider Trading Prevention Procedure", "Instruction for Personal Finance Reporting by Employees at Specific Positions and Business Related Personnel and Suppliers", "Rules for Receiving or Providing Gifts and Entertainment", "Technical and Classified Data Management Instruction", and "Anti-Trust Code of Conduct" to prevent unethical behaviors. The Company also has established "Ethical Management Violation Handling Instruction", which describes explicitly the methods and channels for filing a complaint, and vigorously promotes and implements the Instruction, and metes out disciplinary action against violators.	None
(III) Does the company establish appropriate precautionary measures for operating activities with higher risk of unethical conducts provided in Paragraph 2, Article 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEx Listed Companies or within its scope of business?	V		(III) For operating activities within the scope of business with higher risk of unethical conduct, the Company has established relevant procedures, including "Procedure for Acquisition or Disposal of Assets", "Rules for Endorsements and Guarantees", "Operating Procedure for Fund Lending", "Operating Procedure for Transactions with Group Enterprises, Specific Companies and Related Parties", and "Operating Rules for Donations" in place, and observes those procedures and regulations in related-party transactions to prevent unethical conduct.	None
II. Implementation of ethical corporate management				
(I) Does the company evaluate the ethical records of parties it does business with and stipulate ethical conduct clauses in business contracts?	V		(I) The Company requires all suppliers to sign a letter of undertaking of integrity before commencing business dealing with them.	None
(II) Does the company establish a dedicated (concurrent) unit under the Board of Directors to promote ethical corporate management, and report the status of implementation to the board?	V		(II) The Company's Human Resources is in charge of promoting ethical management related operations and responsible for formulating, publicizing and promoting ethical management related rules; Human Resources also offers education and training to all directors, supervisors and employees every year with regard to "Corporate Governance Principles", "Ethical Corporate Management Principles", "Corporate Social Responsibility Principles", "Corporate Social Responsibility Management Principles", "Ethical Code of Conduct for Directors", and "Employee Code of Conduct" to ensure the implementation of ethical management. The president would report to the Board of Directors in Q4 every year the year's results in promotion of ethical management and related training.	None

Assessed items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
(III) Does the company establish policies to prevent conflict of interests provide appropriate channels for filing related complaints and implement the policies accordingly?	V		(III) The Company has established Ethical Corporate Management Principles to specify the code of business conduct that employees are required to observe, and carries out regular training for employees. The Company publishes internal rules and regulations and work rules on internal company website and keeps all employees informed of any revisions. The Company also regularly educates employees on insider trading to prevent inadvertent violation of insider trading law.	None
(IV) Does the company have effective accounting system and internal control systems set up to facilitate ethical corporate management, and are those systems audited by either internal auditors or CPAs on a regular basis?	V		(IV) The Company has established effective accounting system and internal control systems, and has drawn up relevant operating procedures, which are readily reviewed and revised according to regulatory requirements or actual needs. The Company faithfully carries out self-evaluation of internal control systems by requiring managers, internal units and subsidiaries as well as internal audit unit to conduct self-evaluation at least once a year and produce a report therefor. The audit unit conducts audits according to the annual audit plan approved by the Board of Directors. The audit chief submits the completed audit report (or follow-up report) to independent directors for examination in the following month, and periodically reports to the audit committee and the Board of Directors the annual audit operation and annual internal control self-evaluation operation.	None
(V) Does the company hold internal and external educational trainings on operational integrity regularly?	V		(V) The Company attaches great importance to ethical management and corporate social responsibility. Human Resources would report to the Board of Directors in Q4 every year the year's results in promotion of ethical management and related training. The Company steps up the publicity of worker's rights, environmental protection, health and safety, and ethics and related training to ensure observation of corporate ethics and government regulations and to improve ethical corporate management. In 2018, the Company offered 7 sessions of related courses which totaled 2,774 person-hours and 2,072 person-times of training, and all directors, supervisors and employees have attended the courses on "Ethical Corporate Management" and "Corporate Social Responsibility."	None
III. Operation of whistleblowing system (I) Does the company establish concrete whistleblowing and reward system and have a convenient reporting channel in place, and assign an appropriate person to communicate with the accused?	V		(I) The Company has a variety of reporting and complaint channels in place, including e-mail, suggestion box and other communication channels, and we make sure employees are aware of these. The channels are reviewed and amended from time to time to ensure effective and full communication in the workplace so that problems are rapidly and effectively communicated and resolved when they arise. The Company also has relevant reward and disciplinary measures in place.	None
(II) Does the company establish standard operating procedures for investigating reported cases and related confidentiality mechanism?	V		(II) The Company has operating procedures and confidentiality measures in place as basis for handling reported cases.	None
(III) Does the company provide proper whistleblower protection?	V		(III) The Company always tries its best to keep confidential and protect the identity of the whistleblowers to shield them from threats.	None

Assessed items	Implementation status			Departure from "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and reasons
	Yes	No	Summary	
IV Enhancing information disclosure (I) Does the company disclose information regarding the company's ethical corporate management principles and implementation status on its website and the Market Observation Post System?	V		The Company has disclosed its Ethical Corporate Management Principles on its website to make it known internally/ externally. https://www.winbond.com/hq/about-winbond/investor/compliance/? locale=en	None
V. If the company has established Ethical Corporate Management Principles in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies", describe any discrepancy between the principles and their implementation: The Company has established "Ethical Corporate Management Principles" in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies" and internal rules, and related implementation does not deviate from the established principles.				
VI. Other important information to facilitate a better understanding of the company's implementation of ethical corporate management: The Company constantly watches the development of ethical management related rules and regulations at home and abroad, and based on which, reviews and improves its own policies to enhance performance management.				

7. If the company has established corporate governance principles and related guidelines, disclose the means of accessing this information: The Company has a section "Investor Services/Rules and Regulations" on its website for investors to inquiry corporate governance related rules.
8. Other significant information which may improve the understanding of corporate governance and operation: Please refer to the Company website below:
   https://www.winbond.com/hq/about-winbond/csr/corporate-governance/? locale=en

9. Implementation of internal control system

9.1 Statement on Internal Control

Winbond Electronics Corporation
Statement on Internal Control System

Date: January 31, 2019

The Company states the following with regard to its internal control system during fiscal year 2018, based on the findings of a self-evaluation:

I. The Company acknowledges and understands that the establishment, enforcement and maintenance of the internal control system are the responsibility of the Board of Directors and manager, and that the company has already established such a system. The purpose is to provide reasonable assurance to the effectiveness and efficiency of business operations (including profitability, performance and security of assets), reliability of financial reporting and compliance with relevant regulatory requirements.

II. There are inherent limitations to even the most well designed internal control system. As such, an effective internal control system can only reasonably ensure the achievement of the aforementioned goals. Moreover, the operating environment and situation may change, impacting the effectiveness of the internal control system. However, self-supervision measures were implemented within the Company's internal control policies to facilitate immediate rectification once procedural flaws have been identified.

III. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the items in "Governing Regulations for Public Company's Establishment of Internal Control System" (hereinafter called "Governing Regulations") that are related to the effectiveness of internal control systems. The criteria introduced by the "Governing Regulations" cover the process of management control and consist of five major elements, each representing a different stage of internal control: (1) Control Environment, (2) Risk Assessment, (3) Control Operation, (4) Information and Communication, and (5) Monitoring. Each of the elements in turn contains certain audit items. Please refer to "Governing Regulations" for details.

IV. The Company has adopted the aforementioned measures for an examination of the effectiveness of the design and implementation of the internal control system.

V. Based on the findings of the evaluation mentioned in the preceding paragraph, the Company believes that as of December 31, 2018, its internal control system (including its supervision and management of subsidiaries), encompassing internal controls for knowledge of the degree of achievement of operational effectiveness and efficiency objectives, reliability of reporting, and compliance with applicable laws and regulations, is effectively designed and operating, and reasonably assures the achievement of the above-stated objectives.

VI. This statement shall be an integral part of the annual report and prospectus of the company and will be made public. If any fraudulent information, concealment or unlawful practices are discovered in the content of the aforementioned information, the Company shall be held liable under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchange Act.

VII. This Statement has been passed by the Board of Directors Meeting of the Company held on January 31, 2019, where none of the 10 attending directors expressed dissenting opinions, and the remainder all affirmed the content of this Statement.

Winbond Electronics Corporation

Chairman: Arthur Yu-Cheng Chiao

President: Tung-Yi Chan

9.2 If the company engages an accountant to examine its internal control system, disclose the CPA examination report: None.

10. Penalty on the Company and its personnel or punishment imposed by the Company on personnel in violation of internal control system regulations, major deficiencies and improvement in the past year and up to the date of report: None

11. Important resolutions adopted in shareholders meeting and Board of Directors' meeting in the past year and up to the date of report

11.1 Report on the execution of resolutions adopted at the 2018 General Shareholders' Meeting

1. Motion: Ratify 2017 business report and financial report.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: Per resolution adopted.
2. Motion: Acknowledge the Company's 2017 earnings distribution plan.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: The Board of Directors decided on July 25, 2018 that the ex-dividend date will be August 20, 2018 and will carry out the cash dividend distribution operation starting September 7, 2018.
3. Motion: Discuss the issuance of common shares for cash capital increase and issuance of global depositary receipts.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: In consideration of external environment and other factors, the issuance has not taken place as of the date of report.
4. Motion: Discuss the amended Articles of Incorporation.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: The Company has completed registration of change with the Central Taiwan Science Park Administration, Ministry of Science and Technology per approval letter No. Zhong-Shang-Zi-1060014912 dated June 20, 2018.
5. Election: Discuss the amended internal rules.
   (1) Procedure for Acquisition and Disposal of Assets
   (2) Procedure for Engaging in Financial Derivative Transactions
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: Related matters are carried out according the newly effective rules.
6. Discuss the proposal to remove non-compete clause for directors.
   Resolution: Passed as proposed. (For details of the resolution, please visit Market Observation Post System)
   Implementation status: Per resolution adopted.

11.2 Important resolutions adopted by the Board of Directors in 2018 and up to March 31, 2019:

Meeting date	Summary of resolutions
February 2, 2018	1. Passed the 2017 business report, stand-alone financial report and consolidated financial report. 2. Passed the 2017 consolidated business report, consolidated financial statements and affiliation report covering affiliated enterprises. 3. Passed the 2017 Statement on Internal Control System. 4. Passed the 2018 business plan and budget. 5. Passed the 2018 capital expenditure budget. 6. Passed the change of CPAs and annual remuneration paid to Deloitte & Touche accounting firm. 7. Passed the purchase of liability insurance for directors and important corporate officers. 8. Passed the financial derivative transactions undertaken by the Company. 9. Passed the line of credit/facility of financial derivatives obtained from financial institutions. 10. Passed the 2017 pay and compensation for individual 10th-term directors and supervisors and 11th-term directors. 11. Passed the 2018 pay and compensation for individual 11th-term directors. 12. Passed the 2017 employee compensation distribution plan. 13. Passed the appointment of Mr. Jiin-Shiarng Wen as assistant vice president.
March 23, 2018	1. Passed the 2017 earnings distribution plan. 2. Passed the issuance of common shares for cash capital increase and issuance of global

	depository receipts. 3. Passed the amended Articles of Incorporation. 4. Passed the amended Procedure for Engaging in Financial Derivative Transactions. 5. Passed the removal of non-compete clause for directors (independent directors included). 6. Passed the proposed calling of 2018 general shareholders' meeting. 7. Passed the financial derivative transactions undertaken by the Company.
April 24, 2018	1. Passed the additional budget for 2018 capital expenditure. 2. Passed the proposed issuance of 2018 first secured corporate bonds. 3. Passed the adjustment to investment structure of wholly owned subsidiaries. 4. Passed the amended Internal Control System for Shareholder Service Unit. 5. Passed the removal of non-compete clause for independent directors. 6. Passed the financial derivative transactions undertaken by the Company. 7. Passed the line of credit obtained from financial institutions. 8. Passed the 2018 pay and compensation for individual managers.
July 27, 2018	1. Passed the proposed adjustment to the investment structure of subsidiaries in China. 2. Passed the financial derivative transactions undertaken by the Company. 3. Passed the line of credit obtained from financial institutions.
August 17, 2018	1. Passed the proposed construction plan for 12-inch fab at Southern Taiwan Science Park. 2. Passed the additional budget for 2018 capital expenditure. 3. Passed the financial derivative transactions undertaken by the Company.
October 26, 2018	1. Passed the proposed increase in budget for capital expenditure. 2. Passed the proposed 2019 audit plan. 3. Passed the financial derivative transactions undertaken by the Company. 4. Passed the line of credit/facility of financial derivatives obtained from financial institutions. 5. Passed the 2018 directors compensation distribution plan. 6. Passed the 2018 employees compensation distribution plan. 7. Passed the retirement and discharge of Wilson Wen as executive vice president &manager.
December 27, 2018	1. Passed the proposed application for syndicated loan from financial institutions. 2. Passed the financial derivative transactions undertaken by the Company. 3. Passed the line of credit/facility of financial derivatives obtained from financial institutions.
January 31, 2019	1. Passed the 2018 stand-alone financial report and consolidated financial report. 2. Passed the 2018 consolidated business report, consolidated financial statements and affiliation report covering affiliated enterprises. 3. Passed the 2018 Statement on Internal Control System. 4. Passed the 2019 business plan and budget. 5. Passed the 2019 capital expenditure budget. 6. Passed the annual remuneration paid to accounting firm Deloitte & Touche. 7. Passed the purchase of liability insurance for directors, supervisors and important corporate officers. 8. Passed the financial derivative transactions undertaken by the Company. 9. Passed the line of credit/facility for financial derivatives obtained from financial institutions.
March 23, 2019	1. Passed the 2018 business report. 2. Passed the 2017 earnings distribution plan. 3. Passed the proposal to add one seat for independent director to replace vacancy in the board seat to be considered in the 2019 general shareholders' meeting. 4. Passed the amended Procedure for Acquisition or Disposal of Assets. 5. Passed the amended Procedure for Engaging in Financial Derivative Transactions. 6. Passed the proposed calling of 2019 general shareholders' meeting. 7. Passed the financial derivative transactions undertaken by the Company. 8. Approved the loan/credit limit for financial derivatives transactions granted by banks. 9. Passed the 2018 remuneration for individual 11th-term directors. 10. Passed the 2019 pay and compensation for individual 11-th term directors. 11. Passed the 2018 Q3 and Q4 performance bonus and 2018 retention bonus for managerial officers 12. Passed the 2018 employee compensation distribution plan. 13. Passed the 2019 pay and compensation for individual managerial officers. 14. Passed the appointment of Vice President of Finance, Jessica Huang to serve concurrently as the chief governance officer.

12. Dissenting or qualified opinion of directors against an important resolution passed by the Board of Directors that is on record or stated in a written statement in the past year and up to the date of report: None

13. Resignation and dismissal of managers related to the financial report (including chairman, president, chief accounting officer, chief financial officer, chief R&D officer and chief internal auditor) in the past year and up to the date of report: None

14. Handling of material information:

The Company has a rigorous internal operating process in place for the handling of material information, which is made public in accordance with the "Rules for Spokesperson and Acting Spokesperson Operation." The Company also publicizes its Procedure for Prevention of Insider Trading among employees from time to time to prevent the violation of relevant rules.

(V) Information on fees to CPA:

1. Fees paid to certifying accountants and accounting firm in 2018 are as follows, where non-audit fee is less than one fourth of audit fee.

Name of accounting firm	CPA Name		Duration of audit	Notes
Deloitte & Touche	Kuo-Tien Hung	Hung-Bin Yu	2018.01.01 - 2018.12.31	

Unit: NTD

Scale \ Fee category		Audit fee	Non-audit fee	Total
1	Below NT$2,000,000		V	
2	NT$2,000,000 ~ NT$4,000,000			
3	NT$4,000,000 ~ NT$6,000,000			
4	NT$6,000,000 ~ NT$8,000,000	V		
5	NT$8,000,000 ~ NT$10,000,000			V
6	NT$10,000,000 or above			

2. If the company changes accounting firm and the amount of audit fee paid in the year of change is less than that in the year before, the amount of decrease and reason:
The Company did not change accounting firm in 2018.

3. If the audit fee is more than 15% less than that paid in the previous year, the amount and percentage of decrease and reason:
Not applicable.

(VI) Information on change of accountants:

Due to internal changes in the CPA firm, the Company's CPA Ker-Chang Wu and Hung-Bin Yu have been changed to CPA Kuo-Tien Hung and Hung-Bin Yu in 2018.

(1) Regarding previous CPA

<table>
<tr><td>Date of change</td><td colspan="3">January 1, 2018</td></tr>
<tr><td>Reasons for change and remark</td><td colspan="3">Internal adjustment of the certifying CPA firm</td></tr>
<tr><td rowspan="3">Termination initiated by client or accountant declined to accept the appointment</td><td>Contracting parties
Scenario</td><td>CPA</td><td>Client</td></tr>
<tr><td>Termination initiated by client</td><td colspan="2" rowspan="2">N/A</td></tr>
<tr><td>CPA declined to accept (continue) the appointment</td></tr>
<tr><td>Audit opinions other than unqualified opinions issued in the past two years and reasons</td><td colspan="3">None</td></tr>
<tr><td>Opinions different from those of issuer</td><td colspan="3">None</td></tr>
<tr><td>Other disclosures</td><td colspan="3">None</td></tr>
</table>

(2) Regarding succeeding CPA

Name of firm	Deloitte & Touche
CPA Name	Kuo-Tien Hung and Hung-Bin Yu
Date of appointment	January 1, 2018
Consultation given on accounting treatment or accounting principle adopted for any specific transactions and on possible opinion issued on financial report prior to appointment and results	None
Succeeding CPAs' written opinions that are different from those of the previous CPAs	None

(3) The former CPA's reply to matters under Items 1 and 2-3, Subparagraph 6, Article 10 of the Regulations Governing Information to be published in Annual Reports of Public Companies: None

(VII) The chairman, president and financial or accounting manager of the Company who had worked for the certifying accounting firm or its affiliate in the past year: None

(VIII) Share transfer by directors, managers and shareholders holding more than 10% of shares and changes to share pledging by them in the past year and up to the date of report

Unit: Shares

Title		Name	2018		2019 up to March 31	
			Increase (decrease) in shares held	Increase (decrease) in shares pledged	Increase (decrease) in shares held	Increase (decrease) in shares pledged
Chairman and CEO		Arthur Yu-Cheng Chiao	-	-	-	-
Vice Chairman and Deputy CEO		Yuan-Mow Su	(249,947)	-	-	-
Director		Yung Chin	-	-	-	-
Independent director		Francis Tsai	-	-	-	-
Independent director		Allen Hsu	-	-	-	-
Independent director		Jerry Hsu	-	-	-	-
Independent director		San-Cheng Chang	-	-	-	-
Director		Wei-Hsin Ma	-	-	-	-
Director		Chih-Chen Lin	-	-	-	-
Director	Institutional and top 10 shareholder	Walsin Lihwa Corporation	-	-	-	-
	Representative	Sophi Pan	-	-	-	-
President		Tung-Yi Chan	-	-	-	-
Vice President		Pei-Ming Chen	19,023	-	-	-
Vice President		Cheng-Kung Lin	-	-	-	-
Vice President		Chin-Fen Tsai	-	-	-	-
Vice President		Pei-Lin Pai	(73,000)	-	-	-
Vice President, Chief Financial Officer, Chief Accounting Officer and Corporate Governance Officer		Jessica Huang	-	-	-	-
Chief Business Officer		Eungjoon Park	-	-	-	-
Assistant Vice President		Shi-Yuan Wang	-	-	-	-
Assistant Vice President		Wen-Chang Hong	-	-	-	-
Assistant Vice President		Mao-Hsiang Yen	13,946	-		-
Assistant Vice President		Hsiu-Han Liao	14,906	-	-	-
Assistant Vice President		Yo-Song Cheng	12,752	-	-	-
Director		Matthew Feng-Chiang Miau (Note 3)	-	-	-	-
Executive Vice President		Wilson Wen (Note 4)	-	-	-	-
Assistant Vice President		Jiin-Shiarng Wen (Note 5)	-	-	-	-

Note 1: The information above is based on actual shares held.
Note 2: Share transfer to non-related parties, not pledged.
Note 3: Mr. Matthew Feng-Chiang Miau served as a director of the Company up to December 31, 2018. The above table discloses his information up to the date his term of office as Winbond's director ends.
Note 4: Mr. Wilson Wen served as an executive vice president of the Company up to November 5, 2018. The above table discloses his information up to the date his term of office as Winbond's manager ends.
Note 5: Mr. Jiin-Shiarng Wen served as an assistant vice president of the Company up to October 31, 2018. The above table discloses his information up to the date his service as a manager of the Company ends.

(IX) Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)

March 31, 2019; Unit: Shares

Name	Shares held by the person		Shares held by spouse and minor children		Total amount of shares held in the name of others		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) (Note 3)		Notes
	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Title (or name)	Relationship	
Walsin Lihwa Corporation	883,848,423	22.21%	-	-	-	-	Chin Xin Investment Corp.	The chairmen of two institutional shareholders have second degree of kinship	
							Arthur Yu-Cheng Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder	
							Pai-Yung Hong	A relative within first degree of kinship with the chairman of the institutional shareholder	
							Yu-Lon Chiao	Chairman of the institutional shareholder	
							Yu-Heng Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder	
							Yu-Chi Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder	
Walsin Lihwa Corporation Representative: Yu-Lon Chiao	29,694,984	0.75%	4,531,771	0.11%	-	-	Arthur Yu-Cheng Chiao	The two have second degree of kinship	
							Pai-Yung Hong	The two persons have first degree of kinship	
							Chin Xin Investment Corp.	The chairmen of two institutional shareholders have second degree of kinship	
							Yu-Heng Chiao	The two have second degree of kinship	
							Yu-Chi Chiao	The two have second degree of kinship	
Chin Xin Investment Corp.	200,047,072	5.03%	-	-	-	-	Walsin Lihwa Corporation	The chairmen of two institutional shareholders have second degree of kinship	
							Arthur Yu-Cheng Chiao	Chairman of the institutional shareholder	
							Pai-Yung Hong	A relative within first degree of	

<table>
<tr><th rowspan="2">Name</th><th colspan="2">Shares held by the person</th><th colspan="2">Shares held by spouse and minor children</th><th colspan="2">Total amount of shares held in the name of others</th><th colspan="2">Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) (Note 3)</th><th rowspan="2">Notes</th></tr>
<tr><th>Shares</th><th>Shareholding percentage (Note 1)</th><th>Shares</th><th>Shareholding percentage (Note 1)</th><th>Shares</th><th>Shareholding percentage (Note 1)</th><th>Title (or name)</th><th>Relationship</th></tr>
<tr><td rowspan="4"></td><td rowspan="4"></td><td rowspan="4"></td><td rowspan="4"></td><td rowspan="4"></td><td rowspan="4"></td><td rowspan="4"></td><td></td><td>kinship with the chairman of the institutional shareholder</td><td rowspan="4"></td></tr>
<tr><td>Yu-Lon Chiao</td><td>A relative within second degree of kinship with the chairman of the institutional shareholder</td></tr>
<tr><td>Yu-Heng Chiao</td><td>A relative within second degree of kinship with the chairman of the institutional shareholder</td></tr>
<tr><td>Yu-Chi Chiao</td><td>A relative within second degree of kinship with the chairman of the institutional shareholder</td></tr>
<tr><td rowspan="5">Chin Xin Investment Corp.
Representative: Arthur Yu-Cheng Chiao</td><td rowspan="5">63,472,995</td><td rowspan="5">1.59%</td><td rowspan="5">11,778,797</td><td rowspan="5">0.30%</td><td rowspan="5">-</td><td rowspan="5">-</td><td>Walsin Lihwa Corporation</td><td>A relative within second degree of kinship with the chairman of the institutional shareholder</td><td rowspan="5"></td></tr>
<tr><td>Pai-Yung Hong</td><td>The two persons have first degree of kinship</td></tr>
<tr><td>Yu-Lon Chiao</td><td>The two have second degree of kinship</td></tr>
<tr><td>Yu-Heng Chiao</td><td>The two have second degree of kinship</td></tr>
<tr><td>Yu-Chi Chiao</td><td>The two have second degree of kinship</td></tr>
<tr><td>LGT Bank (Singapore) Investment Fund under the custody of JPMorgan Chase Bank N.A. Taipei Branch</td><td>93,911,200</td><td>2.36%</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td rowspan="5">Arthur Yu-Cheng Chiao</td><td rowspan="5">63,472,995</td><td rowspan="5">1.59%</td><td rowspan="5">11,778,797</td><td rowspan="5">0.30%</td><td rowspan="5">-</td><td rowspan="5">-</td><td>Walsin Lihwa Corporation</td><td>A relative within second degree of kinship with the chairman of the institutional shareholder</td><td rowspan="5"></td></tr>
<tr><td>Pai-Yung Hong</td><td>The two persons have first degree of kinship</td></tr>
<tr><td>Yu-Lon Chiao</td><td>The two have second degree of kinship</td></tr>
<tr><td>Chin Xin Investment Corp.</td><td>Chairman of the institutional shareholder</td></tr>
<tr><td>Yu-Heng Chiao</td><td>The two have second degree of</td></tr>
</table>

Name	Shares held by the person		Shares held by spouse and minor children		Total amount of shares held in the name of others		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) (Note 3)		Notes
	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Title (or name)	Relationship	
							Yu-Chi Chiao	kinship The two have second degree of kinship	
Vanguard Emerging Markets Stock Index Fund managed by Vanguard Group under the custody of JPMorgan Chase Bank N.A. Taipei Branch	43,255,524	1.09%	-	-	-	-	-	-	Note 2
Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds under the custody of JPMorgan Chase Bank N.A. Taipei Branch	42,248,474	1.06%	-	-	-	-	-	-	Note 2
Pai-Yung Hong	38,433,771	0.97%	-	-	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Yu-Lon Chiao Chin Xin Investment Corp. Yu-Heng Chiao Yu-Chi Chiao	A relative within first degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two persons have first degree of kinship A relative within first degree of kinship with the chairman of the institutional shareholder The two persons have first degree of kinship The two persons have first degree of kinship	-
Yu-Heng Chiao	31,988,748	0.80%	2,728,567	0.07	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp.	A relative within second degree of kinship with the chairman of the institutional shareholder The two have second degree of kinship The two persons have first degree of kinship A relative within second degree of kinship with the chairman of the	-

Name	Shares held by the person		Shares held by spouse and minor children		Total amount of shares held in the name of others		Titles, names and relationships between top 10 shareholders (related party, spouse, or kinship within the second degree) (Note 3)		Notes
	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Shares	Shareholding percentage (Note 1)	Title (or name)	Relationship	
							 Yu-Lon Chiao Yu-Chi Chiao	institutional shareholder The two have second degree of kinship The two have second degree of kinship	
Yu-Lon Chiao	29,694,984	0.75%	4,531,771	0.11%	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp. Yu-Heng Chiao Yu-Chi Chiao	Chairman of the company The two have second degree of kinship The two persons have first degree of kinship A relative within second degree of kinship with the chairman of the institutional shareholder The two have second degree of kinship The two have second degree of kinship	-
Yu-Chi Chiao	22,859,166	0.57%	2,550,000	0.06	-	-	Walsin Lihwa Corporation Arthur Yu-Cheng Chiao Pai-Yung Hong Chin Xin Investment Corp. Yu-Lon Chiao Yu-Heng Chiao	A relative within second degree of kinship with the chairman of the institutional shareholder The two have second degree of kinship The two persons have first degree of kinship A relative within second degree of kinship with the chairman of the institutional shareholder The two have second degree of kinship The two have second degree of kinship	-

Note 1: "Shareholding percentage" was based on then issued and outstanding common shares of 3,980,000,193 shares as of March 31, 2019.

Note 2: The custodian banks are unable to provide the list of ultimate holders.

Note 3: Relationships are disclosed pursuant to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(X) The shareholding of the Company, Director, manager and an enterprise that is directly or indirectly controlled by the Company in the invested company

December 31, 2018; Unit: Shares

Invested entity (Note)	Investment by the Company (A)		Investments by directors, managers and directly or indirectly controlled enterprises (B)		Combined investment (A+B)	
	Shares	Percentage (%)	Shares	Percentage (%)	Shares	Percentage (%)
Winbond International Corporation	95,410,000	100	-	-	95,410,000	100
Pine Capital Investment Ltd.	780,000	100	-	-	780,000	100
Landmark Group Holdings Ltd.	5,893,000	100	-	-	5,893,000	100
Mobile Magic Design Corp.	5,000,000	100	-	-	5,000,000	100
Techdesign Corporation	5,000,000	100	-	-	5,000,000	100
Winbond Electronics (H.K.) Ltd.	71,150,000	100	-	-	71,150,000	100
Winbond Technology LTD	100,000	100	-	-	100,000	100
Callisto Holding Limited	40,000,000	100	-	-	40,000,000	100
Nuvoton Technology Co.	126,620,087	61	-	-	126,620,087	61
Chin Xin Investment Corp.	182,840,999	38	194,696,278	40	377,537,277	78
Hwa Bao Botanic Conservation Corp.	75,000	15	75,000	15	150,000	30

Note 1: Long-term investment accounted for using equity method.

Capital Raising Overview

I. Capital and shareholding

(I) Sources of capital

March 31, 2019; Unit: shares; NTD

Year/ month	Issue price	Authorized capital		Paid-in capital		Notes		
		Shares	Amount	Shares	Amount	Sources of capital	Subscriptions paid with property other than cash	Approval date and number
2014.02	10	6,700,000,000	67,000,000,000	3,694,023,193	36,940,231,930	Exercise of employee stock options: NT$20,560,000	None	Zhong-Shang-Zi-1030003799 dated 2014/02/19
2014.05	10	6,700,000,000	67,000,000,000	3,694,466,193	36,944,661,930	Exercise of employee stock options: NT$4,430,000	None	Zhong-Shang-Zi-1030011345 dated 2014/05/14
2014.09	10	6,700,000,000	67,000,000,000	3,694,640,193	36,946,401,930	Exercise of employee stock options: NT$1,740,000	None	Zhong-Shang-Zi-1030021668 dated 2014/09/18
2014.11	10	6,700,000,000	67,000,000,000	3,694,982,193	36,949,821,930	Exercise of employee stock options: NT$3,420,000	None	Zhong-Shang-Zi-1030026773 dated 2014/11/20
2015.11	10	6,700,000,000	67,000,000,000	3,580,000,193	35,800,001,930	Decrease in treasury stock: NT$1,149,820,000	None	Zhong-Shang-Zi-1040028089 dated 2015/11/18
2017.12	10	6,700,000,000	67,000,000,000	3,980,000,193	39,800,001,930	Cash capital increase: NT$4,000,000,000	None	Zhong-Shang-Zi-1061000748 dated 2017/12/26

March 31, 2019; Unit: Shares

Type of stock	Authorized capital			Notes
	Shares issued and outstanding	Un-issued shares	Total	
Common Shares	3,980,000,193	2,719,999,807	6,700,000,000	Listed stock

Note 1: Of the total capital amount, up to NT$5 billion may be used for issues of employee stock options, preferred stocks or corporate bonds with warrant for a total of 500 million shares with par value of NT$10 per share. Those shares may be issued in installments. The respective amount for the issue of employee stock options, preferred stocks or corporate bonds with warrant may be adjusted by resolution of the Board of Directors in view of the capital market situation and business needs.

Note 2: Information on shelf registration: None

(II) Shareholder structure

March 31, 2019

Quantity/ shareholder structure	Government agencies	Financial institutions	other corporations	Individual investors	Foreign institutions and foreigners	Chinese investors (Note)	Total
Number of people	2	67	231	242,266	567	3	243,136
Shares held	23,000,831	41,394,265	1,133,872,049	2,018,258,019	763,474,654	375	3,980,000,193
Percentage (%)	0.58%	1.04%	28.49%	50.71%	19.18%	0	100.00%

Note: Chinese investors refer to China individuals, juristic persons, groups, other institutions or companies based in a third area as provided in Article 3 of the Regulations Governing Investment by People in Mainland China in Taiwan.

(III) Dispersion of equity ownership

1. Common shares:

March 31, 2019; Par value of NT$10 per share

Shares	Number of shareholders	Shares held	Percentage (%)
1 ~ 999	61,577	17,496,424	0.44
1,000 ~ 5,000	120,206	279,222,658	7.02
5,001 ~ 10,000	29,490	235,337,313	5.91
10,001 ~ 15,000	9,969	125,374,915	3.15
15,001 ~ 20,000	6,791	126,420,097	3.18
20,001 ~ 30,000	5,638	143,696,713	3.61
30,001 ~ 50,000	4,330	174,172,799	4.36
50,001 ~ 100,000	2,962	212,887,214	5.35
100,001 ~ 200,000	1,202	168,698,892	4.24
200,001 ~ 400,000	500	138,991,191	3.49

400,001 ~ 600,000	158	77,437,332	1.95
600,001 ~ 800,000	65	45,191,069	1.14
800,001 ~ 1,000,000	43	38,915,016	0.98
>1,000,001	205	2,196,158,560	55.18
Total	243,136	3,980,000,193	100.00

2. Preferred stocks: N/A

(IV) List of major shareholders

1. Names, shares and percentage of shareholding of shareholders with more than 5% of equity:

March 31, 2019

Name/ shareholding of major shareholder	Shares held	Percentage (%)
Walsin Lihwa Corporation	883,848,423 shares	22.21%
Chin Xin Investment Corp.	200,047,072 shares	5.03%

2. For names, shares and percentage of shareholding of top ten shareholders please see p. 42-45.

(V) Stock price, net worth, earnings, dividends and related information for the previous two years

Unit: NT$

Item/ Year			2017	2018	2019 up to March 31
Stock price (Note 1)	High		30.35	25.25	15.90
	Low		9.93	11.35	12.35
	Average		20.18	18.47	14.45
Net worth per share (Note 2)	Before distribution		15.13	15.69	-
	After distribution		14.13	(Note6)	-
Earnings per share	Weighted average shares (1,000 shares)		3,608,948	3,980,000	-
	Earnings per share		1.54	1.87	-
Dividends per share	Cash dividend		1.00	(Note6)	-
	Stock dividends	From retained earnings	-	(Note 6)	-
		From capital surplus	-	(Note 6)	-
	Accumulated unpaid dividend		-	-	-
Return analysis	Price-earnings ratio (Note 3)		13.10	9.88	-
	Price-dividend ratio (Note 4)		20.18	(Note 6)	-
	Cash dividend yield (Note 5)		4.96%	(Note 6)	-

Note 1: The year's high and low market prices of common share are provided and the average price for the year is computed based on the year's transaction amount and volume.

Note 2: Net worth per share is computed based on the number of shares issued and outstanding at the end of the year.

Note 3: Price-earnings ratio＝Year's average per share closing price / earnings per share.

Note 4: Price-dividend ratio＝Year's average per share closing price / cash dividend per share.

Note 5: Cash dividend yield＝ Cash dividend per share / year's average per share closing price.

Note 6: The 2018 earnings distribution plan will be finalized after the shareholders' meeting.

(VI) Dividend policy and implementation status

1. Dividend policy

The Company's dividend policy declared in the Articles of Incorporation is as follows:

Any profit at the closing of each fiscal year shall be used to offset prior years' losses after paying all taxes. The Company shall set aside 10% of the remainder, if any, as legal reserve until such reserve equals the paid-in capital. Special reserve may be set aside or reversed according to laws or the competent authority. For the remainder, if any, plus undistributed earnings in prior years, the Board of Directors may propose an earnings distribution plan for dividends for stockholders and submit the plan to the shareholders' meeting for approval.

The Company's dividend policy is set up in accordance with the Company Act and the Articles of Incorporation of Winbond Electronics Corp. in consideration of factors including capital, financial structure, operating status, earnings, industry characteristics and cycle, etc. Hence the distribution of dividends will factor in the future plans for operational scale and cash flow needs, which however shall not be less than 50% of earnings for the year after offsetting accumulated deficits and deducting legal reserve and special reserve and may be distributed in the form of stock or cash, in which cash dividend to be distributed shall not be less than 50% of total dividends to promote the sustainable development of the Company.

2. Dividend distribution to be proposed to the shareholders' meeting:

The Company's 2018 earnings distribution plan as decided in the Board of Directors' meeting on March 25, 2019 is cash dividend of NT$1 per share, which will be distributed after it is approved in shareholders' meeting to be held on June 14, 2019.

(VII) Effect of the proposed stock dividends (to be adopted by the shareholders' meeting) on the operating performance and earnings per share: N/A.

(VIII) Remuneration to employees and directors

1. Percentage or scope of compensation for employees and directors provided in Company's Articles of Incorporation:

The Company shall set aside not more than 1% of its earnings before tax for the year prior to deducting compensation of employees and directors as remuneration to directors, and not less than 1% as employee compensation. Employee compensation shall be decided by the Board of Directors, and may be distributed in the form of stock or cash to employees, including employees of subsidiaries meeting certain criteria.
However when the Company still has accumulated loss, a certain amount of the earnings shall be retained for making up the loss and the remainder may be set aside as employee compensation and remuneration to directors according to the percentage specified in the preceding paragraph.
The "employees of subsidiaries meeting certain criteria" as described in the first paragraph will be determined by the Board of Directors or by Chairman as authorized by the Board of Directors.

2. Basis for estimating the amount of compensation for employees and directors, basis for calculating the number of shares to be distributed as stock compensation, and the accounting treatment of the discrepancy, if any, between the actual distributed amount and the estimated amount, for the current period:

According to Article 22 of the Company's Articles of Incorporation, 1% of the Company's 2018 CPA-audited earnings in the amount of NT$81,824,913 will be appropriated as remuneration to directors, and 2% in the amount of NT$163,649,825 will be appropriated as employee compensation. The remuneration to directors and the employee compensation will all be distributed in cash. The aforementioned appropriation ratios and amounts have been passed by the Remuneration Committee and the Board of Directors.
If the estimated amount differs from the actual amount after the date of the consolidated financial report, the discrepancy will be treated according to changes in accounting estimates and adjusted and entered into account the following year.

3. Distribution of compensation passed by the Board of Directors:

(1) Employee compensation and remuneration to directors distributed in the form of cash or stock. In case of any discrepancy between the amounts and the amortized estimates for the year, the differences, reasons, and responses should be disclosed.

Year of compensation: 2018
Dated passed by the Board of Directors: March 25, 2019
Unit: shares; NT$

Employee compensation				Remuneration to directors	Any difference between the amounts and the estimates stated in the financial statements for the year		
Cash	Stock	Number of shares	Total	Cash	Difference	Reason	Actions taken
163,649,825	0	0	163,649,825	81,824,913		N/A	N/A

Note: There is no difference between the aforementioned compensation of employees and directors and the amount recognized in the 2018 consolidated financial statements.

(2) Amount of employee compensation distributed in the form of stock as a percentage of the after-tax income provided in this year's stand-alone financial statements and total employee compensation combined: N/A.

4. Information on actual distribution of employee compensation and remuneration to directors and supervisors in the previous year:

<table>
<tr><td colspan="8">Year of compensation: 2017
Dated passed by the Board of Directors: February 2, 2018
Unit: shares; NT$</td></tr>
<tr><td colspan="4">Employee compensation</td><td>Remuneration to directors and supervisors</td><td colspan="3">Any difference between the amounts and the estimates stated in the financial statements for the year</td></tr>
<tr><td>Cash</td><td>Stock</td><td>Number of shares</td><td>Total</td><td>Cash</td><td>Difference</td><td>Reason</td><td>Actions taken</td></tr>
<tr><td>67,881,308</td><td>0</td><td>0</td><td>67,881,308</td><td>67,881,308</td><td></td><td>N/A</td><td>N/A</td></tr>
</table>

Note: There is no difference between the aforementioned compensation of employees, directors and supervisors and the amount recognized in the 2017 consolidated financial statements.

(IX) Stock buyback: None

II. Issuance of corporate bonds

March 31, 2019; Unit: NT$

<table>
<tr><td colspan="2">Type of corporate bond</td><td>2018 first secured corporate bonds</td></tr>
<tr><td colspan="2">Date of issue</td><td>2018/7/17</td></tr>
<tr><td colspan="2">Denomination</td><td>1,000,000</td></tr>
<tr><td colspan="2">Issue price</td><td>Fully issued at par value</td></tr>
<tr><td colspan="2">Total amount</td><td>10,000,000,000</td></tr>
<tr><td colspan="2">Coupon Rate</td><td>1% per annum</td></tr>
<tr><td colspan="2">Tenor</td><td>7-year maturity date: 2025/7/17</td></tr>
<tr><td colspan="2">Guarantors</td><td>Taiwan Cooperative Bank, CTBC Bank, Taishin International Bank, Mega Bank, DBS Bank, Bank of Taiwan, Chang Hwa Bank, E.Sun Commercial Bank, First Commercial Bank, Taiwan Business Bank</td></tr>
<tr><td colspan="2">Trustee</td><td>SinoPac Bank</td></tr>
<tr><td colspan="2">Underwriter</td><td>Taiwan Cooperative Bank</td></tr>
<tr><td colspan="2">Legal advisor</td><td>Hsin-Lan Hsu, Lee and Li, Attorneys-at-Law</td></tr>
<tr><td colspan="2">Auditor</td><td>Hung-Bin Yu, Deloitte & Touche</td></tr>
<tr><td colspan="2">Repayment</td><td>Bullet loan</td></tr>
<tr><td colspan="2">Unpaid principal</td><td>10,000,000,000</td></tr>
<tr><td colspan="2">Redemption or early repayment clause</td><td>None</td></tr>
<tr><td colspan="2">Covenants</td><td>None</td></tr>
<tr><td colspan="2">Name of credit rating agency, date of rating, and bond rating</td><td>None</td></tr>
<tr><td rowspan="2">Other rights of bondholders</td><td>Amount of converted (exchanged or subscribed) common shares, GDRs or other securities</td><td>N/A</td></tr>
<tr><td>Issuance and conversion (or exchange) features</td><td>N/A</td></tr>
<tr><td colspan="2">Possible dilution effect of issuance and conversion, exchange or subscription features and terms of issue, and effects on existing stockholders' equity</td><td>None</td></tr>
<tr><td colspan="2">Custodian</td><td>N/A</td></tr>
</table>

III. Issuance of preferred stocks: None

IV. Issuance of global depository receipts (GDR)

March 31, 2019; Unit: USD

Date of issue	February 5, 1999	
Place of issue and trading	Luxembourg	
Total amount	US$333,502,000	
Offering price per unit	February 5, 1999 - initial issue US$11.45	November 18, 1999 - additional issue US$16.70
Total units issued (units)		30,336,980
	February 5, 1999 - initial issue	14,600,000
	November 18, 1999 - additional issue	9,960,000
	July 7, 2000 - additional issue for the distribution of stock dividends	2,108,252
	June 1, 2001 - additional issue for the distribution of stock dividends	3,668,728
Source of underlying security	Issuance of new shares for cash capital increase	
Underlying security	10 common shares of Winbond	
Rights and obligations of GDR holder	Dividends, interest distribution and relevant taxes of the underlying shares represented by the GDRs shall be governed by the laws of the Republic of China, the Depository Agreement and the Custodial Agreement.	
Trustee	None	
Depository bank	Bank of New York Mellon Corp.	
Custodial bank	Bank International Commercial Bank	
Balance outstanding (units)	13,354	
Allocation method for fees incurred in issuance and the outstanding period	Borne by Winbond Electronics Corp.	
Covenants of depository agreement and custodial agreement	The deposit, redemption and delivery of the underlying shares represented by the GDRs and the re-issuance of the GDRs shall be governed by the laws of the Republic of China, Depository Agreement and the Custodial Agreement.	
Unit price (US$) — 2018	High	8.39
	Low	3.69
	Average	5.93
Unit price (US$) — 2019 up to March 31	High	5.08
	Low	4.18
	Average	4.64

V. Exercise of employee stock option plan (ESOP): None

VI. Restricted stock awards: None

VIII. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies: None

VIII. Implementation of fund utilization plan:

I. Proceeds of NT$10 billion raised from the first domestic issue of secured corporate bonds on July 17, 2018 have been used up by the end of Q4 2018 on capital expenditure, replenishing working capital and repayment of bank loan according to plan and schedule. There is no major discrepancy between the anticipated benefits and actual results.

II. Financing project that is not yet fully implemented:

After being approved by the Board of Directors, the Company issued new shares on September 7, 2017 for cash capital increase, which has been approved by the FSC Securities and Futures Bureau per letter No. Jin-Guan-Zheng-Fa-Zi-1060038453 dated October 16, 2017. All funds are used to purchase machinery and equipment.

(I) Issuance plan:

1. Total funding needs under the plan: NT$10,935,000,000
2. Sources of funds:

(1) Issuance of 400,000,000 new shares at the price of NT$22 per share to raise capital in the amount of NT$8,800,000,000.

(2) The rest of the funds in the amount of NT$2,135,000,000 necessary to the plan will come from own funds or bank loans.

3. Project and planned fund utilization schedule

(1) Total fund utilization plan

Unit: NT$1,000

Project	Planned completion date	Total funds needed	Planned fund utilization schedule					
			2017		2018			
			Q3	Q4	Q1	Q2	Q3	Q4
Expansion of 12-inch wafer capacity	Q4 2018	10,935,000	800,658	1,101,911	5,705,838	2,847,693	405,882	73,018

Note 1: The cash capital increase this time is expected to be completed by the end of 2017. Before the funds are raised in full, the Company will use own funds and bank loans to meet the funding needs for capacity expansion.

Note 2: If the actual funds raised are less than the originally planned, the Company will use own funds and bank loans to cover the shortfall. If the actual funds raised is more than the originally planned, extra funds will also be used in the expansion of 12-inch wafer capacity.

(2) Plan for utilizing funds raised in the planned capital increase

Unit: NT$1,000

Project	Planned completion date	Total funds raised	Planned fund utilization schedule		
			2018		
			Q1	Q2	Q3
Expansion of 12-inch wafer capacity	Q3 2018	8,800,000	5,705,838	2,847,693	246,469

4. Expected benefits

The Company plans to purchase NT$10,935,000,000 of machinery and equipment this time. The expected benefits are illustrated below:

Unit: 1,000 pcs; NT$1,000

Year	Product	Production volume	Sales volume	Sales value	Gross profit	Operating profits
2018	12-inch wafers	49	39	3,057,635	993,704	810,246
2019	12-inch wafers	72	72	4,902,542	1,414,427	1,120,275
2020	12-inch wafers	72	72	4,461,314	1,248,416	980,737
2021	12-inch wafers	72	72	4,059,795	1,095,835	852,247
2022	12-inch wafers	72	72	3,694,414	955,598	733,933
2023	12-inch wafers	72	72	3,361,917	826,705	624,991

(II) Implementation status:

Unit: NT$1,000

Deadline	Date of Market Observation Post System	Implementation status	Current quarter		Grand total		Reasons for ahead or behind schedule and improvement plan
			Planned	Actual	Planned	Actual	
2017/12/31	2018/1/10	Spending	0	228,603	0	228,603	The cash capital increase was completed on December 15, 2017. Therefore the plan was executed ahead of schedule in Q4 2017.
		Progress (%)	0.00%	2.59%	0.00%	2.59%	
2018/3/31	2018/4/10	Spending	5,705,838	4,421,721	5,705,838	4,650,324	Ongoing according to plan
		Progress (%)	64.83%	50.25%	64.83%	52.84%	
2018/6/30	2018/7/9	Spending	2,847,693	2,652,710	8,553,531	7,303,034	Ongoing according to plan
		Progress (%)	32.36%	30.15%	97.19%	82.99%	
2018/9/30	2018/10/9	Spending	246,469	423,933	8,800,000	7,726,967	Ongoing according to plan
		Progress (%)	2.81%	4.81%	100.00%	87.80%	
2018/12/31	2019/1/8	Spending	0	157,263	8,800,000	7,884,230	Ongoing according to plan
		Progress (%)	0.00%	1.79%	100.00%	89.59%	
2019/3/31	2019/4/8	Spending	0	62,847	8,800,000	7,947,077	Ongoing according to plan
		Progress (%)	0.00%	0..71%	100.00%	90.30%	

Business Overview

1. Business activities

a. Business Scope

1. Major business activities and percentages of total revenue

Winbond's core products include DRAM and Code Storage Flash Memory. Logic ICs are the principal products of Nuvoton Technology Corporation ("Nuvoton Technology"), a major subsidiary of Winbond.
2018 revenue breakdown by product (as percentages of consolidated revenue):

Unit: NT$1,000

Key products	Operating revenue	%
DRAM product income	21,582,960	42
Flash memory product income	19,647,843	38
Logic IC revenue	9,958,368	20
Other income	1,152	-
Sales revenue - Consolidated financial statements	51,190,323	100

2. Key products

2.1 Dynamic random access memory (DRAM)

- Specialty DRAM: They are chiefly used in computing, communication and consumer electronics, automotive and industrial electronics, and medical electronics. Specifications include 16Mb-4Gb and KGD (Known Good Die).
- Mobile DRAM: They are chiefly used in cell phones, tablets, low power mobile handheld devices, wearable devices, automotive and industrial electronics, and the Internet of Things (IoT). Specifications include 32Mb-256Mb pseudo SRAM and 128Mb-4Gb Low Power Mobile DRAM.

2.2 Code Storage Flash Memory

They are chiefly used in PCs and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, and household appliance modules, etc. Specifications include 512Kb-8Gb.

2.3 Logic IC

Nuvoton Technology's primary business consists of IC design and sales and IC foundry services. The main IC products offer a wide range of applications. Products include microcontrollers (MCU), audio products and cloud computing products. Nuvoton Technology also owns a 6-inch IC plant equipped with diversified processing technologies to provide professional IC foundry services.

3. New products and services under development

3.1 Dynamic random access memory (DRAM)

- Specialty DRAM: The company continues to develop 38nm process low- and medium-capacity products. They are chiefly used in computing, communication and consumer electronics, automotive and industrial electronics, and medical electronics. We will also continue to develop the advanced 2xnm process.
- Mobile DRAM: We will continue to develop medium to low capacity as well as low power consumption mobile DRAM for applications principally in cell phones, tablets, low power consumption mobile devices, wearable devices, IoT, automotive and industrial electronics.

3.2 Code Storage Flash Memory

We will continue to follow the 46nm process to produce safe, high performance, low power consumption code storage flash memory products with high added value for applications in PCs and peripherals, mobile handheld devices and peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, household appliance modules, and information security, etc. We will also continue to develop advanced 3xnm process technology.

3.3 Logic IC

The development of new logic IC will focus on low power consumption MCU using high-end processing technologies to satisfy the demands for low-power high-performance applications in IoT, industrial control, etc. Current development of audio products focuses on Class D smart amplifier and audio MCU for applications in smart speaker, cell phone, consumer electronics and portable notebook markets. In the area of cloud computing products, we will focus on developing control IC with innovative features and functions and integrating and streamlining external components for use by clients on different platforms while retaining the flexibility of built-in MCU for custom development.

b. Industry overview

1. Industry current trends and future outlook

1.1 DRAM

The statistics of market research firm shows that 2018 global semiconductor sales stood at US$476.7 billion, representing an annual growth of more than 10%. Benefited from the average selling prices of DRAM products, the memory segment reported 30% revenue growth, accounting for about 35% of the overall semiconductor market and the biggest contributor to market gain. The U.S.-China trade war that started in the second half of 2018 has added uncertainties to the global economy. However, changes in the industrial environment marked by more orderly competition in the DRAM market and diverse applications that drive a new wave of demands for memory have aided the stable growth of the semiconductor industry. For example, emerging technologies, such as AI and 5G are expected to greatly expand the application of IoT, and terminal devices enabled with edge computing will create demands for product upgrade while driving increased use of memory for the add-ons.

1.2 Code Storage Flash Memory

Winbond's code storage flash memory features a serial interface. Winbond is one of the world's three leading serial flash memory suppliers and holds more than one third of the global market. Code storage flash memory is a relatively stable market in terms of size and growth. The code storage flash process is a mature technology that requires relatively less investment and new capacities added in recent years are not disruptive to market equilibrium. Moreover, code storage flash is a key component in numerous electronic applications. The growing number of electronic products and higher capacities will keep the market stable as a whole for a long time.

1.3 Logic IC

The demand for MCU continues to climb. The 32-bit ARM® Cortex®-M MCU is the backbone of the market and new applications are wide ranging as the product offers low power consumption and high performance. With respect to audio products, a wave of revolution and innovations involving applications that enable hands free natural language interaction between voice-user interfaces (VUI) and the internet is setting the industry standards. The demand for cloud services and applications continues to grow while technologies from smart networks to AI computing start changing the everyday life. Servers, data centers, and custom computing devices all serve to satisfy consumers' needs for changes in a constantly changing world.

2. Relationships with suppliers in the industry's supply chain

2.1 Memory industry

In terms of the supply chain, upstream equipment suppliers provide the manufacturing equipment, while raw material suppliers are responsible for producing silicon wafers, masks, chemicals, metal targets, gases, and other raw materials for the production of memory.

Midstream memory suppliers, after purchasing equipment and raw materials, use the manufacturing equipment to develop a series of complex processes, such as lithography, rapid hi-temperature processing, chemical vapor deposition, ion implantation, etching, chemical machinery polishing and grinding, and process control and monitoring. Moreover, midstream memory manufacturers will design and develop related memory products based on market demand and future trends. Manufacturers will use process technology to etch the finished product onto the wafers and deliver the wafers to downstream packaging and testing suppliers for backend packaging and testing.

Downstream packaging and testing suppliers are responsible for cutting, grinding, packaging, and completing the final tests of wafers produced in the preceding stage before delivering the finished product to the memory manufacturers. Memory manufacturers sell the finished product to end-product system manufacturers, module manufacturers, or distributors who will then apply the memory to related products or sell the memory to end customers.

2.2 Logic IC industry

The supply chain of the Logic IC industry can be roughly divided into upstream IC design companies, midstream IC manufacturers and downstream IC packaging and testing plants. In terms of the supply chain, MCUs are the control and computing core of end products. In cloud computing IC, downstream customers consist mainly of servers, desktop workstations, personal computers, smart handheld devices, network communications and industrial computer industries.

3. Product trends and competition

3.1 Dynamic random access memory (DRAM)

With respect to product technology, specialty DRAM product technology has advanced from SDR, DDR, DDR2, and DDR3 to DDR4. Mobile DRAM will also move from LP DDR, LP DDR2, and LP DDR3 to LP DDR4. DDR4 and LP DDR4 are the focus of the DRAM industry, which continues to be dominated by an oligopoly of three large international DRAM manufacturers.

With respect to process technology, international DRAM manufacturers continue to increase the percentage of advanced production such as 1xnm to 2xnm in 2018. Other manufacturers in Taiwan will implement 2xnm through technology licensing. Winbond is Taiwan's only manufacturer with in-house 25nm process technology, which has entered mass production in the fourth quarter of 2018. It will also continue to invest to develop the 2xnm process.

3.2 Code Storage Flash Memory

With respect to product capacity, the demand for high-capacity code storage flash memory continues to increase. The capacity of NOR flash memory ranges from 512Kb to 512Mb, and the capacity of NAND flash memory has been expanded to 8Gb, which is the prevailing industry trend. Furthermore, the market will be moving toward an approach that begins with end user applications and proceeds to develop code storage flash memory that offers added value, security, high speed and low voltage. The code storage flash memory market is currently dominated by international manufacturers and some Taiwanese and Chinese manufacturers.

3.3 Logic IC

MCU products must feature low power consumption as well as high performance and cost effectiveness. Different fields of application demand specific designs and one product cannot satisfy all requirements. Therefore, the MCU platform products with high security design and software/hardware reference solutions developed for different applications are the market mainstreams. The development of audio products will continue to focus on audio microcontrollers, ultra-low power (ULP) audio CODEC, smart class-D audio amplifier and the DSP algorithm to provide integrated solutions for all kinds of voice interface applications. The demand for cloud services appears when users try to upload a massive amount of data. Innovative applications and service leadership depend not only on well-established data centers, but also on solutions for a growing need for security in end user information gathering infrastructure.

c. Overview of Technology and R&D

1. Winbond's R&D expenses (including those of the subsidiary and Nuvoton Technology) in the previous year and in the current year up to the annual report publication date:

Unit: NT$1,000

Item	2017	2018 up to March 31
R&D Expenses	7,697,343	1,986,477

2. Successfully developed technologies and products

2.1 Dynamic random access memory (DRAM)

Winbond is Taiwan's only supplier with in-house process technology. It has completed the development of 25nm DRAM, which entered mass production in Q4 2018. Winbond is proceeding to improve yield for the in-house 25nm process in order to meet customers' requirements of high quality, high reliability, and special process specifications.

2.2 Code Storage Flash Memory

Winbond continues to use the 46nm process to develop code storage flash memory that offers added value, security, high speed, low power consumption, low voltage or encryption. The company also takes a step further to develop the advanced 3xnm process in order to secure its leading position in serial NOR flash memory. In addition, Winbond continues to promote the serial interface and the more economical 1Gb/2Gb/4Gb/8Gb products to meet the demand of different end user applications.

2.3 Logic IC

- High-efficiency NuMicro® M480 MCU series powered by Arm Cortex®-M4 core with secure boot and hardware-based encryption.
- NuMicro® M2351 series MCU built in with TrustZone® that focuses on IoT security.
- BMC (baseboard management controller) supported by OpenBMC that can share the BMC firmware development results of OCP members and offer powerful computing function.

d. Business plan - long-term and short-term

1. Short-term business development plans

1.1 Dynamic random access memory (DRAM)

- The company works to improve yield for 25nm process and invests in the development of 2xnm process to reduce product costs and improve quality.
- The company is devoted to developing new products, new customers, and new applications in order to increase chip sales volume and revenue and improve profitability.
- Applications, customers, and product combinations are constantly enhanced to increase the value and profitability of each chip.

1.2 Code Storage Flash Memory

- The company continues to develop the 3xnm process to reduce product costs and improve quality.
- The company continues to try to increase its market share in computers and their peripherals, mobile handheld devices and their peripheral modules, IoT, automotive and industrial electronics, and medical electronics.
- Applications, customers, and product combinations are optimized to increase the value and profitability of each chip.
- The company cultivates world-class brand customers in pursuit of profit stability and growth.

1.3 Logic IC

- In MCU, we enhance the advantages in cost-performance ratio and localized support and actively build an ecosphere where we provide a complete development platform to provide customers with the best development experience.
- With respect to audio products, we will provide customers with comprehensive and high-performance audio and voice solutions.
- Regarding cloud computing products, the Company will expand the development of competitive hardware and software solutions that are suitable for the world's leading brands through leading secure technologies and integrated local advantages.

2. Long-term business development plans

2.1 Dynamic random access memory (DRAM)

- The company continues the development of advanced processes to increase core competitiveness.
- The company develops mobile DRAM with new specifications and explores different areas of applications.
- The company increases market share for niche markets such as KGD, automotive, industrial, and medical, MCP, and SiP.

2.2 Code Storage Flash Memory

- The company continues the development of the high-margin end product application market, including automotive and industrial electronics, medical electronics, IoT, and wearable devices. We have received certification from leading international manufacturers.
- The goal is to offer value in high speed, low voltage, low power, and heightened security levels.

2.3 Logic IC

- MCU operations will continue to focus on product development and strengthen technologies in terms of low power consumption, analog and security; and through product innovation and process technology evolution, enrich the 32-bit and 8-bit MCU product platform.
- Audio operations will be built around high-performance, low power consumption audio processing controller and expand the deployment of amplifier and ULP audio CODEC products in the hope to skip the low-end, low-price market and put more resources into developing the smart toy market that offers higher profit margin.

2. Market, production and sales

a. Market analysis

1. Winbond's consolidated sales revenue (including that of the subsidiary Nuvoton Technology) by region of product sales for the year 2018:

Unit: NT$1,000

Region	Sales	%
Asia	46,549,128	91%
Americas	2,663,718	5%
Europe	1,758,828	4%
Other	218,649	-
Total	51,190,323	100%

2. Market share and growth potential

2.1 DRAM

In 2018, Winbond held nearly 1% of the entire DRAM market. For 2019, market research firm predicts that under global economic uncertainties and the threat of U.S.-China trade war, demands for PC, servers, smart phones and other end devices will slow down and the growth of demands for DRAM is expected to slip in comparison with two previous years. But in the long run, AI and 5G are expected to greatly expand the application of IoT and the growing use of artificial intelligence in consumer electronics, IoV (Internet of Vehicle) and Industry 4.0 will push up the demand for embedded memory chips and bit capacity. All these developments will contribute to the steady growth of the DRAM sector.

2.2 Code Storage Flash Memory

After many years of hard work in establishing its presence in the market, Winbond is now a leading supplier of code storage flash memory in the world. Winbond continues to hold more than one third of the global serial flash market in 2018. Moreover, the demand for code storage flash memory is shifting toward high capacity. Higher density and the advantages of fewer pins and lower overall costs afforded by code storage flash memory using a serial interface ensure continuing growth in the market for code storage flash memory using a serial interface.

2.3 Logic IC

Our 32-bit Cortex®-M0/M4 MCU, ARM® 7/9, and 8-bit MCUs are cost effective and well received by the market that help drive up our market share every year. Meanwhile, the development of MCUs is moving toward energy-efficient, smart, small, light and multi-functions. The popularity of smart phones also drives the strong demand for wireless chargers. The demands for energy efficient IoT devices, security management, health management and AI products are expected to grow and propel the growth of MCU market.

The applications of our audio products in toys, IoV, IoT and consumer home appliances have acquired a significant market share. The output of audio CODEC IC and amplifiers in consumer electronics continues to rise. With regard to computer/cloud applications, market share of our motherboard Super I/O, notebook EC and TPM still rank in the top three worldwide in 2018. Our major clients include well-known computer brands and OEM service providers.

3. Competitive edge, favorable and adverse factors for long-term growth and strategy

3.1 Dynamic random access memory (DRAM)

- Competitive niches: Process development, product development, testing techniques, FAE capabilities, and marketing and sales strengths are Winbond's core competencies. Currently, other DRAM suppliers in Taiwan receive process technology from large foreign DRAM manufacturers by technology licensing. Winbond is the only Taiwanese DRAM supplier with advanced processes development capabilities.
- Favorable conditions for future development: Higher density in smart phones, tablets, TVs, set-top boxes, networking and storage devices will increase DRAM demand. In terms of supply, Moore's law in advanced DRAM process technology is entering a bottleneck, causing the supply to slow down, which will encourage industry development.
- Unfavorable factors and countermeasures: Slowing demand for smartphones may prompt other suppliers to reallocate production capacity to DRAM production, leading to an increased supply and disrupting the demand-supply balance. Winbond continues to optimize the applications lineup and try to explore new opportunities in automotive and industrial electronics, medical electronics, and IoT applications. The company will also invest in new processes and implement advanced processes to improve product profitability. Winbond is constantly exploring new applications and building strong customer relationships as a means to mitigate the risks arising from economic uncertainties.

3.2 Code Storage Flash Memory

- Competitive niches: Winbond has been working in the flash memory market for many years. It offers a complete Code Storage Flash product series (512Kb-8Gb). Winbond held more than one third of the global serial flash market in 2018.
- Favorable conditions for future development: The company shipped more than 2.5 billion units and held more than one third of the global market in 2018. Winbond is highly regarded by its customers for quality and cost. The fact is demonstrated by the company holding more than 40% of the PCs and peripherals market.
- Unfavorable factors and countermeasures: New manufacturers in China will start supplying new production capacities, which will affect the supply and demand in the low to medium density memory market and have an impact on end product demand. Winbond continues to optimize the applications lineup and try to explore new opportunities in automotive and industrial electronics, medical electronics, and IoT applications. The company will also invest in new processes and implement advanced processes to improve product profitability. Winbond is constantly exploring new applications and new customers as a means to reduce the risks arising from market uncertainties.

3.3 Logic IC

- Competitive niches: The company provides professional R&D and technical support teams and establishes strategic partnerships with customers. It provides total solutions to lower cost for customers and enhance their competitive edge. The company's experience in the voice and audio processing market involves IoT market application for the integration of MCU audio CODEC and third-party voice recognition in hopes of providing diversified product options and ideal economic solutions. With regard to cloud computing products, Winbond and customers collaborated on developing customized chips for usage in non-computer product lines to lower cost for customers and enhance their competitive edge.
- Favorable conditions for future development: MCUs retain advantages in the ease of development by users and environmental protection certifications. This core competitive edge raises the barrier to competition for rivals. The audio enhancement DSP chips and the audio amplifier integrated chip can provide audio optimization for customers' devices. Cloud computing products retain a leading position in the market. We are also the world's only TPM IC supplier that is FIPS (Federal Information Processing Standards), Common Criteria EAL4+ and TCG (Trust Computing Group) certified.
- Unfavorable factors and countermeasures: Fierce competition in the consumer electronics market in recent years, short product life cycles, and rapid replacement of traditional products by new products have all contributed to increased costs. The only way to maintain a leading position in the market is to develop products with high integration capabilities and lower cost while enhancing R&D capabilities. The company will continue to strengthen optimization of its products and invest in global technical support teams in order to provide localized customer support services. We will also provide reference designs to reduce R&D costs and time required for customers to adopt our products, which will be the direction for gaining the first-mover advantage.

b. Major product manufacturing processes

1. Major applications of core products

1.1 Dynamic random access memory (DRAM)

- SDR/DDR/DDR2/DDR3 specialty DRAM: used in computer peripherals, automobile electronics, and consumer electronic products
- Pseudo SRAM, Mobile DRAM: used in mobile devices, computers and consumer electronic products

1.2 Code Storage Flash Memory

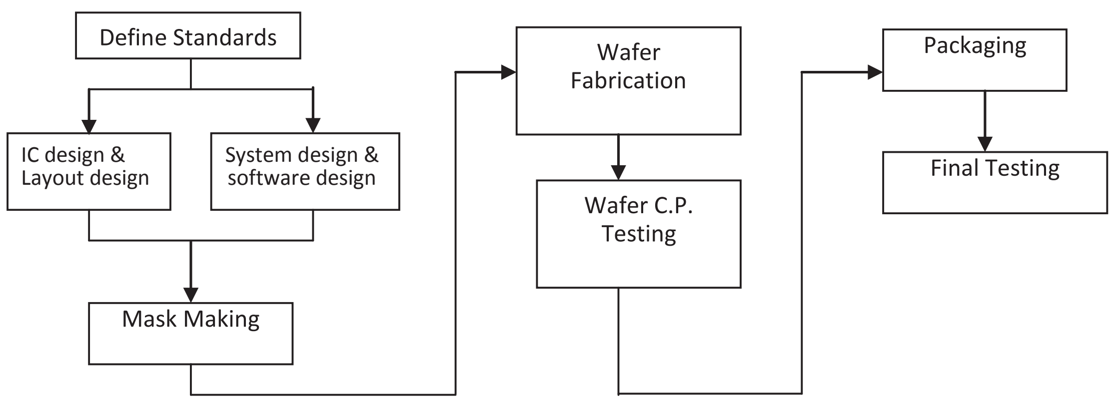
They are used in PCs and their peripherals, mobile handheld devices and their peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, and household appliance modules, etc.

1.3 Logic IC

Provide customers with industrial controls, consumer electronics, computer equipment, vehicle-mounted equipment, and communication products.

2. Chief product manufacturing processes

The integrated circuit manufacturing process consists of five processes: IC design, mask making, wafer fabrication, packaging, and testing. (see flowchart below):



c. State of supply of chief raw materials

Winbond's major raw materials and parts include silicon chips, chemicals used in processes, special gases, and targets, etc. The suppliers of these materials are located in the US, Japan, Korea, and Taiwan. A certain level of quality and a steady supply can be expected of these suppliers. Outsourced items include testing and packaging. We have at least two different qualified suppliers for each item, ensuring source and stability of supply.

d. Names of suppliers who accounted for more than 10% of the purchase by the Company in the last two years, and the amount of purchase to total purchase

	2018				2017			
Item	Name	Amount	% of the year's net purchase	Relationship with the issuer	Name	Amount	% of the year's net purchase	Relationship with the issuer
1	Supplier Z018	1,176,102	12%	None	Supplier Z018	805,504	9%	None
	Other	8,687,452	88%		Other	8,041,420	91%	
	Net purchase	9,863,554	100%		Net purchase	8,846,924	100%	

e. Names of customers who accounted for more than 10% of the sales in the last two years, and sales as a percentage of total sales

In 2017 and 2018, no single customer accounted for more than 10% of the company's total sales as reported in the consolidated financial statements.

f. Output volume and value during the most recent two years

Total combined output of the company and its subsidiaries, including Nuvoton Technology:

Unit: NT$1,000

Year	2018				2017			
Core products /Production capacity /Output	Production capacity (Note 1)	Output volume (Note 2)		Value	Production capacity (Note 1)	Output volume (Note 2)		Value
		Wafer	Die			Wafer	Die	
DRAM	12-inch wafers 596	1.5	1,142,445	14,904,657	12-inch wafers 532	1.9	1,274,396	14,323,388
Flash		0.5	2,746,719	10,525,031		0.3	2,856,899	10,736,645
Logic IC	6-inch wafers 500	395	920,999	5,904,023	6-inch wafers 480	372	806,374	5,376,428
Total		397	4,810,163	31,333,711		374.2	4,937,669	30,436,461

Note 1: Wafer production capacity is measured in 1,000 pieces.

Note 2: Wafer production is measured in 1,000 pieces; die production is measured in 1,000 pieces.

g. Sales volume and value during most recent two years

Total combined sales of the company and its subsidiaries, including Nuvoton Technology:

Unit: NT$1,000

Year	2018						2017					
Product/ Sales volume and value	Domestic sales			Exports			Domestic sales			Exports		
	Sales volume (note)		Sales	Sales volume (note)		Sales	Sales volume (note)		Sales	Sales volume (note)		Sales
	Wafer	Die		Wafer	Die		Wafer	Die		Wafer	Die	
DRAM	-	301,605	5,065,937	1	843,918	16,517,023	-	318,677	4,684,124	2	950,457	15,659,390
Flash	-	616,933	3,621,715	-	2,087,491	16,026,128	-	403,513	2,537,776	-	2,430,063	15,616,387
Logic ICs	228	255,164	3,767,729	161	649,765	6,190,639	226	249,206	3,354,115	147	557,168	5,738,625
Other	-	-	467	-	-	685	-	-	326	-	-	1,049
Total	228	1,173,702	12,455,848	162	3,581,174	38,734,475	226	971,396	10,576,341	149	3,937,688	37,015,451

Note: Wafer sales are measured in 1,000 pieces; die sales are measured in 1,000 pieces.

3. Employees

Information related to the employees of the Company and subsidiary Nuvoton Technology:

Year		2017	2018	2019 up to March 31
Number of employees	Technical personnel (engineers)	2,825	3,011	3,048
	Administration and sales staff	869	956	982
	Assistant to technicians	775	769	766
	Total	4,469	4,736	4,796
Average age		39.49	39.52	39.69
Average years of service		9.22	9.78	9.85
Education background (%)	Ph.D	1.75	1.88	1.88
	Master's	39.54	41.81	42.26
	University/College	46.01	45.08	44.81
	Senior High School	11.81	10.96	10.78
	Senior High School and below	0.89	0.27	0.27

4. Spending on environmental protections

a. Losses due to environmental pollution (including compensation) and total fines during the most recent year and up to the annual report publication date: None

b. Preventive measures taken to ensure a safe working environment and maintain employees' personal safety

The Company upholds the spirit of the ISO 14001 environmental management system, and pledges to provide and maintain a working environment better than that required by law and industry practice. We also strive to comply with international environmental protection standards, and seek to eliminate possible environmental risks through continuous improvement.

As a member of the global village, in line with the principle of environmentally-friendly design, we strive to develop green products and energy-consuming, low-pollution products that will fulfill our vision of sustainable corporate development.

Throughout production operations, we rely on process optimization to reduce consumption of water and power, use of raw materials and parts, and pollution emissions for each output unit. With respect to organizational management, the company established a Quality & ESH Center responsible for environmental, health, and safety management. We have also appointed suitable environmental management specialists dedicated to air pollution control, water pollution control, and waste disposal and toxic chemicals management. In accordance with law, we have obtained all required environmental protection permits and licenses. Adequate recycling systems for process waste water exhaust gases, and solid wastes were incorporated during an early stage of the plant design process, enabling us to reduce resource losses and pollutant discharges.

Furthermore, we have also undertaken the health, safety, and risk management tasks prescribed in OHSAS 18001 and CNS15506, and integrated an environmental, health and safety management system in order to enhance our overall environmental management performance. The company undertakes an internal environmental, health, and safety audit every half a year and an external audit yearly to ensure proper implementation.

Thanks to our dedication to environmental protection, we have received honors such as the Green Business Award, National Outstanding Industrial Waste Reduction Factory and Contributing Group Award, and Industry Outstanding Voluntary Greenhouse Gas Emission Reduction Factory Award from agencies including the EPA and MOEA. We have received many honors over the years, including the Council of Labor Affairs' Friendly Workplace Award and the Central Taiwan Science Park Administration's Superior Labor Health, Safety Enterprise Award and Health Promotion Administration's Outstanding Healthy Workplace Award.

Looking to the future, we will continue to strengthen our spirit of corporate sustainability, while responding to increasing environmental consciousness by engaging in appropriate environmental protection expenditure when needed, employing innovative technologies to improve the efficiency of pollution control equipment, and striving to minimize the environmental impact of production activities.

5. Employees-employer relations

a. Employee welfare, education and training, retirement system and implementation

1. Employee welfare

(1) The company has established an "Employee Welfare Committee," "retirement reserve fund supervisory committee," and "environmental, health, safety, and risk management committee," and employees can rely on channels such as employer-employee conferences, opinion boxes, complaint hotlines, and the sexual harassment complaints committee to communicate with management.

(2) The company provides a comprehensive quality benefit package for its employees and their families. In addition to statutory benefits, such as Labor Insurance, National Health Insurance, and a pension reserve, the company provides a higher child allowance than the industry average.

A. Child allowance: In support of the government's policy to encourage people to have children, the company provides a higher child allowance for children born to Winbond employees.
Employees who have been with the company for one year or longer will receive an allowance of NT$5,000 per month for each newborn baby until he/she reaches the age of four.
The allowance makes the company become one of the best companies to work for.

B. Marriage and childbirth allowances: In addition to the child allowance, employees are entitled to a marriage or childbirth allowance when they get married or have a child.

2. Employee training and education

The Company has established a complete, diversified learning environment in accordance with the Education and Training Management Procedures, and has trained several dozen in-house lecturers in line with the ideal of "respect for the individual and cultivation of professionalism." A total of 1,264 training classes were held in 2018, and were attended for a total of 78,410 person-hours. Employees took part in training a total of 39,312 person-times, training expenditures totaled NT$22.25 million, and the average training cost per employee was NT$7,997. The company's main learning channels included the following:

(1) Classroom classes: In accordance with demand, we formulate professional, QC, work safety, management, and general education and training classes on an annual basis, and hold classes in accordance with plans; employees may sign up to participate in these classes. The following is a summary of the various types of classes:

A. We offer management development training activities in accordance with our management functions blueprint; these activities include high-level, mid-level, and basic-level new manager training and other elective classes.

B. We offer common, QC, and work safety training in accordance with the Company's quality policy, government laws, and overall demand. Examples of these training classes include working methods, statistical analysis methods, and emergency response safety training classes.

C. Professional training is offered when our units have need of specific professional functions. Examples include R&D design classes, process testing classes, and international seminar sharing sessions.

D. New employee training classes are geared to getting newcomers quickly up to speed, and include the employment system, corporate culture, and work adaptation classes.

E. We conduct basic training assessments for direct personnel, including new employees, as well as continuing advanced professional skills assessments.

(2) Online classes: The company's training website provides information on various online classes to encourage learning. To ensure that learning is not limited to certain times or places, employees can select suitable courses and access lecture notes online at any time. We offer the following types of online classes: Classes on the company environment and management system, etc.; classes on laws, regulations, and rules of conduct; basic process training; language classes and other elective classes.

(3) Lifelong learning: To encourage employers' continuing development and personal growth, in accordance with the In-service Continuing Education Regulations, we recommend that employees study for Master's or Ph.D. degrees at Ministry of Education-accredited domestic universities or approved foreign universities, and the company will subsidize relevant costs. We also provide employees subsidies for enhancement and work-related skills training provided by an external or foreign organization.

3. Retirement system

The company has drafted retirement regulations in line with the requirements of the Labor Standards Law and Labor Pension Act. It makes contributions to the pension reserve for its employees under the old or new pension plan.

(1) Employees under the old pension plan pursuant to the Labor Standards Act: The contribution rate, in addition to monthly contributions at 2% of the monthly salary, is reviewed every year. The Supervisory Committees of Workers' Retirement Reserve Funds is in place to audit pension contributions regularly and to review pension applications.

(2) Employees under the new pension plan pursuant to the Labor Pension Act: Monthly contributions are made at 6% of the corresponding pay grade into the employees' personal pension accounts. Employees may make voluntary monthly contributions up to 6% of the corresponding pay grade into their personal pension accounts.

b. Licenses held by personnel involved in meaning the transparency of financial information:

Certification	Number of People
International certified internal auditor (CIA)	3
International certification in control self-assessor (CCSA)	1
International certified information systems auditor (CISA)	3
CPA of ROC (CPA)	2

c. Labor-management harmony and employee rights maintenance measures

1. The Company has drafted "employer-employee conference implementation regulations," and regularly holds

employer-employee conferences to discuss and negotiate issues of importance. Items in conference resolutions must be dealt with fully by relevant units within a limited time.

2. The Company has drafted "internal appeal regulations" intended to maintain employees' lawful rights and interests and help eliminate illegal and unreasonable treatment of employees, ensuring that employees enjoy a legally-compliant, reasonable, and fair working environment.

d. Losses due to labor-management disputes during the most recent year and up to the annual report publication date: None

e. Estimated losses due to current and possible future labor-management disputes and response measures

The Company holds regular employer-employee conferences to promote the exchange of views between employer-employee. Both sides have consistently maintained a state of consensus since the founding of the Company, and no disputes have occurred.

f. Employee rules of conduct

This company has drafted comprehensive rules of conduct to provide employees with standards for work ethics and conduct, protection of intellectual property rights/business secrets, and work orders. These rules, which are described below, can be viewed by employees via the document management system, announcements in relevant internal websites, or bulletin board messages:

1. Work ethics and conduct
   (1) Work rules: The Company's regulations contain dedicated service rules and general principles for prevention of sexual harassment.
   (2) Workplace sexual harassment prevention regulations: In accordance with relevant government laws and regulations, The Company has explicitly drafted workplace sexual harassment prevention regulations and established a dedicated awareness website, and has adopted appropriate prevention, correction, and punishment measures.
   (3) Employment contracts: Specifies the requirement that employees faithfully perform their duties.
   (4) Human resource management conduct guidelines: In accordance with relevant government laws and regulations and company regulations, we have drafted "human resource management conduct guidelines" classes on such subjects as eliminating discrimination, fair treatment, and prohibition of involuntary labor. To ensure that everyone can work under fair and lawful conditions, all company employees receive extensive awareness of these guidelines.

2. Rules for protection of intellectual property rights and maintenance of business secrets
   (1) Work rules: The Company's regulations contain general principles for maintenance of the confidentiality of business secrets.
   (2) Employment contracts: Employment contracts specify requirements concerning confidentiality duties, document ownership, secret information, ownership of intellectual or industrial property, and non-compete terms.

3. Work orders
   (1) Division of responsibilities: The "guidelines for responsibility stratification" specify the division of responsibilities, and serve to guide the performance of on-the-job duties.
   (2) Duties of individual units: The mission of each unit is clearly defined.
   (3) Restrictions on the hiring of relatives: The "restrictions on the hiring of relatives" specify that relatives should not be hired to fill certain positions. This is intended to ensure that the effectiveness and efficiency of the company's internal management is not compromised unnecessarily by family relationships between employees.
   (4) Attendance management
      (a) "Request for leave regulations": These regulations explicitly state The Company's leave request principles and regulations.
      (b) "Domestic travel regulations" and "foreign travel regulations": To facilitate personnel management and activate substitute mechanisms, the company has established operating procedures for travel applications; To ensure that personnel taking business trips accomplish their missions, such personnel shall be given appropriate travel subsidies.
      (c) "Overtime regulations": These regulations explicitly specify The Company's overtime principles and standards.
      (d) "Regulations concerning work stoppages due to natural disasters and major accidents": These regulations explicitly state standards for work stoppages in the event of natural disasters and major

accidents.

(5) Performance management

(a) "Performance management and evaluation regulations": These regulations seek to provide an understanding of employees' strengths and weaknesses, and help them to develop their personal abilities, by assessing the degree to which employees have achieved their personal goals; Employees' contributions to the organization are determined on the basis of mutual comparisons between peers.

(b) "Performance guidance operating regulations": Performance guidance work seeks to enhance the productivity of the company as a whole.

(6) Reward and penalty regulations

The "Reward and penalty handling regulations" prescribe appropriate rewards or punishments for those employees who display superior performance or violate regulations, and have the intent of encouraging and maintaining on-the-job morale and order.

(7) Manpower development

(a) "In-service continuing education regulations": These regulations establish channels for continuing education, and have a goal of accumulating the human resources needed for the company's long-term operations.

(b) "Regulations concerning application to participate in academic groups and organizations": Participation in academic groups and organizations participate can promote the diffusion of knowledge and experience, and help employees to find out about the newest information in their professional fields.

(c) "Conference participation and management regulations": Participation in international conferences enables employees to acquire the newest information in their professional fields.

(8) Communication channels

(a) "Labor-management conference implementation regulations": These regulations enshrine the consensus and shared welfare of labor and management, promote teamwork for the sake of corporate development and employee welfare, establish an effective two-way communication system between labor and management, put an end to labor-management disputes, ensure harmonious labor-management relations, and encourage maximal productivity.

(b) "Corporate internal appeal regulations": These regulations provide employees with channels expressing their views and making appeals directly to the company, maintain employees' rights and interests, and encourage communication of views.

(c) "Employee suggestion regulations": Employee's ideas and creative thinking can help the company to continue to improve. These regulations provide for rewards for employees who submit proposals concerning the company's operations, and are intended to encourage employees to contribute their intelligence and experience.

6. Important contracts

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Technical cooperation	Qimonda AG of Germany	2007.06 - 2014.12 (Note 2)	Licensing of 75nm and 58nm DRAM technology and reserving specific capacity (Note 1)	None
Technical cooperation	Qimonda AG of Germany	2008.04 - 2015.12 (Note 2)	Licensing of 65nm DRAM technology and reserving specific capacity (Note 1)	None
Technical cooperation	Qimonda AG of Germany	2009.08-permanent (Note 2)	Licensing of graphics DRAM process technology and equipment purchase, expanded licensing for 90-65nm process technology, and settlement of insolvency procedure	None
Technical cooperation	Qimonda AG of Germany	2010.04-permanent (Note 2)	Licensing of 45 nm and 46 nm Buried Wordline DRAM processes and equipment purchase	None
Syndicated loan	13 banks, including CTBC Bank	2014.07 - 2019.11	NT$9 billion syndicated loan	Financial ratios and others
Bank loans	Bank of Taiwan	2014.12 - 2021.12	NT$617.6 million medium-term secured loan	None
Construction contracts	TASA Construction Corporation	2015.05 - 2021.11	Material procurement for new civil construction at FAB-C at Central Taiwan Science Park (CTSP)	None
Construction contracts	TASA Construction Corporation	2015.05 - 2021.11	Construction contract for new civil construction at FAB-C at Central Taiwan Science Park	None
Construction contracts	United Integrated Services Co., Ltd.	2016.01 - 2018.11	Material procurement for CTSP FAB-C cleanroom and construction of its power, air conditioning, fire protection systems	None

Nature of contract	Contracting parties	Year and month of contract start and end	Content	Restriction clauses
Construction contracts	United Integrated Services Co., Ltd.	2016.01 - 2018.11	Contract services for CTSP FAB-C cleanroom and construction of its power, air conditioning, fire protection systems	None
Construction contracts	TASA Construction Corporation	2016.05 - 2024.12	Material procurement for basement, above ground structure, and exterior glass curtain walls under new construction in Zhubei Building	None
Construction contracts	TASA Construction Corporation	2016.05 - 2024.12	Construction contract for basement, above ground structure, and exterior glass curtain walls under new construction in Zhubei Building	None
Syndicated loan	17 banks, including Bank of Taiwan	2016.08 - 2021.12	NT$12 billion syndicated loan	Financial ratios and others
Construction contracts	Wholetech System Hitech Limited	2017.03 - 2019.12	Contract services for CTSP B2-2 Project - hook-up turkey project	None
Construction contracts	Wholetech System Hitech Limited	2017.03 - 2019.12	Material procurement for CTSP B2-2 Project - hook-up turkey project	None
Construction contracts	Continental Engineering Co., Ltd.	2017.07 - 2021.12	Material procurement for machines and power and air conditioning systems under new construction in Zhubei Building	None
Construction contracts	Continental Engineering Co., Ltd.	2017.07 - 2021.12	Contract services for machines and power and air conditioning systems under new construction in Zhubei Building	None
Joint guarantee	10 banks, including Taiwan Cooperative Bank	2018.06 - 2025.07	Joint guarantee for NT$10.15 billion	Financial ratios and others
Construction contracts	TASA Construction Corporation	2018.11 - 2024.06	Contract services for Kaohsiung FAB_A and CUB lower part structures	None
Construction contracts	TASA Construction Corporation	2018.11 - 2024.06	Material procurement for Kaohsiung FAB_A and CUB lower part structures	None
Construction contracts	TASA Construction Corporation	2018.11 - 2021.02	Contract services for phase 3 falsework of Kaohsiung Fab	None
Construction contracts	TASA Construction Corporation	2018.11 - 2021.02	Material procurement for phase 3 falsework of Kaohsiung Fab	None
Construction contracts	TASA Construction Corporation	2018.12 - 2025.09	Contract services for main structure work of Kaohsiung Fab	None
Construction contracts	TASA Construction Corporation	2018.12 - 2025.09	Material procurement for main structure work of Kaohsiung Fab	None
Syndicated loan	19 banks, including Bank of Taiwan	2019.1 ~ (Note 3)	NT$42 billion syndicated loan	Financial ratios and others

Note 1: Winbond and Qimonda AG of Germany entered an agreement in August 2009 to terminate the prior agreement on reserving specific capacity.

Note 2: The licensing of 90-45nm process technologies from Qimonda AG of Germany becomes permanent after Winbond pays off royalties as agreed.

Note 3: Winbond entered a NT$42 billion syndicated loan agreement with 19 banks, including Bank of Taiwan on January 14, 2019. The loan has a term of 7 years, starting from the actual drawdown date.

7. Financial difficulties and corporate events encountered by the Company and affiliates in the past year and up to the date of report that have material impact on the financial status of the Company: None

Financial Overview

I. Condensed balance sheets, statements of income, names of CPAs, and audit opinions of the last five years

(I) Condensed consolidated balance sheet and statements of income

1. Condensed consolidated balance sheet

Unit: NT$1,000

Item\Year		Financial information of the last five years				
		2014	2015	2016	2017	2018
Current assets		22,976,738	24,712,757	27,259,743	37,240,205	37,528,246
Property, plant and equipment		33,986,751	31,915,030	34,372,537	43,828,707	52,484,183
Intangible assets		311,616	270,926	285,304	288,013	229,195
Other assets		7,565,912	5,699,054	6,071,911	6,759,198	5,800,840
Total Assets		64,841,017	62,597,767	67,989,495	88,116,123	96,042,464
Current liabilities	Before distribution	14,451,378	12,333,195	14,605,735	16,240,188	16,469,744
	After distribution	14,451,378	12,691,195	16,753,735	20,220,188	(Note 2)
Non-current liabilities		11,089,548	10,166,033	8,162,961	10,248,944	15,681,623
Total liabilities	Before distribution	25,540,926	22,499,228	22,768,696	26,489,132	32,151,367
	After distribution	25,540,926	22,857,228	24,916,696	30,469,132	(Note 2)
Equity attributable to owners parent		38,183,244	38,901,971	43,920,961	60,212,164	62,444,371
Capital		36,949,822	35,800,002	35,800,002	39,800,002	39,800,002
Capital surplus		2,143,393	2,470,292	2,471,044	7,540,440	7,540,440
Accumulated profit (loss)	Before distribution	(1,119,684)	2,086,060	4,556,570	7,885,707	11,621,286
	After distribution	(1,119,684)	1,728,060	2,408,570	3,905,707	(Note 2)
Other interests		316,100	(1,347,996)	1,199,732	4,986,015	3,482,643
Treasury stock		(106,387)	(106,387)	(106,387)	-	-
Non-controlling interests		1,116,847	1,196,568	1,299,838	1,414,827	1,446,726
Total equity	Before distribution	39,300,091	40,098,539	45,220,799	61,626,991	63,891,097
	After distribution	39,300,091	39,740,539	43,072,799	57,646,991	(Note 2)

Note 1: The aforesaid financial information was audited and certified by the CPAs. The 2018 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

Note 2: Pending final approval from Shareholders' Meeting.

2. Condensed consolidated statements of income

Unit: NT$1,000

Item\Year	Financial information of the last five years				
	2014	2015	2016	2017	2018
Operating revenue	37,989,660	38,350,315	42,091,709	47,591,792	51,190,323
Gross profit	10,790,461	11,821,653	12,017,772	16,323,687	19,151,103
Operating profits	3,658,423	4,108,926	3,712,956	6,655,768	7,926,697
Non-operating income and expenses	282,615	139,258	41,664	441,761	468,203
Net income (loss) before tax	3,941,038	4,248,184	3,754,620	7,097,529	8,394,900
Less: Income tax expense	730,494	775,311	614,546	1,274,579	667,242
Current period net profit	3,210,544	3,472,873	3,140,074	5,822,950	7,727,658
Other comprehensive income for the current period	294,103	(1,754,383)	2,485,116	3,749,701	(1,738,472)
Total comprehensive income for the current period	3,504,647	1,718,490	5,625,190	9,572,651	5,989,186
Net profit attributable to owners of parent	3,075,969	3,291,251	2,897,791	5,550,562	7,446,496
Net profit attributable to non-controlling interests	134,575	181,622	242,283	272,388	281,162
Total comprehensive income attributable to owners of parent	3,364,700	1,541,648	5,376,238	9,263,420	5,810,825

Item\Year	Financial information of the last five years				
	2014	2015	2016	2017	2018
Total comprehensive income attributable to non-controlling interests	139,947	176,842	248,952	309,231	178,361
Earnings per share (NT$)	0.83	0.90	0.81	1.54	1.87

Note: The aforesaid financial information was audited and certified by the CPAs. The 2018 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

(II) Individual condensed balance sheet and statements of income

1. Individual condensed balance sheet

Unit: NT$1,000

Item\Year		Financial information of the last five years				
		2014	2015	2016	2017	2018
Current assets		18,128,962	19,345,192	21,269,634	31,046,641	31,188,039
Property, plant and equipment		33,304,147	31,195,173	33,607,842	42,969,011	51,577,630
Intangible assets		52,000	76,371	69,438	115,325	104,925
Other assets		10,525,781	8,879,536	9,452,136	10,279,023	9,303,235
Total Assets		62,010,890	59,496,272	64,399,050	84,410,000	92,173,829
Current liabilities	Before distribution	13,194,495	10,878,474	12,760,416	14,360,057	14,638,436
	After distribution	13,194,495	11,236,474	14,908,416	18,340,057	(Note 2)
Non-current liabilities		10,633,151	9,715,827	7,717,673	9,837,779	15,091,022
Total liabilities	Before distribution	23,827,646	20,594,301	20,478,089	24,197,836	29,729,458
	After distribution	23,827,646	20,952,301	22,626,089	28,177,836	(Note 2)
Capital		36,949,822	35,800,002	35,800,002	39,800,002	39,800,002
Capital surplus		2,143,393	2,470,292	2,471,044	7,540,440	7,540,440
Accumulated profit (loss)	Before distribution	(1,119,684)	2,086,060	4,556,570	7,885,707	11,621,286
	After distribution	(1,119,684)	1,728,060	2,408,570	3,905,707	(Note 2)
Other interests		316,100	(1,347,996)	1,199,732	4,986,015	3,482,643
Treasury stock		(106,387)	(106,387)	(106,387)	-	-
Total equity	Before distribution	38,183,244	38,901,971	43,920,961	60,212,164	62,444,371
	After distribution	38,183,244	38,543,971	41,772,961	56,232,164	(Note 2)

Note 1: The aforesaid financial information was audited and certified by the CPAs. The 2018 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.
Note 2: Pending final approval from Shareholders' Meeting.

2. Individual condensed statements of income

Unit: NT$1,000

Item\Year	Financial information of the last five years				
	2014	2015	2016	2017	2018
Operating revenue	30,929,689	30,843,606	33,534,343	38,102,813	40,733,527
Gross profit	7,614,128	8,462,362	8,259,823	12,158,001	14,781,238
Operating profits	3,224,735	3,506,698	2,969,794	5,710,689	6,943,927
Non-operating income and expenses	447,234	403,553	401,436	941,679	993,089
Net income (loss) before tax	3,671,969	3,910,251	3,371,230	6,652,368	7,937,016
Less: Income tax expense	596,000	619,000	473,439	1,101,806	490,520
Current period net profit	3,075,969	3,291,251	2,897,791	5,550,562	7,446,496
Other comprehensive income for the current period	288,731	(1,749,603)	2,478,447	3,712,858	(1,635,671)
Total comprehensive income for the current period	3,364,700	1,541,648	5,376,238	9,263,420	5,810,825
Earnings per share (NT$)	0.83	0.90	0.81	1.54	1.87

Note: The aforesaid financial information was audited and certified by the CPAs. The 2018 financial report has been approved by the Board of Directors, but has not yet been submitted to the shareholders' meeting.

(III) Names of CPAs and audit opinions of the last five years

Year	CPA Name	Audit opinion
2014	K. T. Hong and K. C. Wu	Unqualified opinion
2015	K. T. Hong and K. C. Wu	Unqualified opinion
2016	K. C. Wu and Hung-Bin Yu	Unqualified opinion
2017	Hung-Bin Yu and K. C. Wu	Unqualified opinion
2018	K. T. Hong and Hung-Bin Yu	Unqualified opinion

II. Financial analysis of the last five years

1. Financial ratios analysis of consolidated financial statements

Item\Year		Financial analysis of the last five years				
		2014	2015	2016	2017	2018
Financial structure	Debt-to-asset ratio (%)	39.39	35.94	33.48	30.06	33.47
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	148.26	157.49	155.30	163.99	151.61
Solvency	Current ratio (%)	158.99	200.37	186.63	229.30	227.86
	Quick ratio (%)	108.72	122.21	126.78	173.14	156.31
	Times interest earned	23.22	17.10	21.07	91.27	47.05
Operating ability	Receivables turnover ratio (times)	7.22	7.11	7.60	7.58	7.72
	Average days of collection	51	51	48	48	47
	Inventory turnover rate (times)	4.09	3.57	3.74	3.98	3.36
	Payables turnover ratio (times)	6.59	5.88	6.51	6.51	6.49
	Average days of sales	89	102	98	92	109
	Property, plant and equipment turnover ratio (times)	1.29	1.16	1.26	1.21	1.06
	Total assets turnover ratio (times)	0.63	0.60	0.64	0.60	0.55
Profitability	Return on assets (%)	5.57	5.79	5.04	7.54	8.55
	Return on equity (%)	8.54	8.74	7.36	10.89	12.31
	Income before tax to paid-in capital ratio (%)	10.66	11.86	10.48	17.83	21.09
	Net profit margin (%)	8.45	9.05	7.46	12.23	15.09
	Earnings per share (NT$)	0.83	0.90	0.81	1.54	1.87
Cash flow	Cash flow ratio (%)	63.21	62.09	68.40	74.77	82.17
	Cash flow adequacy ratio (%)	124.54	120.88	129.69	101.45	78.21
	Cash reinvestment ratio (%)	6.92	5.58	6.62	5.91	5.19
Leverage	Operating leverage	3.91	3.91	4.27	3.05	3.07
	Financial leverage	1.05	1.06	1.05	1.01	1.02

Reasons for changes in financial ratios exceeding 20%:

(1) Decrease in times interest earned was mainly due to increase in interest expense arising from the issue of corporate bonds in 2018.

(2) Increases in net profit margin and earnings per share were mainly due to lower product costs and improvement in sales mixes that led to rise in gross profit margin and increase in operating income in 2018.

(3) Decrease in cash flow adequacy ratio was mainly due to increase in capital expenditure, inventory and cash dividend payout.

Note: Financial ratios were computed based on audited financial information. The computation formulas used in financial analysis:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities)/ net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
   (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365 / receivables turnover ratio.
   (3) Inventory turnover rate = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365 / inventory turnover rate.
   (6) Property, plant and equipment turnover ratio = net sales / net average property, plant and equipment.
   (7) Total assets turnover ratio = net sales / total average assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1– tax rate)] / average total assets.
   (2) Return on equity = after-tax profit /total average equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities –cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage＝(net operating revenue – variable operating cost and expenses) / operating income.
   (2) Financial leverage = operating income / (operating income – interest expense).

2. Financial ratios analysis of financial statements

Item\Year		Financial analysis of the last five years				
		2014	2015	2016	2017	2018
Financial structure	Debt-to-asset ratio (%)	38.42	34.61	31.79	28.66	32.25
	Long-term fund to property, plant and equipment (fixed assets) ratio (%)	146.57	155.85	153.65	163.02	150.32
Solvency	Current ratio (%)	137.39	177.83	166.68	216.20	213.05
	Quick ratio (%)	88.99	99.46	109.12	165.80	144.61
	Times interest earned	21.73	15.90	19.02	85.60	44.53
Operating ability	Receivables turnover ratio (times)	7.24	7.13	7.73	7.51	7.60
	Average days of collection	50	51	47	49	48
	Inventory turnover rate (times)	4.00	3.43	3.64	4.03	3.27
	Payables turnover ratio (times)	6.52	5.71	6.56	6.65	6.42
	Average days of sales	91	106	100	91	112
	Property, plant and equipment turnover ratio (times)	1.07	0.95	1.03	0.99	0.86
	Total assets turnover ratio (times)	0.53	0.50	0.54	0.51	0.46
Profitability	Return on assets (%)	5.61	5.77	4.92	7.54	8.59
	Return on equity (%)	8.42	8.53	6.99	10.66	12.14
	Income before tax to paid-in capital ratio (%)	9.93	10.92	9.41	16.71	19.94
	Net profit margin (%)	9.94	10.67	8.64	14.56	18.28
	Earnings per share (NT$)	0.83	0.90	0.81	1.54	1.87
Cash flows	Cash flow ratio (%)	64.35	68.19	73.17	82.71	87.70
	Cash flow adequacy ratio (%)	122.07	118.15	125.75	99.70	76.54
	Cash reinvestment ratio (%)	7.36	6.15	6.98	6.39	5.31
Leverage	Operating leverage	3.56	3.71	4.18	2.89	2.92
	Financial leverage	1.05	1.08	1.06	1.01	1.02

Reasons for changes in financial ratios exceeding 20%:

(1) Decrease in times interest earned was mainly due to increase in interest expense arising from the issue of corporate bonds in 2018.
(2) Increase in average days of sales was mainly due to increase in average inventory.
(3) Increases in net profit margin and earnings per share were mainly due to lower product costs and improvement in sales mixes that led to rise in gross profit margin and increase in operating income in 2018.
(4) Decrease in cash flow adequacy ratio was mainly due to increase in capital expenditure, increase in inventory and increase in cash dividend payout.

Note: Financial ratios were computed based on audited financial information. The computation formulas used in financial analysis:

1. Financial structure
   (1) Debt-to-asset ratio = total liabilities / total assets.
   (2) Long-term fund to property, plant and equipment ratio = (total equity + non-current liabilities) / net property, plant and equipment.
2. Solvency
   (1) Current ratio = current assets / current liabilities.
   (2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.
   (3) Times interest earned = net income before income tax and interest expense / current interest expense.
3. Operating ability
   (1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).
   (2) Average days of collection = 365 / receivables turnover ratio.
   (3) Inventory turnover rate = cost of goods sold / average amount of inventory.
   (4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).
   (5) Average days of sales = 365 / inventory turnover rate.
   (6) Property, plant and equipment turnover ratio = net sales / net average property, plant and equipment.
   (7) Total assets turnover ratio = net sales / total average assets.
4. Profitability
   (1) Return on assets ＝ [net income + interest expense (1– tax rate)] / average total assets.
   (2) Return on equity = after-tax profit /total average (stockholders' equity) equity.
   (3) Net profit margin = net income / net sales.
   (4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued.
5. Cash flows
   (1) Cash flow ratio = new cash flows from operating activities / current liabilities.
   (2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.
   (3) Cash reinvestment ratio = (net cash flows from operating activities –cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital).
6. Leverage:
   (1) Operating leverage＝(net operating revenue – variable operating cost and expenses) / operating income.
   (2) Financial leverage = operating income / (operating income – interest expense).

III. Report of the Audit Committee on 2018 Financial Report

Report of the Audit Committee

We have examined the 2018 financial statements (including consolidated financial statements), together with business report and earnings distribution proposal prepared by the Board of Directors and audited and certified by CPAs K. T. Hong and Hung-Bin Yu of Deloitte & Touche with the issue of an unqualified opinion, who did not find any discrepancy. The aforesaid financial statements, business report, and earnings distribution proposal have been reviewed by the Audit Committee and all content was found appropriate. We therefore submit it for your review in accordance with Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act.

To:

Winbond Electronics Corp. 2019 General Shareholders' Meeting

Winbond Electronics Corporation

Convenor of Audit Committee: Allen Hsu

March 25, 2019

Winbond Electronics Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Deloitte

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

We have audited the accompanying consolidated financial statements of Winbond Electronics Corporation (the "Company") and its subsidiaries (collectively referred as the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Existence of sales revenue

As there is significant risk on revenue recognition and customers' line of credit and delivery of products to customers are highly related to the recognition of sales revenue. We therefore considered that the existence of sales revenue from the twenty largest customers that had credit line changed and temporary excess credit line in the year is a key audit matter for 2018. Please refer to Note 4 to the consolidated financial statements for the Group's revenue recognition policies.

Our audit procedures in response to the existence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to ensure transactions occurred.

Other Matter

We have also audited the parent company only financial statements of the Company as of and for the years ended December 31, 2018 and 2017 on which we have issued an unmodified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committees are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kenny Hong and Hung-Bin Yu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 2019

<u>*Notice to Readers*</u>

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 12,559,631	13	$ 14,172,441	16
Current financial assets at fair value through profit or loss (Notes 4 and 7)	8,290	-	32,745	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	6,249,212	7	-	-
Current available-for-sale financial assets (Notes 4 and 9)	-	-	6,502,762	7
Notes and accounts receivable, net (Notes 4 and 10)	6,469,413	7	6,707,490	8
Accounts receivable due from related parties, net (Note 29)	44,297	-	33,546	-
Other receivables (Note 6)	406,879	-	654,836	1
Inventories (Notes 4 and 11)	10,908,106	11	8,139,982	9
Other current assets	882,418	1	996,403	1
Total current assets	37,528,246	39	37,240,205	42
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	861,853	1	-	-
Non-current available-for-sale financial assets (Notes 4 and 9)	-	-	289,789	-
Non-current financial assets measured at cost (Notes 4 and 12)	-	-	340,875	1
Investments accounted for using equity method (Notes 4 and 13)	3,585,328	4	4,430,985	5
Property, plant and equipment (Notes 4 and 14)	52,484,183	55	43,828,707	50
Investment properties (Notes 4 and 15)	50,527	-	56,278	-
Intangible assets (Notes 4 and 16)	229,195	-	288,013	-
Deferred income tax assets	953,726	1	1,351,087	2
Other non-current assets (Note 6)	349,406	-	290,184	-
Total non-current assets	58,514,218	61	50,875,918	58
TOTAL	$ 96,042,464	100	$ 88,116,123	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 17)	$ -	-	$ 553,539	1
Notes and accounts payable	4,317,866	4	4,420,945	5
Accounts payable to related parties (Note 29)	629,681	1	496,787	-
Payables on machinery and equipment	2,860,869	3	3,734,501	4
Other payables	3,776,574	4	3,268,207	4
Current tax liabilities	178,690	-	248,662	-
Long-term borrowings-current portion (Note 17)	4,563,520	5	3,323,520	4
Other current liabilities	142,544	-	194,027	-
Total current liabilities	16,469,744	17	16,240,188	18
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 18)	9,919,779	10	-	-
Long-term borrowings (Note 17)	4,179,273	4	8,728,773	10
Net defined benefit liabilities, non-current (Notes 4 and 19)	1,167,325	1	1,087,089	1
Other non-current liabilities	415,246	1	433,082	1
Total non-current liabilities	15,681,623	16	10,248,944	12
Total liabilities	32,151,367	33	26,489,132	30
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 20)				
Share capital	39,800,002	41	39,800,002	45
Capital surplus	7,540,440	8	7,540,440	8
Retained earnings				
Legal reserve	1,053,441	1	498,385	1
Special reserve	-	-	31,429	-
Unappropriated earnings	10,567,845	11	7,355,893	8
Exchange differences on translation of foreign financial statements	(50,780)	-	(120,988)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	3,533,423	4	-	-
Unrealized gains on available-for-sale financial assets	-	-	5,107,003	6
Total equity attributable to owners of the parent	62,444,371	65	60,212,164	68
NON-CONTROLLING INTERESTS	1,446,726	2	1,414,827	2
Total equity	63,891,097	67	61,626,991	70
TOTAL	$ 96,042,464	100	$ 88,116,123	100

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 51,190,323	100	$ 47,591,792	100
OPERATING COSTS (Note 11)	32,039,220	63	31,268,105	66
GROSS PROFIT	19,151,103	37	16,323,687	34
OPERATING EXPENSES				
Selling expenses	1,481,815	3	1,376,250	3
General and administrative expenses	2,045,248	4	1,566,084	3
Research and development expenses	7,697,343	15	6,725,585	14
Total operating expenses	11,224,406	22	9,667,919	20
INCOME FROM OPERATIONS	7,926,697	15	6,655,768	14
NON-OPERATING INCOME AND EXPENSES				
Interest income	93,833	-	35,349	-
Dividend income	416,339	1	340,284	1
Other income	45,572	-	58,660	-
Gains on disposal of property, plant and equipment	764	-	1,267	-
Gains on disposal of investments	-	-	25,489	-
Foreign exchange gains (losses)	280,264	1	(269,799)	(1)
Share of profit of associates accounted for using equity method	228,981	-	192,125	-
Interest expenses	(182,299)	-	(78,625)	-
Other expenses	(73,471)	-	(68,089)	-
(Losses) gains on financial instruments at fair value through profit or loss	(328,890)	(1)	215,100	1
Impairment loss on financial assets (Note 12)	-	-	(10,000)	-
Other impairment loss	(12,890)	-	-	-
Total non-operating income and expenses	468,203	1	441,761	1
PROFIT BEFORE INCOME TAX	8,394,900	16	7,097,529	15
INCOME TAX EXPENSE (Notes 4 and 24)	667,242	1	1,274,579	3
NET PROFIT	7,727,658	15	5,822,950	12

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE (LOSS) INCOME				
Components of other comprehensive loss that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans	$ (142,113)	-	$ (80,813)	-
Unrealized losses on investments in equity instruments measured at fair value through other comprehensive income	(505,248)	(1)	-	-
Share of other comprehensive loss of associates accounted for using the equity method	(1,157,275)	(2)	-	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	66,164	-	(155,904)	-
Unrealized gains on available-for-sale financial assets	-	-	2,402,035	5
Share of other comprehensive income of associates accounted for using equity method	-	-	1,584,383	3
Other comprehensive (loss) income	(1,738,472)	(3)	3,749,701	8
TOTAL COMPREHENSIVE INCOME	$ 5,989,186	12	$ 9,572,651	20
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	$ 7,446,496	14	$ 5,550,562	12
Non-controlling interests	281,162	1	272,388	-
	$ 7,727,658	15	$ 5,822,950	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	$ 5,810,825	12	$ 9,263,420	19
Non-controlling interests	178,361	-	309,231	1
	$ 5,989,186	12	$ 9,572,651	20
EARNINGS PER SHARE (Note 25)				
Basic	$ 1.87		$ 1.54	
Diluted	$ 1.87		$ 1.54	

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Parent											
			Retained Earnings			Other Equity						
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Shares	Total	Non-controlling Interests	Total Equity
BALANCE, JANUARY 1, 2017	$ 35,800,002	$ 2,471,044	$ 208,606	$ 1,395,063	$ 2,952,901	$ 23,433	$ -	$ 1,176,299	$ (106,387)	$ 43,920,961	$ 1,299,838	$ 45,220,799
Appropriation of 2016 earnings												
Legal reserve appropriated	-	-	289,779	-	(289,779)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,363,634)	1,363,634	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(2,148,000)	-	-	-	-	(2,148,000)	-	(2,148,000)
Total appropriations	-	-	289,779	(1,363,634)	(1,074,145)	-	-	-	-	(2,148,000)	-	(2,148,000)
Net profit for 2017	-	-	-	-	5,550,562	-	-	-	-	5,550,562	272,388	5,822,950
Other comprehensive (loss) income for 2017	-	-	-	-	(73,425)	(144,421)	-	3,930,704	-	3,712,858	36,843	3,749,701
Total comprehensive income (loss) for 2017	-	-	-	-	5,477,137	(144,421)	-	3,930,704	-	9,263,420	309,231	9,572,651
Issue of shares (Note 20)	4,000,000	4,787,673	-	-	-	-	-	-	-	8,787,673	-	8,787,673
Share-based payments (Note 23)	-	239,200	-	-	-	-	-	-	-	239,200	-	239,200
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	4,511	-	-	-	-	-	-	-	4,511	-	4,511
Disposal of the Company's shares by subsidiaries recognized as treasury share transactions (Note 20)	-	38,012	-	-	-	-	-	-	106,387	144,399	-	144,399
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(194,242)	(194,242)
BALANCE, DECEMBER 31, 2017	39,800,002	7,540,440	498,385	31,429	7,355,893	(120,988)	-	5,107,003	-	60,212,164	1,414,827	61,626,991
Adjustment on initial application of IFRS 9	-	-	-	-	471,170	-	5,065,763	(5,107,003)	-	429,930	55,874	485,804
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	39,800,002	7,540,440	498,385	31,429	7,827,063	(120,988)	5,065,763	-	-	60,642,094	1,470,701	62,112,795
Appropriation of 2017 earnings												
Legal reserve appropriated	-	-	555,056	-	(555,056)	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(31,429)	31,429	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	-	(3,980,000)	-	(3,980,000)
Total appropriations	-	-	555,056	(31,429)	(4,503,627)	-	-	-	-	(3,980,000)	-	(3,980,000)
Net profit for 2018	-	-	-	-	7,446,496	-	-	-	-	7,446,496	281,162	7,727,658
Other comprehensive (loss) income for 2018	-	-	-	-	(115,861)	70,208	(1,590,018)	-	-	(1,635,671)	(102,801)	(1,738,472)
Total comprehensive income (loss) for 2018	-	-	-	-	7,330,635	70,208	(1,590,018)	-	-	5,810,825	178,361	5,989,186
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(86,226)	-	57,678	-	-	(28,548)	-	(28,548)
Decrease in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(202,336)	(202,336)
BALANCE, DECEMBER 31, 2018	$ 39,800,002	$ 7,540,440	$ 1,053,441	$ -	$ 10,567,845	$ (50,780)	$ 3,533,423	$ -	$ -	$ 62,444,371	$ 1,446,726	$ 63,891,097

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 8,394,900	$ 7,097,529
Adjustments for:		
Depreciation expense	7,480,661	5,981,027
Amortization expense	102,201	103,348
Expected credit loss reversed on accounts receivable	(4,708)	-
Provision for allowance for doubtful accounts	-	28,351
Provision for declines in market value, obsolescence and scraps of inventories	113,910	125,748
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	24,455	(74,474)
Interest expense	182,299	78,625
Interest income	(93,833)	(35,349)
Dividend income	(416,339)	(340,284)
Share-based payments	-	239,200
Share of profit of associates accounted for using equity method	(228,981)	(192,125)
Gain on disposal of property, plant and equipment	(764)	(1,267)
Impairment loss on financial assets	-	10,000
Impairment loss on non-financial assets	12,890	-
Gain on disposal of investments	-	(25,489)
Changes in operating assets and liabilities		
Decrease (increase) in notes and accounts receivable	187,018	(922,470)
(Increase) decrease in accounts receivable due from related parties	(10,751)	15,985
Decrease (increase) in other receivables	257,184	(185,922)
Increase in inventories	(2,882,034)	(729,569)
Decrease in other current assets	101,095	226,535
Increase in other non-current assets	(59,222)	(46,457)
(Decrease) increase in notes and accounts payable	(103,079)	211,225
Increase in accounts payable to related parties	132,894	24,298
Increase in other payables	449,962	514,388
(Decrease) increase in other current liabilities	(51,483)	20,936
Decrease in other non-current liabilities	(69,160)	(72,146)
Cash generated from operations	13,519,115	12,051,643
Interest received	89,052	40,958
Dividends received	416,339	340,284
Interest paid	(206,744)	(210,451)
Income taxes paid	(284,520)	(79,160)
Net cash generated from operating activities	13,533,242	12,143,274

(Continued)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	$ (280,233)	$ -
Proceeds from disposal of financial assets at fair value through other comprehensive income	147,925	-
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	24,072	-
Acquisitions of available-for-sale financial assets	-	(68,842)
Proceeds from disposal of available-for-sale financial assets	-	315,312
Proceeds from capital reduction of available-for-sale financial assets	-	6,067
Proceeds from capital reduction of financial assets measured at cost	-	229,651
Acquisitions of investments accounted for using the equity method	(750)	-
Acquisitions of property, plant and equipment	(16,930,434)	(15,411,661)
Proceeds from disposal of property, plant and equipment	2,549	2,940
Acquisition of intangible assets	(25,260)	(103,190)
Net cash used in investing activities	(17,062,131)	(15,029,723)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(553,539)	553,539
Proceeds from issuing bonds	10,000,000	-
Proceeds from long-term borrowings	-	6,900,000
Repayments of long-term borrowings	(3,323,520)	(4,590,180)
Cash dividends paid	(3,980,000)	(2,143,489)
Proceeds from issuing shares	-	8,800,000
Proceeds from sale of treasury shares	-	144,399
Change in non-controlling interests	(202,336)	(194,242)
Other financing activities	(86,171)	(12,327)
Net cash generated from financing activities	1,854,434	9,457,700
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	61,645	(82,627)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,612,810)	6,488,624
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14,172,441	7,683,817
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 12,559,631	$ 14,172,441

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

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

The Company’s shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995. Walsin Lihwa Corporation is a major shareholder of the Company and held approximately 22% ownership interest in the Company as of December 31, 2018 and 2017.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on January 31, 2019.

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

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Group’s accounting policies:

1) IFRS 9 “Financial Instruments” and related amendment

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

<u>Classification, measurement and impairment of financial assets</u>

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as at January 1, 2018.

Financial assets	Measured items - IAS 39	Measured items - IFRS 9	Carrying amount - IAS 39	Carrying amount - IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 14,172,441	$ 14,172,441
Equity securities	Available-for-sale financial assets and financial assets measured at cost	Investment in equity instrument measured at fair value through other comprehensive income (FVTOCI)	7,133,426	7,510,851
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	7,395,872	7,395,872
Refundable deposits	Loans and receivables	Amortized cost	230,519	230,519

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
FVTOCI	$ -	$ 7,133,426	$ 377,425	$ 7,510,851	$ 124,034	$ 197,517
Add: From available-for-sale financial assets and financial assets measured at cost (IAS 39)	7,133,426	(7,133,426)	-	-	-	-
Total	$ 7,133,426	$ -	$ 377,425	$ 7,510,851	$ 124,034	$ 197,517

a) The Group elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $5,107,003 thousand was reclassified to other equity - unrealized gain on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been measured at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $197,517 thousand was recognized in both financial assets at FVTOCI and other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

   The Group recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were measured at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $124,034 thousand in other equity - unrealized gain on financial assets at FVTOCI and an increase of $124,034 thousand in retained earnings on January 1, 2018.

b) Notes receivable, accounts receivable, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

2) 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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases agreements of lessor and lessee that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

<u>Definition of a lease</u>

Upon initial application of IFRS 16, the Group will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Group subleased its leasehold assets to a third party. Such sublease is classified as an operating lease under IAS 17. The Group will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity as of January 1, 2019

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Prepayments for leases - current	$ 3,463	$ (3,463)	$ -
Prepayments for leases - non-current	35,129	(35,129)	-
Right-of-use assets	-	2,467,009	2,467,009
Total effect on assets	$ 38,592	$ 2,428,417	$ 2,467,009
Lease liabilities - current	$ -	$ 200,850	$ 200,850
Lease liabilities - non-current	-	2,227,567	2,227,567
Total effect on liabilities	$ -	$ 2,428,417	$ 2,428,417

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Group will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

Basis of Preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of Consolidation

a. Principles for preparing consolidated financial statements

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

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group’s ownership interests in existing subsidiaries

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

b. Subsidiaries included in consolidated financial statements

			% of Ownership	
			December 31	
Investor	**Investee**	**Main Business**	**2018**	**2017**
The Company	Winbond Int’l Corporation (WIC)	Investment holding	100	100
WIC	Winbond Electronics Corporation America (WECA)	Design, sales and after-sales service of semiconductor	100	100
The Company	Landmark Group Holdings Ltd. (Landmark)	Investment holding	100	100
Landmark	Winbond Electronics Corporation Japan (WECJ)	Research, development, sales and after-sales service of semiconductor	100	100
Landmark	Peaceful River Corp. (PRC)	Investment holding	100	100
The Company	Winbond Electronics (HK) Limited (WEHK)	Sale of semiconductor and investment holding	100	100
WEHK	Winbond Electronics (Suzhou) Limited (WECN) (Note 1)	Design, development and marketing of VLSI integrated ICs	100	-
The Company	Pine Capital Investment Limited (PCI)	Investment holding	100	100
PCI	Winbond Electronics (Suzhou) Limited (WECN) (Note 1)	Design, development and marketing of VLSI integrated ICs	-	100

(Continued)

Investor	Investee	Main Business	% of Ownership December 31 2018	2017
The Company	Mobile Magic Design Corporation (MMDC)	Design, development and marketing of Pseudo SRAM	100	100
The Company	Winbond Technology LTD (WTL)	Design and service of semiconductor	100	100
The Company	Newfound Asian Corporation (NAC) (Note 2)	Investment holding	-	100
NAC	Baystar Holdings Ltd. (BHL) (Note 3)	Investment holding	-	100
The Company	Techdesign Corporation (TDC)	Electronic commerce and product marketing	100	100
The Company	Callisto Holdings Limited (Callisto) (Note 4)	Electronic commerce and investment holding	100	-
The Company	Nuvoton Technology Corporation (NTC)	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	61	61
NTC	Marketplace Management Limited (MML)	Investment holding	100	100
MML	Goldbond LLC (GLLC)	Investment holding	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited (NTSH)	Provide project of sale in China and repair, test and consult of software	100	100
GLLC	Winbond Electronics (Nanjing) Ltd. (WENJ)	Computer software service (except I.C. design)	100	100
NTC	Pigeon Creek Holding Co., Ltd. (PCH)	Investment holding	100	100
PCH	Nuvoton Technology Corp. America (NTCA)	Design, sales and after-sales service of semiconductor	100	100
NTC	Nuvoton Investment Holding Ltd. (NIH)	Investment holding	100	100
NIH	Nuvoton Technology Israel Ltd. (NTIL)	Design and service of semiconductor	100	100
NTC	Nuvoton Electronics Technology (H.K.) Limited (NTHK)	Sales of semiconductor	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited (NTSZ)	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100
NTC	Song Yong Investment Corporation (SYI)	Investment holding	100	100
NTC	Nuvoton Technology India Private Limited (NTIPL)	Design, sales and after-sales service of semiconductor	100	100

(Concluded)

Note 1: WEHK purchased 100% of the shares of WECN from PCI on August 31, 2018, and made the payments in September 2018.

Note 2: NAC completed the liquidation and legal procedures in September 2018.

Note 3: BHL completed the liquidation and legal procedures in August 2018.

Note 4: Callisto was incorporated in May 2018, and the Company has injected the capital in August 2018.

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

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

Financial Instruments

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

Financial assets and financial liabilities are initially measured 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 FVTPL 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 FVTPL are recognized immediately in profit or loss.

a. Measurement category

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

   <u>2018</u>

   Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and equity instruments at FVTOCI.

   1) Financial asset at FVTPL

      Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is measured at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not measured at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

Financial assets at FVTPL are subsequently measured 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 does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 28.

2) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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

1) Financial assets at fair value through profit or loss

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

2) Available-for-sale financial assets

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

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

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

3) Loans and receivables

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

b. Impairment of financial assets

   <u>2018</u>

   The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

   The Group always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivable. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

   Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

   The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

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

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

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

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

c. Derecognition of financial assets

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

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is measured 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.

Corporate bonds issued by the Group are initially recognized at fair value, net of transaction costs incurred. Corporate bonds are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss over the period of bond circulation using the effective interest method.

Other financial liabilities are measured at amortized cost using the effective interest method.

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

g. Information about fair value of financial instruments

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

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

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

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

Inventories

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

Investments in Associates

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

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

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

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

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

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

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

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

Property, Plant and Equipment

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

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

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

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

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

Buildings	8-20 years
Machinery and equipment	3-7 years
Other equipment	5 years

Investment Properties

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

Intangible Assets

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

Impairment of Tangible and Intangible Assets (Except Goodwill)

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

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

Before the Group recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss subsequently is reversed, the carrying amount of the asset, 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, cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

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

Revenue Recognition

2018

The Group identify the performance obligations in the contract with customers, allocate the transaction price to the performance obligations in the contracts and recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer’s specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize provisions, which is classified under other non-current liabilities.

2017

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

Leasing

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

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

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

Borrowing Costs

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

   Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the period adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Share-based Payments Agreements

The fair values at the grant date of the equity-settled share-based payments/employee share options are expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. It is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, 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 and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
The Group's critical accounting judgments and key sources of estimation uncertainty is below:

a. Valuation of inventory

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

b. Impairment of financial assets - 2018

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Impairment of accounts receivable - 2017

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash and deposits in banks	$ 11,306,329	$ 11,749,013
Repurchase agreements collateralized by bonds	1,253,302	2,423,428
	$ 12,559,631	$ 14,172,441

a. The Group has time deposits pledged to secure land and building leases, customs tariff obligations, export bill and sales deposits which are reclassified to "other non-current assets". Time deposits pledged as security at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Time deposits	$ 201,414	$ 191,227

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

	December 31	
	2018	**2017**
Time deposits	$ 145,654	$ 339,541

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
Financial assets at FVTPL - current		
Derivative financial assets (not under hedge accounting)		
Forward exchange contracts	$ 8,094	$ 29,447
Foreign exchange swap contracts	196	3,298
	$ 8,290	$ 32,745

At the date of balance sheet, the outstanding forward exchange contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2018			
Sell forward exchange contracts	USD to NTD	2019.01.04-2019.03.08	USD127,000/NTD3,902,302
Buy forward exchange contracts	NTD to USD	2019.01.11-2019.01.25	NTD613,385/USD20,000
Foreign exchange swap contracts	USD to NTD	2019.02.15	USD5,150/NTD157,858
December 31, 2017			
Sell forward exchange contracts	USD to NTD	2018.01.05-2018.02.23	USD114,550/NTD3,429,554
Foreign exchange swap contracts	USD to NTD	2018.02.02-2018.02.23	USD14,188/NTD423,559

The Group entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These derivative financial instruments contracts did not meet the criteria of hedge effectiveness, therefore, they were not accounted for by hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Equity instruments at FVTOCI:

	December 31, 2018
Domestic listed and emerging stocks	
Walsin Lihwa Corporation	$ 3,350,000
Walsin Technology Corporation	1,509,218
Hannstar Display Corporation	774,873
Walton Advanced Engineering Inc.	540,677
Nyquest Technology Co., Ltd.	120,209
Brightek Optoelectronic Co., Ltd.	341

(Continued)

	December 31, 2018
Domestic unlisted stocks	
United Industrial Gases Co., Ltd.	$ 396,000
Yu-Ji Venture Capital Co., Ltd.	22,733
Harbinger III Venture Capital Corp.	6,147
Others	17,510
Overseas listed stocks	
Everspin Technologies, Inc.	57,351
Telit Communications PLC	4,521
Micron Technology, Inc.	12,572
Overseas unlisted stocks	
LTIP Trust Fund	227,228
JVP VIII, L.P.	71,420
Others	265
	$ 7,111,065
Current	$ 6,249,212
Non-current	861,853
	$ 7,111,065

(Concluded)

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and financial assets measured at cost under IAS 39. Refer to Notes 3, 9 and 12 for information relating to their reclassification and comparative information for 2017.

As of December 31, 2018, the Group disposed the shares for $156,583 thousand at the fair value for the adjustment of the investment position and the liquidation of its subsidiaries. The unrealized losses on financial assets at fair value through other comprehensive income of $84,968 thousand were transferred to retained earnings.

The Group recognized dividend income $416,339 thousand for the year ended December 31, 2018. Those related to investments derecognized during the year ended December 31, 2018 were $648 thousand. Those related to investments held at the end of the year ended December 31, 2018 were $415,691 thousand.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Listed stocks and exchange traded funds	
Walsin Lihwa Corporation	$ 3,520,000
Hannstar Display Corporation	994,668
Walsin Technology Corporation	961,077
Walton Advanced Engineering Inc.	806,009
Nyquest Technology Co., Ltd.	289,789
Vanguard Short-Term Corporate Bond ETF	146,318
Everspin Technologies, Inc.	68,143
Telit Communications PLC	6,547
Available-for-sale financial assets	$ 6,792,551
Current	$ 6,502,762
Non-current	289,789
	$ 6,792,551

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Notes receivable	$ -	$ 54,203
Accounts receivable		
At amortized cost		
Gross carrying amount	6,624,571	6,811,589
Less: Allowance for impairment loss	(155,158)	(158,302)
	$ 6,469,413	$ 6,707,490

In 2018

The average credit period of sales of goods was 30 to 60 days. No interest was charged on accounts receivable. The Group adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group estimates expected credit losses based on past due days. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

The Group writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Group's provision matrix.

December 31, 2018

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	$ 6,073,766	$ 513,593	$ 18,336	$ 32	$ 18,844	$ 6,624,571
Loss allowance (Lifetime ECL)	(124,203)	(10,272)	(1,833)	(6)	(18,844)	(155,158)
Amortized cost	$ 5,949,563	$ 503,321	$ 16,503	$ 26	$ -	$ 6,469,413

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1 (IAS 39)	$ 158,302
Adjustment on initial application of IFRS 9	-
Balance at January 1 (IFRS 9)	158,302
Less: Reversal of loss allowance	(4,708)
Effect of exchange rate changes	1,564
Balance at December 31	$ 155,158

In 2017

The Group applied the same credit policy in 2018 and 2017. Allowances for doubtful accounts is based on the estimated uncollectable amounts determined by reference to the aging of receivables, past dealing experience with the relevant counterparties and consideration of their respective financial positions.

The aging of accounts receivable were as follows:

	December 31, 2017
Not overdue	$ 6,341,970
Overdue under 30 days	428,890
Overdue 31-60 days	17,058
Overdue 61 days and longer	23,671
	$ 6,811,589

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

	2017
Balance at January 1	$ 132,304
Add: Provision recognized on accounts receivable	28,351
Effect of exchange rate changes	(2,353)
Balance at December 31	$ 158,302

The Group's provision losses on accounts receivable were recognized on a collective basis.

11. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 2,045,369	$ 1,632,997
Work-in-process	8,049,457	5,811,125
Raw materials and supplies	777,692	614,338
Inventories in transit	35,588	81,522
	$ 10,908,106	$ 8,139,982

a. Operating costs for the years ended December 31, 2018 and 2017 included inventory write-downs for the decline in market value, obsolescence and scrap of inventories of $113,910 thousand and $125,748 thousand, respectively. The net realizable value of inventory for the years ended December 31, 2018 and 2017 are higher than operating costs.

b. Unallocated fixed manufacturing costs recognized as cost of sales in the years ended December 31, 2018 and 2017, were $329,373 thousand and $139,546 thousand, respectively.

12. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
LTIP Trust Fund	$ 209,320
United Industrial Gases Co., Ltd.	81,081
Yu-Ji Venture Capital Co., Ltd.	21,000
Harbinger III Venture Capital Corp.	10,976
Others	18,498
Non-current financial assets measured at cost	$ 340,875

The Group concludes that the fair value of the above unlisted equity investments held by the Group cannot be reliably measured since the wide range of reasonable estimated fair value, and therefore should be measured at cost less impairment at the end of the reporting period.

After proper assessment, the Company recognized an impairment loss on Smart Catch International Co., Ltd. of $10,000 thousand, which was recorded as “impairment loss on financial assets” for the years ended December 31, 2017.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	December 31	
	2018	2017
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	$ 3,584,605	$ 4,430,985
Hwa Bao Botanic Conservation Corp.	723	-
	$ 3,585,328	$ 4,430,985

The Company subscribed the ordinary shares of Hwa Bao Botanic Conservation Corp. (Hwa Bao) in $750 thousand and owned 15% of ownership interest directly in July 2018. As of December 31, 2018, the main shareholders of Hwa Bao was Chin Xin Investment Co., Ltd., and its ownership interest were 70%. The Company accounted for the equity investment in Hwa Bao using equity method for its consolidated ownership interest of Hwa Bao was 41%.

As of December 31, 2018, the Company had 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associates’ financial statements audited by independent auditors.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2018	2017
Land	$ 1,619,877	$ 1,617,532
Buildings	10,105,591	10,312,093
Machinery and equipment	37,569,737	29,380,489
Other equipment	685,940	1,114,764
Construction in progress and prepayments for purchase of equipment	2,503,038	1,403,829
	$ 52,484,183	$ 43,828,707

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
Cost						
Balance at January 1, 2018	$ 1,617,532	$ 25,773,108	$ 108,091,801	$ 4,208,296	$ 1,403,829	$ 141,094,566
Additions	-	603,202	12,529,976	868,503	2,129,134	16,130,815
Disposals	-	-	(418,469)	(60,286)	-	(478,755)
Reclassified	-	409,927	1,748,036	(1,127,846)	(1,030,117)	-
Effect of exchange rate changes	2,345	8,450	(2,355)	(6,182)	192	2,450
Balance at December 31, 2018	$ 1,619,877	$ 26,794,687	$ 121,948,989	$ 3,882,485	$ 2,503,038	$ 156,749,076
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ -	$ 15,461,015	$ 78,711,312	$ 3,093,532	$ -	$ 97,265,859
Depreciation expense	-	1,222,354	6,086,182	167,429	-	7,475,965
Disposals	-	-	(416,901)	(60,069)	-	(476,970)
Reclassified	-	23	-	(23)	-	-
Effect of exchange rate changes	-	5,704	(1,341)	(4,324)	-	39
Balance at December 31, 2018	$ -	$ 16,689,096	$ 84,379,252	$ 3,196,545	$ -	$ 104,264,893
Cost						
Balance at January 1, 2017	$ 1,623,646	$ 21,615,031	$ 93,310,319	$ 3,451,660	$ 6,437,073	$ 126,437,729
Additions	-	736,366	9,440,271	1,544,609	3,732,567	15,453,813
Disposals	-	(1,151)	(750,064)	(13,528)	-	(764,743)
Reclassified	-	3,444,797	6,093,557	(772,509)	(8,765,845)	-
Transfer to other current assets	-	-	(19)	-	-	(19)
Effect of exchange rate changes	(6,114)	(21,935)	(2,263)	(1,936)	34	(32,214)
Balance at December 31, 2017	$ 1,617,532	$ 25,773,108	$ 108,091,801	$ 4,208,296	$ 1,403,829	$ 141,094,566
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ 14,386,400	$ 74,729,065	$ 2,949,727	$ -	$ 92,065,192
Depreciation expense	-	1,089,263	4,728,926	158,197	-	5,976,386
Disposals	-	(772)	(744,541)	(12,838)	-	(758,151)
Effect of exchange rate changes	-	(13,876)	(2,138)	(1,554)	-	(17,568)
Balance at December 31, 2017	$ -	$ 15,461,015	$ 78,711,312	$ 3,093,532	$ -	$ 97,265,859

a. As of December 31, 2018 and 2017, the carrying amounts of $21,008,324 thousand and $21,256,153 thousand of land, buildings and manufacturing facilities were pledged to secure long-term borrowings and corporate bonds. The Group was not permitted to sell or pledge any of these pledged assets.

b. Information about capitalized interest

	For the Year Ended December 31	
	2018	2017
Capitalized interest amounts	$ 74,013	$ 134,113
Capitalized interest rates	1.79%	1.79%

15. INVESTMENT PROPERTIES

	December 31 2018	December 31 2017
Investment properties, net	$ 50,527	$ 56,278

The investment properties is in Shen-Zhen, China. As of December 31, 2018 and 2017, the fair value of such investment properties were both approximately $200,000 thousand, which was referred by the neighborhood transactions.

	Investment Properties
Cost	
Balance at January 1, 2018	$ 104,460
Effect of exchange rate changes	(2,127)
Balance at December 31, 2018	$ 102,333
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ 48,182
Depreciation expense	4,696
Effect of exchange rate changes	(1,072)
Balance at December 31, 2018	$ 51,806
Cost	
Balance at January 1, 2017	$ 105,650
Effect of exchange rate changes	(1,190)
Balance at December 31, 2017	$ 104,460
Accumulated depreciation and impairment	
Balance at January 1, 2017	$ 43,977
Depreciation expense	4,641
Effect of exchange rate changes	(436)
Balance at December 31, 2017	$ 48,182

16. INTANGIBLE ASSETS

	December 31 2018	December 31 2017
Deferred technical assets, net	$ 225,717	$ 285,277
Other intangible assets, net	3,478	2,736
	$ 229,195	$ 288,013

	Deferred Technical Assets	Other Intangible Assets	Total
Cost			
Balance at January 1, 2018	$ 18,877,126	$ 23,329	$ 18,900,455
Additions	27,985	1,511	29,496
Disposals	-	(536)	(536)
Effect of exchange rate changes	(3,932)	936	(2,996)
Balance at December 31, 2018	$ 18,901,179	$ 25,240	$ 18,926,419
Accumulated amortization and impairment			
Balance at January 1, 2018	$ 18,591,849	$ 20,593	$ 18,612,442
Amortization expense	87,342	839	88,181
Disposals	-	(536)	(536)
Effect of exchange rate changes	(3,729)	866	(2,863)
Balance at December 31, 2018	$ 18,675,462	$ 21,762	$ 18,697,224
Cost			
Balance at January 1, 2017	$ 18,789,610	$ 22,325	$ 18,811,935
Additions	89,897	1,792	91,689
Effect of exchange rate changes	(2,381)	(788)	(3,169)
Balance at December 31, 2017	$ 18,877,126	$ 23,329	$ 18,900,455
Accumulated amortization and impairment			
Balance at January 1, 2017	$ 18,505,878	$ 20,753	$ 18,526,631
Amortization expense	88,721	607	89,328
Effect of exchange rate changes	(2,750)	(767)	(3,517)
Balance at December 31, 2017	$ 18,591,849	$ 20,593	$ 18,612,442

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

17. BORROWINGS

a. Short-term borrowings

	December 31			
	2018		2017	
	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	-	$ -	0.75	$ 553,539

b. Long-term borrowings

	Period	Interest Rate	December 31 2018	December 31 2017
Secured borrowings				
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.07.07-2019.11.27	1.87%-2.23%	$ 2,600,000	$ 5,200,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.40%-1.70%	370,560	494,080
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%	5,800,000	6,400,000
			8,770,560	12,094,080
Less: Current portion			(4,563,520)	(3,323,520)
Less: Syndication agreement management fee			(27,767)	(41,787)
			$ 4,179,273	$ 8,728,773

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

   a) On July 7, 2014, the Company entered into a syndicated loan, with a group of financial institutions to procure equipment for 12-inch fab and repay bank loans, credit line was divided into part A and B, which amounted to $6.5 billion and $2.5 billion, respectively; the total line of credit $9 billion.

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

   c) Refer to Note 14 for collateral on bank borrowings.

2) The collateral on the Bank of Taiwan secured medium-term loan is the land and building of the Company in Zhubei. Refer to Note 14. The principal will be repaid every six months from June 29, 2017 until maturity.

3) Bank of Taiwan Syndicated Loan (IV)

   a) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch fab, repay bank loans and augment medium-term working capital. The credit line was divided into part A and B, which amounted to $10 billion and $2 billion, respectively; and the total line of credit amounted to $12 billion.

   b) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.

   c) Refer to Note 14 for collateral on bank borrowings.

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

18. BONDS PAYABLE

	December 31, 2018
Domestic secured bonds	$ 10,000,000
Less: Discounts on bonds payable	(80,221)
	$ 9,919,779

On July 10, 2018, the Company was approved by the SFB to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of $10,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2018.07.17	7 years	$10,000,000	1%	The principal will be repaid upon maturity. The interest is payable once a year at the coupon rate accrued annually on a simple basis starting from the issue date.

Refer to Note 14 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

19. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

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

b. Defined benefit plan

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

The defined benefit plan adopted by WTL and NTIL are calculated on the basis of the service duration and last month salaries before retirement.

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

	December 31	
	2018	2017
Present value of the defined benefit obligation	$ 2,792,238	$ 2,619,972
Fair value of the plan assets	(1,624,913)	(1,532,883)
Net defined benefit liabilities, non-current	$ 1,167,325	$ 1,087,089

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 2,619,972	$ (1,532,883)	$ 1,087,089
Service cost			
Current service cost	72,829	-	72,829
Net interest expense (income)	46,468	(25,285)	21,183
Others	(3,565)	3,368	(197)
Recognized in profit or loss	115,732	(21,917)	93,815
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(28,197)	(28,197)
- changes in demographic assumptions	18,837	-	18,837
- changes in financial assumptions	(188)	15,524	15,336
- experience adjustments	136,923	(563)	136,360
Adjustments for prior year actuarial (gain) loss	(652)	429	(223)
Recognized in other comprehensive income	154,920	(12,807)	142,113
Contributions from the employer	-	(153,381)	(153,381)
Benefits paid	(75,937)	74,435	(1,502)
Account paid	(438)	-	(438)
Effect of exchange rate changes	(22,011)	21,640	(371)
Balance at December 31, 2018	$ 2,792,238	$ (1,624,913)	$ 1,167,325
Balance at January 1, 2017	$ 2,464,650	$ (1,401,944)	$ 1,062,706
Service cost			
Current service cost	73,857	-	73,857
Net interest expense (income)	49,501	(25,618)	23,883
Others	5,118	(4,568)	550
Recognized in profit or loss	128,476	(30,186)	98,290
Remeasurement			
Actuarial loss (gain)			
- realized rate less than the discounted rate	-	7,620	7,620
- changes in financial assumptions	53,267	(22,788)	30,479
- experience adjustments	47,440	(4,726)	42,714
Recognized in other comprehensive income	100,707	(19,894)	80,813

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Contributions from the employer	$ -	$ (153,279)	$ (153,279)
Benefits paid	(81,237)	80,839	(398)
Account paid	(1,276)	-	(1,276)
Effect of exchange rate changes	8,652	(8,419)	233
Balance at December 31, 2017	$ 2,619,972	$ (1,532,883)	$ 1,087,089

(Concluded)

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

	For the Year Ended December 31	
	2018	2017
Operating cost	$ 21,623	$ 21,601
Selling expenses	2,220	1,939
General and administrative expenses	8,875	10,440
Research and development expenses	61,097	64,310
	$ 93,815	$ 98,290

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

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

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

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

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

	December 31	
	2018	2017
Discount rates	1.25%-3.65%	1.50%-4.68%
Expected rates of salary increase	1.00%-3.58%	1.00%-3.36%

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

	December 31	
	2018	2017
Discount rates		
0.25%-0.50% increase	$ (104,428)	$ (90,375)
0.25%-0.50% decrease	$ 113,484	$ 98,629
Expected rates of salary increase		
0.25%-0.50% increase	$ 109,407	$ 94,367
0.25%-0.50% decrease	$ (101,073)	$ (86,949)

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

	December 31	
	2018	2017
The expected contribution to the plan for the next year	$ 164,314	$ 165,761
The average duration of defined benefit obligation	7.03-13.17 years	7.29-13.46 years

20. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	6,700,000	6,700,000
Share authorized	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousands)	3,980,000	3,980,000
Share issued	$ 39,800,002	$ 39,800,002

Reconciliation of outstanding shares:

	Shares (In Thousands)	Capital
January 1, 2018	3,980,000	$ 39,800,002
December 31, 2018	3,980,000	$ 39,800,002
January 1, 2017	3,580,000	$ 35,800,002
Issuance of ordinary shares	400,000	4,000,000
December 31, 2017	3,980,000	$ 39,800,002

On September 7, 2017, the Company's board of directors resolved to issue 400,000 thousand ordinary shares for the need of production capacity expansion, with a par value of NT$10. On October 16, 2017, this resolution was approved by the FSC. The consideration of NT$22 per share was determined as at October 24, 2017, by the Chairman authorized by the board of directors which increased the share capital issued and fully paid, and the subscription base date was determined as at December 15, 2017. The cost of issuance of the shares amounted to $12,327 thousand and was recorded as a reduction of capital surplus arising from the issuance of share capital.

As of December 31, 2018 and 2017, the balance of the Company's capital account amounted to $39,800,002 thousand, divided into 3,980,000 thousand shares with a par value of NT$10.

b. Capital surplus

	December 31	
	2018	**2017**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of share capital	$ 5,026,873	$ 5,026,873
Arising from treasury share transactions	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352
May be used to offset a deficit only		
Arising from changes in percentage of ownership interest in subsidiaries	6,042	6,042
Arising from share of changes in capital surplus of associates	29,137	29,137
	$ 7,540,440	$ 7,540,440

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors, and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The board of directors is authorized to determine the "employees of subsidiaries of the Company meeting certain criteria" set forth in the first paragraph or the board of directors may authorize the Chairman of the board of directors to determine the "employees of subsidiaries of the Company meeting certain criteria" set forth in the first paragraph.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the board of directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 50% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 22 to the consolidated financial statements on employee benefits expenses.

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

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

As of the date of the Company's board meeting, January 31, 2019, the appropriation of earnings for 2018 are not subjected.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 11, 2018 and June 13, 2017, respectively, as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2017	**For Year 2016**	**For Year 2017**	**For Year 2016**
Legal reserve appropriated	$ 555,056	$ 289,779		
Reversal of special reserve	(31,429)	(1,363,634)		
Cash dividends	3,980,000	2,148,000	$ 1.0	$ 0.6
	$ 4,503,627	$ 1,074,145		

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2018	2017
Balance at January 1	$ (120,988)	$ 23,433
Exchange differences arising on translating the financial statements of foreign operations	70,208	(144,421)
Balance at December 31	$ (50,780)	$ (120,988)

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Group's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	5,065,763
Balance at January 1 (IAS 9)	5,065,763
Unrealized loss on revaluation of financial assets at FVTOCI	(432,743)
Share of unrealized loss on revaluation of financial assets at FVTOCI of associates accounted for using equity method	(1,157,275)
Disposals of investments in equity instruments measured at fair value through other comprehensive income	57,678
Balance at December 31	$ 3,533,423

Unrealized gain (loss) on financial assets at FVTOCI represents the cumulative gains or losses arising from the fair value measurement on financial assets at FVTOCI that are recognized in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

3) Unrealized gain on available-for-sale financial assets

	Amounts
Balance at January 1, 2017	$ 1,176,299
Unrealized gain arising on revaluation of available-for-sale financial assets	2,346,321
Share of unrealized gain on revaluation of available-for-sale financial assets of associates accounted for using equity method	1,584,383
Balance at December 31, 2017	$ 5,107,003
Balance at January 1, 2018 (IAS 39)	$ 5,107,003
Adjustment on initial application of IFRS 9	(5,107,003)
Balance at January 1, 2018 (IFRS 9)	$ -

Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified to profit or loss.

e. Treasury shares

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

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

The Company's subsidiary - Baystar Holdings Ltd. (BHL) originally held 7,518,364 shares of the Company's share capital. In August 2017, BHL sold 7,518,364 shares of the Company's share capital in a gain of $38,012 thousand, the Company recorded the transaction as an addition of capital surplus under the treasury shares accounting policy.

Treasury shares transactions for the year ended December 31, 2017 were summarized as follows:

Purpose of Buyback	**Treasury Shares Held as of January 1, 2017**	**Increase During the Period**	**Decrease During the Period**	**Treasury Shares Held as of December 31, 2017**
Share capital held by subsidiaries	7,518,364	-	7,518,364	-

f. Non-controlling interests

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1 (IAS 39)	$ 1,414,827	$ 1,299,838
Adjustment on initial application of IFRS 9	55,874	-
Balance at January 1 (IFRS 9)	1,470,701	1,299,838
Share attributable to non-controlling interests		
Profit for the year	281,162	272,388
Exchange difference on translation of foreign financial statements	(4,044)	(11,483)
Remeasurement of defined benefit plans	(26,252)	(7,388)
Unrealized gain on revaluation of available-for-sale financial assets	-	55,714
Unrealized loss on investments in equity instruments measured at fair value through other comprehensive income	(72,505)	-
Decrease in non-controlling interests	(202,336)	(194,242)
Balance at December 31	$ 1,446,726	$ 1,414,827

21. REVENUE

Refer to Note 35 for the Group's revenue.

22. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2018			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 3,206,420	$ 5,740,847	$ -	$ 8,947,267
Post-employment benefits	$ 130,861	$ 290,835	$ -	$ 421,696
Depreciation	$ 6,751,457	$ 721,820	$ 7,384	$ 7,480,661
Amortization	$ 33,330	$ 54,851	$ 14,020	$ 102,201

	For the Year Ended December 31, 2017			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits	$ 3,145,062	$ 4,977,258	$ -	$ 8,122,320
Post-employment benefits	$ 126,497	$ 269,334	$ -	$ 395,831
Depreciation	$ 5,419,706	$ 553,891	$ 7,430	$ 5,981,027
Amortization	$ 33,294	$ 56,034	$ 14,020	$ 103,348

In accordance with the Company Act and the Articles of Incorporation, it stipulates distribution of the compensation of employees and remuneration of directors at the rates no more than 1% and no less than 1%, respectively, of net profit before income tax, remuneration to directors and compensation of employees. The calculation for the rate mentioned above also include the Company's remuneration of supervisors before establishment of the Audit Committee. For the years ended December 31, 2018 and 2017, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31			
	2018		2017	
	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	$163,650	2%	$ 67,881	1%
Remuneration of directors	$ 81,825	1%	$ 67,881	1%

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The compensation to employees and remuneration to the directors of 2017 and 2016 were approved by the Company's board of directors on February 2, 2018 and February 3, 2017, respectively, were as below:

	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 67,881	$ 34,400
Remuneration of directors	$ 67,881	$ 34,400

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2017 and 2016.

Information on the compensation to employees and remuneration to the directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange Corporation.

23. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 400,000 thousand shares approved by the FSC on October 16, 2017 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on October 24, 2017. The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to $239,200 thousand which was recorded as compensation costs with a corresponding increase in capital surplus.

a. As of December 31, 2017, the Company's Share-based payments agreements were as follows:

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee preemption	2017.10.24	40,000 thousand shares	Vested immediately

b. The fair value of share options acquired by employees on grant day, October 24, 2017, was measured by using Black-Scholes Option Pricing Model. Relevant information is as follows:

Stock Price (NT$)	Exercise Price (NT$)	Expected Price Volatility	Expected Vesting Period	Expected Dividend Yield Rate	Risk-free Interest Rate	Fair Value Per Share (NT$)
$27.9	$22	38.94%	49 days	0.00%	0.36%	$5.98

24. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
In respect of the current year	$ 1,516,365	$ 1,129,684
Additional income tax expense on unappropriated earnings	76,294	124,773
Adjustment for prior years' tax	48,802	6,289
Deferred income tax		
In respect of the current year	(770,395)	13,833
Effect of tax rate changes	(203,824)	-
Income tax expense recognized in profit or loss	$ 667,242	$ 1,274,579

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

	For the Year Ended December 31	
	2018	2017
Income tax expense from continuing operations at the statutory rate	$ 1,798,728	$ 1,348,754
Tax effect of adjustment item		
Permanent differences	(238,437)	(195,000)
Others	18,223	7,897
Current income tax credit	(48,149)	(21,967)
Tax-exempt income	(14,000)	(10,000)
Current income tax	1,516,365	1,129,684
Deferred income tax		
In respect of the current year	(770,395)	13,833
Effect of tax rate changes	(203,824)	-
Additional income tax on unappropriated earnings	76,294	124,773
Adjustment for prior years' income tax expense	48,802	6,289
Tax expense recognized in profit or loss	$ 667,242	$ 1,274,579

In 2017, the applicable corporate income tax rate used by the group entities in the ROC is 17%, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the shareholders meeting haven't resolved the appropriation of earnings for 2018, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31	
	2018	2017
Current tax assets		
Tax refund receivables (recorded as "other receivables and notes receivable")	$ 14,018	$ 63,774
Current tax liabilities		
Income tax payables	$ 178,690	$ 248,662

c. Deferred tax assets

As of December 31, 2018 and 2017, deferred income tax assets of $953,726 thousand and $1,351,087 thousand, respectively, were mainly net operating loss carryforwards.

d. Operating loss carryforwards and tax exemptions

Information about the Group's operating loss carryforwards as of December 31, 2018 and tax exemptions was as follows:

As of December 31, 2018 WECA's operating loss carryforward was US$11,793 thousand, and will expire in 2025.

As of December 31, 2018, the Company's operating loss carryforwards comprised:

Operating Loss Carryforwards	Expiry Year
$ 463,000	2022

As of December 31, 2018, NTC's profits attributable to the following expansion projects were exempted from income tax for a five-year period:

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

e. Information about investment credits

The Company apply the Statute for Industrial Innovation Article 10, up to ten percent of the R&D expenses may be credited against the profit-seeking enterprise income tax payable by it in each of the three years following the then current year.

f. Tax return assessments

The Company's tax returns through 2015 have been assessed by the tax authorities.

25. EARNINGS PER SHARE

	For the Year Ended December 31					
	2018			2017		
	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Parent)	Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax (Attributable to Owners of the Parent)
Basic earnings per share						
Net income attributed to common shareholders	$ 7,446,496	3,980,000	$ 1.87	$ 5,550,562	3,608,948	$ 1.54
Effect of dilutive potential common share						
Employees' compensation	-	12,078		-	3,431	
Diluted earnings per share						
Net income attributed to common shareholders	$ 7,446,496	3,992,078	$ 1.87	$ 5,550,562	3,612,379	$ 1.54

If the Company may settle the compensation or bonus to employees by cash or shares, the Company should presume that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

26. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

a. Lease arrangements

The Company and NTC leased lands from Science Park Administration, and the lease term will expire in 2037 and 2027, respectively, which can be extended after the expiration of the lease periods.

NTC leased a land from Taiwan Sugar Corporation. Under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of NTC is a joint guarantor of such lease, refer to Note 29.

The Group leased some of the offices in the United States, China, Hong Kong, Japan, Israel, India, and part in Taiwan, and the lease terms will expire between 2018 and 2023 which can be extended after the expiration of the lease periods.

As of December 31, 2018 and 2017, deposits paid under operating leases amounted to $115,336 thousand and $114,121 thousand, respectively (recorded as “other non-current assets”).

b. Prepayments for lease obligations

	For the Year Ended December 31	
	2018	**2017**
Current (recorded as “other current assets”)	$ 3,463	$ 3,445
Non-current (recorded as “other non-current assets”)	35,129	37,510
	$ 38,592	$ 40,955

Prepayments for lease obligations is to prepay the right of land access which NTC leased from Taiwan Sugar Corporation.

c. Lease expense

	For the Year Ended December 31	
	2018	**2017**
Lease expenditure	$ 243,449	$ 217,380

The Group as Lessor

Operating lease agreements

Operating leases relate to leasing the investment property with lease terms of 3-5 years, and with an extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have a bargain purchase option to acquire the property at the expiry of the lease period.

As of December 31, 2018 and 2017, deposits received under operating leases amounted to $2,137 thousand and $2,181 thousand, respectively (recorded as “other non-current liabilities”).

27. CAPITAL MANAGEMENT

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

28. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

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

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

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

- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the consolidated balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

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

Fair value hierarchy as at December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at amortized cost					
Bonds payable	$ 9,919,779	$ -	$ 9,919,779	$ -	$ 9,919,779

Fair value hierarchy as at December 31, 2017

	Carrying Amount	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Fair Value Total
Financial assets measured at cost					
Equity securities					
Domestic emerging securities	$ 493	$ -	$ 347	$ -	$ 347

4) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy as at December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 8,290	$ -	$ 8,290
Financial assets at FVTOCI				
Equity securities				
Domestic listed and emerging securities	$ 6,295,318	$ -	$ -	$ 6,295,318
Overseas listed securities	74,444	-	-	74,444
Domestic and overseas unlisted securities	-	17,510	723,793	741,303
	$ 6,369,762	$ 17,510	$ 723,793	$ 7,111,065

Fair value hierarchy as at December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 32,745	$ -	$ 32,745
Available-for-sale financial assets				
Equity securities				
Domestic listed securities	$ 6,571,543	$ -	$ -	$ 6,571,543
Overseas listed securities	221,008	-	-	221,008
	$ 6,792,551	$ -	$ -	$ 6,792,551

There were no transfers between Levels 1 and 2 in the current periods. The emerging securities held by the Group were determined as active market, and were transferred from Level 2 to Level 1 this year.

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Measured at amortized cost				
Cash and cash equivalents	$ 12,559,631	$ 12,559,631	$ -	$ -
Notes and accounts receivable (included related parties)	6,513,710	6,513,710	-	-
Other receivables	406,879	406,879	-	-
Refundable deposits (recorded in other non-current assets)	268,707	268,707	-	-
Loans and receivables				
Cash and cash equivalents	-	-	14,172,441	14,172,441
Notes and accounts receivable (included related parties)	-	-	6,741,036	6,741,036
Other receivables	-	-	654,836	654,836
Refundable deposits (recorded in other non-current assets)	-	-	230,519	230,519
Financial assets at fair value through profit or loss	8,290	8,290	32,745	32,745
Financial assets at fair value through other comprehensive income (current and non-current)	7,111,065	7,111,065	-	-
Available-for-sale financial assets	-	-	6,792,551	6,792,551
Financial assets measured at cost	-	-	340,875	340,729
Financial liabilities				
Measured at amortized cost				
Short-term borrowings	-	-	553,539	553,539
Notes and accounts payable (included related parties)	4,947,547	4,947,547	4,917,732	4,917,732
Payable on equipment and other payables	6,637,443	6,637,443	7,002,708	7,002,708
Bonds payable	9,919,779	9,919,779	-	-
Long-term borrowings (included current portion)	8,770,560	8,770,560	12,094,080	12,094,080
Long-term contract payable (recorded in other non-current liabilities)	-	-	10,551	10,551
Guarantee deposits (recorded in other non-current liabilities)	59,858	59,858	65,897	65,897

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be impact on net income increase in the amounts of $34,120 thousand and $26,514 thousand for the years ended December 31, 2018 and 2017, respectively.

b) Interest rate risk

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

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

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial assets	$ 133,666	$ 36,719
Financial liabilities	8,770,560	12,094,080

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the years ended December 31, 2018 and 2017 would have increased by $86,369 thousand and $120,574 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	December 31, 2018			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-interest bearing	$ 11,584,990	$ 59,858	$ -	$ 11,644,848
Variable interest rate liabilities	4,563,520	1,883,520	2,323,520	8,770,560
Fixed interest rate liabilities	-	-	10,000,000	10,000,000
	$ 16,148,510	$ 1,943,378	$ 12,323,520	$ 30,415,408

	December 31, 2017			
	Within 1 Year	**1-2 Years**	**Over 2 Years**	**Total**
Non-interest bearing	$ 11,920,440	$ 76,448	$ -	$ 11,996,888
Variable interest rate liabilities	3,323,520	4,563,520	4,207,040	12,094,080
Fixed interest rate liabilities	553,539	-	-	553,539
	$ 15,797,499	$ 4,639,968	$ 4,207,040	$ 24,644,507

29. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Global Brands Manufacture (Dongguan) Ltd.	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
Walsin Technology Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance
Prosperity Dielectrics Co., Ltd.	Related party in substance
Hannstar Display Corporation	Related party in substance
United Industrial Gases Co., Ltd.	Related party in substance

b. Operating activities

	For the Year Ended December 31	
	2018	2017
1) Operating revenue		
Related party in substance	$ 247,453	$ 238,200
2) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	$ 2,678,821	$ 1,824,418
Others	566,350	561,137
	$ 3,245,171	$ 2,385,555
3) General and administrative expenses		
Related party in substance	$ 10,567	$ 10,538
Investor that exercises significant influence over the Group	10,078	9,099
	$ 20,645	$ 19,637
4) Dividend income		
Investor that exercises significant influence over the Group		
Walsin Lihwa Corporation	$ 200,000	$ 140,000
Related party in substance		
United Industrial Gases Co., Ltd.	57,570	51,744
HannStar Display Corporation	50,034	59,034
Walton Advanced Engineering Inc.	42,553	12,513
Others	65,298	27,595
	$ 415,455	$ 290,886
5) Other income		
Related party in substance	$ 2,690	$ 2,609

	December 31	
	2018	2017
6) Accounts receivable due from related parties		
Related party in substance	$ 44,297	$ 33,546
7) Accounts payable to related parties		
Related party in substance		
Walton Advanced Engineering Inc.	$ 473,453	$ 352,266
Others	156,228	144,521
	$ 629,681	$ 496,787

	December 31	
	2018	2017
8) Other current assets		
Investor that exercises significant influence over the Group	$ 209	$ 1,172
9) Other payables		
Related party in substance	$ 35,789	$ 33,465
Investor that exercises significant influence over the Group	1,862	1,464
	$ 37,651	$ 34,929
10) Refundable deposits (recorded as "other non-current assets")		
Related party in substance	$ 1,722	$ 1,722
Investor that exercises significant influence over the Group	203	203
	$ 1,925	$ 1,925

11) Disposal of property, plant and equipment

	For the Year Ended December 31			
	2018		2017	
	Price	Gain on Disposal	Price	Gain on Disposal
Related party in substance	$ -	$ -	$ 620	$ 114

The related party transactions were conducted under normal terms.

c. Guarantee

As of December 31, 2018, the chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 26.

d. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employment benefits	$ 436,068	$ 342,424
Post-employment benefits	32,465	10,752
Share-based payments	-	7,698
	$ 468,533	$ 360,874

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

30. PLEDGED AND COLLATERALIZED ASSETS

Refer to Note 6 and Note 14 to the consolidated financial statements.

31. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of December 31, 2018 and 2017 were approximately US$14,888 thousand and US$36,768 thousand, JPY2,483,939 thousand and JPY2,936,690 thousand and EUR122 thousand and EUR1,596 thousand, respectively.

b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2018
TASA Construction Corporation	$ 3,199,466	$ 927,367

32. SUBSEQUENT EVENTS

Microchip Tech. Inc.(Listed Company in United States) filed a first amended complaint on January 2019, which is under the proceeding of United States District Court for the District of Delaware. The first amended complaint alleges that NTC and NTCA infringed Microchip's patents. The case is still in its initial stages, hence the possible impact on NTC's business and finance is indeterminable.

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

	December 31					
	2018			2017		
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)
Financial assets						
Monetary items						
USD	$ 234,740	30.715	$ 7,210,033	$ 245,041	29.76	$ 7,292,424
USD	16,855	110.41 (Note 2)	517,691	22,714	112.64 (Note 2)	675,963
EUR	1,475	35.2	51,911	1,686	35.57	59,968
JPY	1,781,786	0.2782	495,693	2,536,125	0.2642	670,044
RMB	15,978	4.472	71,452	94,642	4.565	432,041
ILS	12,398	8.1494	101,037	11,707	8.5791	100,433
Non-monetary items						
USD	7,407	30.715	227,493	6,266	29.76	186,483
Financial liabilities						
Monetary items						
USD	122,895	30.715	3,774,717	150,588	29.76	4,481,508
USD	8,523	110.41 (Note 2)	261,790	15,099	112.64 (Note 2)	449,348
EUR	3,894	35.2	137,069	18,375	35.57	653,583
JPY	3,147,009	0.2782	875,498	3,263,776	0.2642	862,290
ILS	14,600	8.1494	119,471	14,522	8.5791	124,582

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

Note 2: The exchange rate represents the number of JPY for which one US dollar could be exchanged.

For the years ended December 31, 2018 and 2017, realized and unrealized net foreign exchange gain (loss) were gain of $280,264 thousand and loss of $269,799 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

34. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions and; b. investments required by the Securities and Futures Bureau for the Company:

1)	Financings provided	None
2)	Endorsement and guarantee provided	None
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 1
4)	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	None
5)	Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital	Table 2
6)	Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital	None
7)	Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital	Table 3
8)	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	Table 4
9)	Information about the derivative financial instruments transaction	Note 7
10)	Names, locations, and related information of investees over which TSMC exercises significant influence	Table 5

c. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 6
2)	Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.	Table 6

d. Information on intercompany relationships and significant intercompany transactions: Refer to Table 7 attached.

35. SEGMENT INFORMATION

a. Basic information about operating segment

1) Classification of operating segments

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

a) Segment of DRAM IC product

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

b) Segment of Flash Memory product

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

c) Segment of Logic IC product

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
DRAM IC product	$ 21,582,960	$ 20,343,514	$ 3,900,169	$ 3,867,666
Flash Memory product	19,647,843	18,154,163	6,132,727	4,219,200
Logic IC product	9,958,368	9,092,740	1,501,616	1,440,869
Total of segment revenue	51,189,171	47,590,417	11,534,512	9,527,735
Other revenue	1,152	1,375	1,152	1,375
Operating revenue	$ 51,190,323	$ 47,591,792		
Unallocated expenditure				
Administrative and supporting expense			(2,045,247)	(1,566,083)
Sales and other common expenses			(1,563,720)	(1,307,259)
Income from operations			7,926,697	6,655,768

(Continued)

	Segment Revenue For the Year Ended December 31		Segment Profit and Loss For the Year Ended December 31	
	2018	2017	2018	2017
Non-operating income and expenses				
Interest income			$ 93,833	$ 35,349
Dividend income			416,339	340,284
Other income			45,572	58,660
Gains on disposal of property, plant and equipment			764	1,267
Gains on disposal of investments			-	25,489
Foreign exchange gains (losses)			280,264	(269,799)
Share of profit of associates accounted for using equity method			228,981	192,125
Interest expenses			(182,299)	(78,625)
Other expenses			(73,471)	(68,089)
(Losses) gains on financial instruments at fair value through profit or loss			(328,890)	215,100
Impairment loss on financial assets			-	(10,000)
Other impairment loss			(12,890)	-
Profit before income tax			$ 8,394,900	$ 7,097,529

(Concluded)

c. Geographical information

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

	Revenue from External Customers For the Year Ended December 31		Non-current Assets December 31	
	2018	2017	2018	2017
Asia	$ 46,549,128	$ 43,502,371	$ 52,640,704	$ 44,024,957
United States	2,663,718	1,670,096	203,900	207,706
Europe	1,758,828	2,264,392	-	-
Others	218,649	154,933	-	-
	$ 51,190,323	$ 47,591,792	$ 52,844,604	$ 44,232,663

d. Major customer information

No individual customer exceeded 10% of the Group’s net sales for the years ended December 31, 2018 and 2017.

TABLE 1

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Winbond Electronics Corp. (WEC)	Share							
	Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22% ownership interest in WEC	Current financial assets at fair value through other comprehensive income	200,000,000	$ 3,350,000	6	$ 3,350,000	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	〃	110,067,210	774,873	3	774,873	
	Walton Advanced Engineering Inc.	The investee chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	〃	50,062,641	540,677	10	540,677	
	Walsin Technology Corporation	The investee's chairmans are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's supervisor.	〃	9,800,117	1,509,218	2	1,509,218	
	Share							
	His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,060	-	9,060	
	Linkou Golf Course	〃	〃	1	8,450	-	8,450	
	Smart Catch International Co., Ltd.	〃	〃	4,000,000	-	16	-	
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	〃	5,440	6,147	5	6,147	
WECA	Share							
	Telit Communications PLC	None	Current financial assets at fair value through other comprehensive income	92,000	USD 147	-	USD 147	
	Everspin Technologies, Inc.	〃	〃	332,834	USD 1,867	2	USD 1,867	
	Micron Technology, Inc.	〃	〃	12,900	USD 409	-	USD 409	
	Funds							
	JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 2,325	9	USD 2,325	
PRC	Funds							
	Vertex Israel II (C.I.) Fund L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	265	2	265	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
WECJ	Share							
	Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -	
NTC	Share							
	Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,750,000	22,733	5	22,733	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	〃	8,800,000	396,000	4	396,000	
	Brightek Optoelectronic Co., Ltd.	None	〃	34,680	341	-	341	
	Nyquest Technology Co., Ltd.	The held company's subsidiaries as the investee's director	〃	2,650,892	74,092	8	74,092	
SYI	Share							
	Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	46,117	5	46,117	

Note: Refer to Tables 5 and 6 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

TABLE 2

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Property	Event Date	Transaction Amount	Payment Term	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			
WEC	Buildings	January 19, 2018 to December 19, 2018	$ 1,223,297	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	January 25, 2018 to December 26, 2018	338,091	Monthly settlement by the construction progress and acceptance	Wholetech System Hitech Limited	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 3

WINBOND ELECTRONICS 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, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
WEC	WEHK	Direct subsidiary with 100% ownership	Sales	$ 7,485,855	18	Net 90 days from invoice date	N/A	N/A	$ 846,501	16	
	WECJ	Indirect subsidiary with 100% ownership	Sales	4,864,471	12	Net 90 days from invoice date	N/A	N/A	267,477	5	
	WECN	Indirect subsidiary with 100% ownership	Sales	1,304,397	3	Net 90 days from invoice date	N/A	N/A	63,232	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	1,072,653	3	Net 90 days from invoice date	N/A	N/A	19,389	-	
	NTC	Direct subsidiary with 61% ownership	Sales	103,684	-	Net 30 days from invoice date	N/A	N/A	15,844	-	
WEHK	WEC	Parent company	Purchases	USD 248,725	100	Net 90 days from invoice date	N/A	N/A	USD (27,560)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 17,989,745	98	Net 90 days from invoice date	N/A	N/A	JPY (966,171)	(94)	
WECN	WEC	Parent company	Purchases	RMB 286,076	100	Net 90 days from invoice date	N/A	N/A	RMB (14,139)	(100)	
WECA	WEC	Parent company	Purchases	USD 35,951	100	Net 90 days from invoice date	N/A	N/A	USD (296)	(70)	
NTC	WEC	Parent company	Purchases	103,274	3	Net 30 days from invoice date	N/A	N/A	(15,700)	(2)	
	NTHK	Subsidiary	Sales	3,790,977	39	Net 90 days from invoice date	N/A	N/A	233,440	25	
	NTCA	Subsidiary	Sales	106,538	1	Net 90 days from invoice date	N/A	N/A	33,523	4	
	Nyquest Technology Co., Ltd.	The held company's subsidiaries as the investee's director	Sales	247,282	3	Net 45 days from invoice date	N/A	N/A	44,269	5	
NTHK	NTC	Parent company	Purchases	USD 125,890	100	Net 90 days from invoice date	N/A	N/A	USD (7,600)	(100)	
NTCA	NTC	Parent company	Purchases	USD 3,535	100	Net 90 days from invoice date	N/A	N/A	USD (1,091)	(100)	

TABLE 4

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK	Direct subsidiary with 100% ownership	$ 846,501	9.26	$ -	-	$ 269,980	$ -
	WECJ	Indirect subsidiary with 100% ownership	267,477	13.31	-	-	-	-
NTC	NTHK	Subsidiary	233,440	19.87	-	-	233,440	-

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	$ 727,548	$ 727,548	126,620,087	61	$ 2,256,830	$ 710,633	$ 439,872	
	Winbond Int'l Corporation	British Virgin Islands	Investment holding	2,992,157	2,992,157	95,410,000	100	1,628,543	61,462	61,462	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	186,126	186,126	5,893,000	100	382,317	53,819	53,819	
	Mobile Magic Design Corporation	Taiwan	Design, development and marketing of Pseudo SRAM	50,000	50,000	5,000,000	100	(33,345)	7,450	7,450	(Note 1)
	Newfound Asian Corporation	British Virgin Islands	Investment holding	-	210,256	-	-	-	1,481	1,481	(Note 2)
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	1,948	71,150,000	100	314,666	35,595	35,595	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	270,033	780,000	100	6,314	(13,424)	(1,615)	(Note 3)
	Winbond Technology LTD	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	55,387	9,049	8,847	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	3,584,605	607,596	229,008	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	750	-	75,000	15	723	(179)	(27)	
	Techdesign Corporation	Taiwan	Electronic commerce and product marketing	50,000	50,000	5,000,000	100	27,316	(3,123)	(5,573)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	-	40,000,000	100	156,614	473	473	(Note 4)
Winbond Int'l Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and after-sales service of semiconductor	1,683,207	1,683,207	3,067	100	1,431,540	61,663	61,663	
Newfound Asian Corporation	Baystar Holdings Ltd.	British Virgin Islands	Investment holding	-	65,931	-	-	-	1,521	1,521	(Note 5)
Landmark Group Holdings Ltd.	Winbond Electronics Corporation Japan	Yokohama, Japan	Research, development, sales and after-sales service of semiconductor	112,644	112,644	2,970	100	377,884	53,853	53,853	
	Peaceful River Corp.	British Virgin Islands	Investment holding	21,789	21,789	6,260,000	100	4,604	338	338	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	452,809	17,041	17,041	
	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment holding	439,651	439,651	13,897,925	100	178,644	5,807	5,807	
	Marketplace Management Limited	British Virgin Islands	Investment holding	271,798	271,798	8,790,789	100	78,279	958	958	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	574,296	650,122	17,420,000	100	217,761	(11,752)	(11,752)	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100	60,600	5,750	5,750	
	Nuvoton Technology India Private Limited	India	Design, sales and after-sales service of semiconductor	30,211	30,211	600,000	100	21,781	(800)	(800)	
Pigeon Creek Holding Co., Ltd.	Nuvoton Technology Corp. America	United States of America	Design, sales and after-sales service of semiconductor	190,862	190,862	60,500	100	191,970	6,408	6,408	
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,124	1,472,124	-	100	78,501	1,280	1,280	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	232,882	(2,955)	(2,955)	

Note 1: MMDC has a negative net book value as of December 31, 2018, which is reclassified to other non-current liabilities.

Note 2: NAC completed the liquidation and legal procedures in September 2018.

Note 3: In December 2018, the board of directors of PCI resolved capital reductions, and the Company recognized receivable of the repayment of shares in the amount of $267,065 thousand.

Note 4: Callisto was incorporated in May 2018, and the Company has injected the capital in August 2018.

Note 5: BHL completed the liquidation and legal procedures in August 2018.

Note 6: Refer to Table 6 for information on investment in Mainland China.

TABLE 6

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Dollars)

1. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
						Outward	Inward						
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	$ 276,435 USD 9,000	Through investing in PCI and WEHK in the third area, which then invested in the investee in Mainland China indirectly (Note 3)	$ 276,435 USD 9,000	$ -	$ -	$ 276,435 USD 9,000	$ 17,926	100	$ 17,926	$ 282,371	$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repair, test and consult of software	68,036 USD 2,000	Through investing in Marketplace Management Limited in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	68,036 USD 2,000	-	-	68,036 USD 2,000	1,656	61	1,010	49,017	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 USD 500	Through investing in Marketplace Management Limited in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	16,429 USD 500	-	-	16,429 USD 500	-	61	-	(1,083) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	184,290 USD 6,000	Through investing in NTHK in the third area, which then invested in the investee in Mainland China indirectly	184,290 USD 6,000	-	-	184,290 USD 6,000	8,187	61	4,995	127,537	-

Note 1: Investment profit or loss for the year ended December 31, 2018 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2018, which is reclassified to other non-current liabilities.

Note 3: WEHK purchased 100% of the shares of WECN from PCI on August 31, 2018 and made the payments in September 2018.

2. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
WEC	$ 276,435 (USD9,000)	$ 276,435 (USD9,000)	$ 37,466,622
NTC	268,755 (USD8,500)	268,755 (USD8,500)	2,240,620

Note 4: Upper limit on the amount of 60% of the investee's net book value.

3. Refer to Table 3 for significant transactions with the investee in Mainland China directly and indirectly through investing in companies in the third area.

4. Handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area: None.

5. Financing of funds to investee in Mainland China directly and indirectly through investing in companies in the third area: None.

6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

TABLE 7

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
	2018						
0	WEC	WEHK	Transactions between parent company and subsidiaries	Operating revenue	$ 7,485,855	-	15
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	846,501	-	1
		WECA	Transactions between parent company and subsidiaries	Operating revenue	1,072,653	-	2
		WECA	Transactions between parent company and subsidiaries	Research and development expenses	367,089	-	1
		WECA	Transactions between parent company and subsidiaries	Selling expenses	182,790	-	-
		WECA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	19,389	-	-
		WECA	Transactions between parent company and subsidiaries	Other payables	125,609	-	-
		WECJ	Transactions between parent company and subsidiaries	Research and development expenses	320,486	-	1
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	267,477	-	-
		WECJ	Transactions between parent company and subsidiaries	Other payables	58,758	-	-
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	4,864,471	-	10
		WECJ	Transactions between parent company and subsidiaries	Selling expenses	4,300	-	-
		WECN	Transactions between parent company and subsidiaries	Operating revenue	1,304,397	-	3
		WECN	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	63,232	-	-
		NTC	Transactions between parent company and subsidiaries	Operating revenue	103,684	-	-
		NTC	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	15,844	-	-
		NTC	Transactions between parent company and subsidiaries	Other receivables	3,071	-	-
		NTC	Transactions between parent company and subsidiaries	Other non-current assets	545	-	-
		NTC	Transactions between parent company and subsidiaries	Other income	7,817	-	-
		NTC	Transactions between parent company and subsidiaries	Other payables	347	-	-
		MMDC	Transactions between parent company and subsidiaries	Other payables	42,080	-	-
		MMDC	Transactions between parent company and subsidiaries	Research and development expenses	190,279	-	-
		MMDC	Transactions between parent company and subsidiaries	Other income	396	-	-
		WTL	Transactions between parent company and subsidiaries	Research and development expenses	257,478	-	1
		WTL	Transactions between parent company and subsidiaries	Other payables	18,702	-	-
		TDC	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	765	-	-
		TDC	Transactions between parent company and subsidiaries	Selling expenses	208	-	-
		PCI	Transactions between parent company and subsidiaries	Other receivables	277,470	-	-
		Callisto	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	5	-	-
1	WEHK	WECN	Transactions between subsidiaries	Other payables	9,273	-	-
		WECN	Transactions between subsidiaries	Selling expenses	39,626	-	-
		NTHK	Transactions between subsidiaries	Other payables	336	-	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
2	WECA	WTL	Transactions between subsidiaries	Other receivables	$ 12	-	-
		NTCA	Transactions between subsidiaries	Other income	8,141	-	-
		NTCA	Transactions between subsidiaries	Other receivables	216	-	-
3	TDC	NTC	Transactions between subsidiaries	Other payables	7	-	-
		NTC	Transactions between subsidiaries	Other income	2	-	-
		Callisto	Transactions between subsidiaries	Other income	2,464	-	-
		Callisto	Transactions between subsidiaries	Other receivables	2,465	-	-
4	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	3,790,977	-	7
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	233,440	-	-
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	106,538	-	-
		NTCA	Transactions between parent company and subsidiaries	Research and development expenses	257,911	-	1
		NTCA	Transactions between parent company and subsidiaries	General and administrative expenses	34,202	-	-
		NTCA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	33,522	-	-
		NTCA	Transactions between parent company and subsidiaries	Other payables	850	-	-
		WECJ	Transactions between subsidiaries	Operating revenue	85,611	-	-
		WECJ	Transactions between subsidiaries	Accounts receivable due from related parties	18,008	-	-
		NTIL	Transactions between parent company and subsidiaries	Research and development expenses	604,928	-	1
		NTIL	Transactions between parent company and subsidiaries	General and administrative expenses	49,582	-	-
		NTIL	Transactions between parent company and subsidiaries	Other payables	100,770	-	-
		NTSZ	Transactions between parent company and subsidiaries	Operating revenue	15,631	-	-
		NTSZ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	2,760	-	-
		NTIPL	Transactions between parent company and subsidiaries	Selling expenses	2,092	-	-
		NTIPL	Transactions between parent company and subsidiaries	Other payables	703	-	-
5	NTHK	NTSZ	Transactions between parent company and subsidiaries	Selling expenses	94,460	-	-
		NTSZ	Transactions between parent company and subsidiaries	Other payables	2,764	-	-
		NTSH	Transactions between subsidiaries	Selling expenses	65,787	-	-
		NTSH	Transactions between subsidiaries	Other current assets	4,884	-	-
	2017						
0	WEC	WEHK	Transactions between parent company and subsidiaries	Operating revenue	7,498,035	-	16
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	770,332	-	1
		WECA	Transactions between parent company and subsidiaries	Operating revenue	910,735	-	2
		WECA	Transactions between parent company and subsidiaries	Research and development expenses	322,260	-	1
		WECA	Transactions between parent company and subsidiaries	Selling expenses	173,637	-	-
		WECA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	69,027	-	-
		WECA	Transactions between parent company and subsidiaries	Other payables	150,103	-	-
		WECJ	Transactions between parent company and subsidiaries	Research and development expenses	231,904	-	-
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	463,476	-	1
		WECJ	Transactions between parent company and subsidiaries	Other payables	47,547	-	-
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	4,624,782	-	10
		WECJ	Transactions between parent company and subsidiaries	Selling expenses	4,266	-	-
		WECN	Transactions between parent company and subsidiaries	Operating revenue	1,907,420	-	4
		WECN	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	426,304	-	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
		NTC	Transactions between parent company and subsidiaries	Operating revenue	$ 165,542	-	-
		NTC	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	24,296	-	-
		NTC	Transactions between parent company and subsidiaries	Other receivables	2,885	-	-
		NTC	Transactions between parent company and subsidiaries	Other non-current assets	545	-	-
		NTC	Transactions between parent company and subsidiaries	Other payables	745	-	-
		NTC	Transactions between parent company and subsidiaries	Other income	29,581	-	-
		NTC	Transactions between parent company and subsidiaries	General and administrative expenses	459	-	-
		MMDC	Transactions between parent company and subsidiaries	Other payables	48,258	-	-
		MMDC	Transactions between parent company and subsidiaries	Research and development expenses	190,756	-	-
		MMDC	Transactions between parent company and subsidiaries	Other income	396	-	-
		WTL	Transactions between parent company and subsidiaries	Research and development expenses	223,775	-	-
		WTL	Transactions between parent company and subsidiaries	Other payables	6,837	-	-
		TDC	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	166	-	-
		TDC	Transactions between parent company and subsidiaries	Selling expenses	24	-	-
1	WEHK	WECN	Transactions between subsidiaries	Other payables	6,682	-	-
		WECN	Transactions between subsidiaries	Selling expenses	32,716	-	-
		NTHK	Transactions between subsidiaries	Other payables	308	-	-
2	WECA	WTL	Transactions between subsidiaries	Other receivables	21	-	-
		NTCA	Transactions between subsidiaries	Other income	8,216	-	-
3	TDC	NTC	Transactions between subsidiaries	Other non-current assets	151	-	-
4	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	3,388,590	-	7
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	148,165	-	-
		NTHK	Transactions between parent company and subsidiaries	Other payables	268	-	-
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	121,769	-	-
		NTCA	Transactions between parent company and subsidiaries	Research and development expenses	251,653	-	1
		NTCA	Transactions between parent company and subsidiaries	General and administrative expenses	36,359	-	-
		NTCA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	24,966	-	-
		NTCA	Transactions between parent company and subsidiaries	Other payables	2,422	-	-
		WECJ	Transactions between subsidiaries	Operating revenue	100,912	-	-
		WECJ	Transactions between subsidiaries	Accounts receivable due from related parties	17,568	-	-
		NTIL	Transactions between parent company and subsidiaries	Research and development expenses	619,919	-	1
		NTIL	Transactions between parent company and subsidiaries	General and administrative expenses	51,012	-	-
		NTIL	Transactions between parent company and subsidiaries	Other payables	117,745	-	-
		NTSZ	Transactions between parent company and subsidiaries	Operating revenue	22,043	-	-
		NTSZ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	4,487	-	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
5	NTHK	NTSZ	Transactions between parent company and subsidiaries	Selling expenses	$ 95,520	-	-
		NTSZ	Transactions between parent company and subsidiaries	Other payables	9,434	-	-
		NTSH	Transactions between subsidiaries	Selling expenses	61,225	-	-
		NTSH	Transactions between subsidiaries	Other current assets	4,762	-	-
6	BHL	WEC	Transactions between parent company and subsidiaries	Dividend income	4,511	-	-

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

(Concluded)

Winbond Electronics Corporation

Financial Statements for the Years Ended December 31, 2018 and 2017 and Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

We have audited the accompanying financial statements of Winbond Electronics Corporation (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Existence of sales revenue</u>

As there is significant risk on revenue recognition and customers' line of credit and delivery of products to customers are highly related to the recognition of sales revenue. We therefore considered that the existence of sales revenue from the twenty largest customers that had credit line changed and temporary excess credit line in the year is a key audit matter for 2018. Please refer to Note 4 to the financial statements for the Company's revenue recognition policies.

Our audit procedures in response to the existence of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to ensure transactions occurred.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including audit committees, are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with statements that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Kenny Hong and Hung-Bin Yu.

Hung-Bin Yu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 1, 2019

<u>*Notice to Readers*</u>

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

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

WINBOND ELECTRONICS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018		2017	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 9,384,525	10	$ 11,658,134	14
Current financial assets at fair value through profit or loss (Notes 4 and 7)	7,526	-	31,035	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	6,174,768	7	-	-
Current available-for-sale financial assets (Notes 4 and 9)	-	-	6,281,754	7
Notes and accounts receivable, net (Notes 4 and 10)	3,918,246	4	3,830,179	5
Accounts receivable due from related parties, net (Note 27)	1,213,213	1	1,753,601	2
Other receivables	469,494	1	247,805	-
Inventories (Notes 4 and 11)	9,330,646	10	6,497,262	8
Other current assets	689,621	1	746,871	1
Total current assets	31,188,039	34	31,046,641	37
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	23,657	-	-	-
Non-current financial assets measured at cost (Notes 4 and 12)	-	-	27,649	-
Investments accounted for using equity method (Notes 4 and 13)	8,413,315	9	9,003,400	11
Property, plant and equipment (Notes 4 and 14)	51,577,630	56	42,969,011	51
Intangible assets (Notes 4 and 15)	104,925	-	115,325	-
Deferred income tax assets (Notes 4 and 22)	667,000	1	1,087,000	1
Other non-current assets (Note 6)	199,263	-	160,974	-
Total non-current assets	60,985,790	66	53,363,359	63
TOTAL	$ 92,173,829	100	$ 84,410,000	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ -	-	$ 553,539	1
Notes payable	207,394	-	233,687	-
Accounts payable	3,233,658	4	3,271,986	4
Accounts payable to related parties (Note 27)	629,681	1	496,787	1
Payables on machinery and equipment	2,790,736	3	3,683,587	4
Other payables	3,083,269	3	2,583,996	3
Current tax liabilities	73,504	-	128,164	-
Long-term borrowings-current portion (Note 16)	4,563,520	5	3,323,520	4
Other current liabilities	56,674	-	84,791	-
Total current liabilities	14,638,436	16	14,360,057	17
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	9,919,779	11	-	-
Long-term borrowings (Note 16)	4,179,273	4	8,728,773	10
Net defined benefit liabilities, non-current (Notes 4 and 18)	758,432	1	652,453	1
Other non-current liabilities	233,538	-	456,553	1
Total non-current liabilities	15,091,022	16	9,837,779	12
Total liabilities	29,729,458	32	24,197,836	29
EQUITY (Note 19)				
Share capital	39,800,002	43	39,800,002	47
Capital surplus	7,540,440	8	7,540,440	9
Retained earnings				
Legal reserve	1,053,441	1	498,385	-
Special reserve	-	-	31,429	-
Unappropriated earnings	10,567,845	12	7,355,893	9
Exchange differences on translation of foreign financial statements	(50,780)	-	(120,988)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	3,533,423	4	-	-
Unrealized gains on available-for-sale financial assets	-	-	5,107,003	6
Total equity	62,444,371	68	60,212,164	71
TOTAL	$ 92,173,829	100	$ 84,410,000	100

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 40,733,527	100	$ 38,102,813	100
OPERATING COSTS (Note 11)	25,952,289	64	25,944,812	68
GROSS PROFIT	14,781,238	36	12,158,001	32
OPERATING EXPENSES				
Selling expenses	1,037,591	3	927,513	2
General and administrative expenses	1,400,498	3	987,205	3
Research and development expenses	5,399,222	13	4,532,594	12
Total operating expenses	7,837,311	19	6,447,312	17
INCOME FROM OPERATIONS	6,943,927	17	5,710,689	15
NON-OPERATING INCOME AND EXPENSES				
Interest income	65,662	-	16,325	-
Dividend income	342,184	1	225,684	1
Other income	38,459	-	73,762	-
Gains on disposal of investments	-	-	22,800	-
Foreign exchange gains (losses)	272,717	1	(238,909)	(1)
Share of profit of subsidiaries and associates accounted for using equity method (Note 13)	830,792	2	766,998	2
Interest expenses	(182,299)	(1)	(78,625)	-
Other expenses	(62,909)	-	(46,770)	-
(Losses) gains on disposal of property, plant and equipment	(411)	-	644	-
(Losses) gains on financial instruments at fair value through profit or loss	(298,216)	(1)	209,770	-
Impairment loss on financial assets (Note 12)	-	-	(10,000)	-
Other impairment loss	(12,890)	-	-	-
Total non-operating income and expenses	993,089	2	941,679	2
PROFIT BEFORE INCOME TAX	7,937,016	19	6,652,368	17
INCOME TAX EXPENSE (Notes 4 and 22)	490,520	1	1,101,806	3
NET PROFIT	7,446,496	18	5,550,562	14

(Continued)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive loss that will not be reclassified to profit or loss:				
Losses on remeasurement of defined benefit plans (Note 18)	$ (85,080)	-	$ (69,455)	-
Unrealized losses on investments in equity instruments measured at fair value through other comprehensive loss	(301,203)	(1)	-	-
Share of other comprehensive loss of subsidiaries and associates accounted for using equity method	(1,319,596)	(3)	(3,970)	-
Components of other comprehensive income that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(1,486)	-	223	-
Unrealized gains on available-for-sale financial assets	-	-	2,266,196	6
Share of other comprehensive income of subsidiaries and associates accounted for using equity method	71,694	-	1,519,864	4
Other comprehensive (loss) income	(1,635,671)	(4)	3,712,858	10
TOTAL COMPREHENSIVE INCOME	$ 5,810,825	14	$ 9,263,420	24
EARNINGS PER SHARE (Note 23)				
Basic	$ 1.87		$ 1.54	
Diluted	$ 1.87		$ 1.54	

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity				
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Treasury Shares	Total Equity
BALANCE, JANUARY 1, 2017	$ 35,800,002	$ 2,471,044	$ 208,606	$ 1,395,063	$ 2,952,901	$ 23,433	$ -	$ 1,176,299	$ (106,387)	$ 43,920,961
Appropriation of 2016 earnings										
Legal reserve appropriated	-	-	289,779	-	(289,779)	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,363,634)	1,363,634	-	-	-	-	-
Cash dividends	-	-	-	-	(2,148,000)	-	-	-	-	(2,148,000)
Total appropriations	-	-	289,779	(1,363,634)	(1,074,145)	-	-	-	-	(2,148,000)
Net profit for 2017	-	-	-	-	5,550,562	-	-	-	-	5,550,562
Other comprehensive (loss) income for 2017	-	-	-	-	(73,425)	(144,421)	-	3,930,704	-	3,712,858
Total comprehensive income (loss) for 2017	-	-	-	-	5,477,137	(144,421)	-	3,930,704	-	9,263,420
Issue of shares (Note 19)	4,000,000	4,787,673	-	-	-	-	-	-	-	8,787,673
Share-based payments (Note 21)	-	239,200	-	-	-	-	-	-	-	239,200
Adjustments of capital surplus for the Company's cash dividends received by subsidiaries	-	4,511	-	-	-	-	-	-	-	4,511
Disposal of the Company's shares by subsidiaries recognized as treasury share transactions (Note 19)	-	38,012	-	-	-	-	-	-	106,387	144,399
BALANCE, DECEMBER 31, 2017	39,800,002	7,540,440	498,385	31,429	7,355,893	(120,988)	-	5,107,003	-	60,212,164
Adjustment on initial application of IFRS 9	-	-	-	-	471,170	-	5,065,763	(5,107,003)	-	429,930
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	39,800,002	7,540,440	498,385	31,429	7,827,063	(120,988)	5,065,763	-	-	60,642,094
Appropriation of 2017 earnings										
Legal reserve appropriated	-	-	555,056	-	(555,056)	-	-	-	-	-
Reversal of special reserve	-	-	-	(31,429)	31,429	-	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	-	(3,980,000)
Total appropriations	-	-	555,056	(31,429)	(4,503,627)	-	-	-	-	(3,980,000)
Net profit for 2018	-	-	-	-	7,446,496	-	-	-	-	7,446,496
Other comprehensive (loss) income for 2018	-	-	-	-	(115,861)	70,208	(1,590,018)	-	-	(1,635,671)
Total comprehensive income (loss) for 2018	-	-	-	-	7,330,635	70,208	(1,590,018)	-	-	5,810,825
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(86,226)	-	57,678	-	-	(28,548)
BALANCE, DECEMBER 31, 2018	$ 39,800,002	$ 7,540,440	$ 1,053,441	$ -	$ 10,567,845	$ (50,780)	$ 3,533,423	$ -	$ -	$ 62,444,371

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 7,937,016	$ 6,652,368
Adjustments for:		
Depreciation expense	7,285,916	5,796,410
Amortization expense	24,420	24,420
Expected credit loss on accounts receivable	3,000	-
Provision for allowance for doubtful accounts	-	16,000
Provision for declines in market value, obsolescence and scraps of inventories	69,522	92,399
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	23,509	(72,057)
Interest expense	182,299	78,625
Interest income	(65,662)	(16,325)
Dividend income	(342,184)	(225,684)
Share-based payments	-	239,200
Share of profit of subsidiaries and associates accounted for using equity method	(830,792)	(766,998)
Loss (gain) on disposal of property, plant and equipment	411	(644)
Gain on disposal of investments	-	(22,800)
Impairment loss on financial assets	-	10,000
Impairment loss on non-financial assets	12,890	-
Unrealized (loss) profit on the transactions with subsidiaries	(15,664)	23,871
Changes in operating assets and liabilities		
Increase in notes and accounts receivable	(91,067)	(525,939)
Decrease (increase) in accounts receivable due from related parties	540,388	(523,261)
Decrease (increase) in other receivables	55,396	(44,386)
Increase in inventories	(2,902,906)	(223,987)
Decrease in other current assets	44,360	239,135
Increase in other non-current assets	(26,480)	(47,195)
Decrease in notes payable	(26,293)	(67,863)
(Decrease) increase in accounts payable	(38,328)	248,581
Increase in accounts payable to related parties	132,894	24,298
Increase in other payables	455,655	575,872
(Decrease) increase in other current liabilities	(28,117)	38,614
Increase in other non-current liabilities	20,848	14,341
Cash generated from operations	12,421,031	11,536,995
Interest received	60,695	15,777
Dividends received	694,614	529,572
Interest paid	(206,744)	(210,451)
Income taxes (paid) returned	(130,233)	6,701
Net cash generated from operating activities	12,839,363	11,878,594

(Continued)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	$ -	$ 276,220
Proceeds from capital reduction of available-for-sale financial assets	-	6,067
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	11,914	-
Acquisition of financial assets at fair value through other comprehensive income	(183,229)	-
Acquisition of investments accounted for using equity method	(433,252)	-
Proceeds from capital reduction of investments accounted for using equity method	148,609	282,249
Acquisitions of property, plant and equipment	(16,714,392)	(15,107,937)
Proceeds from disposal of property, plant and equipment	608	2,025
Acquisition of intangible assets	-	(56,287)
Net cash used in investing activities	(17,169,742)	(14,597,663)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Decrease) increase in short-term borrowings	(553,539)	553,539
Proceeds from issuing bonds	10,000,000	-
Proceeds from long-term borrowings	-	6,900,000
Repayments of long-term borrowings	(3,323,520)	(4,590,180)
Cash dividends paid	(3,980,000)	(2,148,000)
Proceeds from issuing shares	-	8,800,000
Other financing activities	(86,171)	(12,327)
Net cash generated from financing activities	2,056,770	9,503,032
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,273,609)	6,783,963
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	11,658,134	4,874,171
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 9,384,525	$ 11,658,134

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

1. GENERAL INFORMATION

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

The Company's shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995. Walsin Lihwa Corporation is a major shareholder of the Company and held approximately 22% ownership interest in the Company as of December 31, 2018 and 2017.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on January 31, 2019.

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

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

   Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC would not have any material impact on the Company's accounting policies:

   1) IFRS 9 "Financial Instruments" and related amendment

      IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

      The requirements for classification, measurement and impairment of financial assets have been applied retrospectively from January 1, 2018, and the requirements for hedge accounting have been applied prospectively. IFRS 9 is not applicable to items that have already been derecognized at December 31, 2017.

      Classification, measurement and impairment of financial assets

      On the basis of the facts and circumstances that existed as at January 1, 2018, the Company has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Company's financial assets and financial liabilities as at January 1, 2018.

	Measured items		Carrying amount	
Financial assets	**IAS 39**	**IFRS 9**	**IAS 39**	**IFRS 9**
Cash and cash equivalents	Loans and receivables	Amortized cost	$ 11,658,134	$ 11,658,134
Equity securities	Available-for-sale financial assets and financial assets measured at cost	Investment in equity instrument measured at fair value through other comprehensive income (FVTOCI)	6,309,403	6,328,312
Notes receivable, accounts receivable and other receivables	Loans and receivables	Amortized cost	5,831,585	5,831,585
Refundable deposits	Loans and receivables	Amortized cost	142,055	142,055
Financial liabilities				
Other non-current liabilities	Amortized cost	Amortized cost	456,553	254,213

	IAS 39 Carrying Amount as of January 1, 2018	Reclassifi-cations	Remeasure-ments	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018
FVTOCI	$ -	$ 6,309,403	$ 18,909	$ 6,328,312	$ 40,000	$ (21,091)
Add: From available-for-sale financial assets and financial assets measured at cost (IAS 39)	6,309,403	(6,309,403)	-	-	-	-
Total	$ 6,309,403	$ -	$ 18,909	$ 6,328,312	$ 40,000	$ (21,091)
Financial liabilities measured at cost	456,553	(202,340)	-	254,213	-	202,340
Total	$ 456,553	$ (202,340)	$ -	$ 254,213	$ -	$ 202,340

a) The Company elected to designate all its investments in equity securities previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9, because these investments are not held for trading. As a result, the related other equity - unrealized gain on available-for-sale financial assets of $5,107,003 thousand was reclassified as other equity - unrealized gain on financial assets at FVTOCI.

   Investments in unlisted shares previously measured at cost under IAS 39 have been measured at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of $18,909 thousand was recognized in financial assets at FVTOCI and a decrease of $21,091 thousand was recognized in other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018, respectively.

   The Company recognized under IAS 39 impairment loss on certain investments in equity securities previously classified as measured at cost and the loss was accumulated in retained earnings. Since those investments were measured at FVTOCI under IFRS 9 and no impairment assessment is required, an adjustment was made that resulted in a decrease of $40,000 thousand in other equity - unrealized gain on financial assets at FVTOCI and an increase of $40,000 thousand in retained earnings on January 1, 2018.

b) Notes receivable, accounts receivable, other receivables and refundable deposits that were previously classified as loans and receivables under IAS 39 were classified as measured at amortized cost with an assessment of expected credit losses under IFRS 9.

c) The Company recognized under IAS 39 certain transactions of investments accounted for using equity method previously classified as unrealized gains on financial assets measured at cost in other non-current liabilities. Since those, an adjustment was made that resulted in a increase of \$202,340 thousand in other equity - unrealized gain on financial assets at FVTOCI on January 1, 2018.

2) 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 supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

3) IFRIC 22 "Foreign Currency Transactions and Advance Consideration"

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Company applied IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

b. Amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 3)
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Company shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases agreements of lessor and lessee that will supersede IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Company will elect to apply IFRS 16 only to contracts entered into (or changed) on or after January 1, 2019 in order to determine whether those contracts are, or contain, a lease. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Company as lessee

Upon initial application of IFRS 16, the Company will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the balance sheets except for those whose payments under low-value and short-term leases will be recognized as expenses on a straight-line basis. On the statements of comprehensive income, the Company will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Company anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

The Company as lessor

Except for sublease transactions, the Company will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

The Company subleased its leasehold dormitory from Science Park to a third party. Such sublease is classified as an operating lease under IAS 17. The Company will assess the sublease classification on the basis of the remaining contractual terms and conditions of the head lease and sublease on January 1, 2019.

Anticipated impact on assets, liabilities and equity as of January 1, 2019

	Carrying Amount as of December 31, 2018	**Adjustments Arising from Initial Application**	**Adjusted Carrying Amount as of January 1, 2019**
Right-of-use assets	$ -	$ 1,836,887	$ 1,836,887
Total effect on assets	$ -	$ 1,836,887	$ 1,836,887
Lease liabilities - current	$ -	$ 80,076	$ 80,076
Lease liabilities - non-current	-	1,756,811	1,756,811
Total effect on liabilities	$ -	$ 1,836,887	$ 1,836,887

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Company should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Company concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Company should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Company should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Company expects to better predict the resolution of the uncertainty. The Company has to reassess its judgments and estimates if facts and circumstances change.

Upon initial application of IFRIC 23, the Company will recognize the cumulative effect of retrospective application in retained earnings on January 1, 2019.

3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 "Borrowing Costs", were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

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

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	**Effective Date Announced by IASB (Note 1)**
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 2)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Company shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Company shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The exchange differences arising are recognized in other comprehensive income and accumulated in balance of foreign currency translation of equity.

Cash Equivalents

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

Financial Instruments

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

Financial assets and financial liabilities are initially measured 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 FVTPL 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 FVTPL are recognized immediately in profit or loss.

a. Measurement category

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

   2018

   Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, and equity instruments at FVTOCI.

   1) Financial asset at FVTPL

      Financial asset is classified as at FVTPL when the financial asset is mandatorily classified or it is measured at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not measured at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVOCI criteria.

      Financial assets at FVTPL are subsequently measured 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 does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 26.

   2) Financial assets at amortized cost

      Financial assets that meet the following conditions are subsequently measured at amortized cost:

      a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

      b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

      Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals to gross carrying amount determined by the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for:

a) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset; and

b) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

3) Investments in equity instruments at FVTOCI

On initial recognition, the Company may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified as profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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

1) Financial assets at fair value through profit or loss

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

2) Available-for-sale financial assets

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

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

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

3) Loans and receivables

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

b. Impairment of financial assets

2018

The Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including accounts receivable).

The Company always recognizes lifetime Expected Credit Loss (i.e. ECL) for accounts receivable. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

2017

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

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

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

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

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

c. Derecognition of financial assets

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

d. Financial liabilities

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is measured 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.

Corporate bonds issued by the Company are initially recognized at fair value, net of transaction costs incurred. Corporate bonds are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is accounted for as the premium or discount on bonds payable and presented as an addition to or deduction from bonds payable, which is amortized in profit or loss over the period of bond circulation using the effective interest method.

Other financial liabilities are measured at amortized cost using the effective interest method.

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

g. Information about fair value of financial instruments

The Company determined the fair value of financial assets and liabilities as follows:

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

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

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

Inventories

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

Investments Accounted for Using Equity Method

Investment accounted for using equity method include investments in subsidiaries and associates.

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

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

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

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

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

b. Investment in associates

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Buildings	8-20 years
Machinery and equipment	3-7 years
Other equipment	5 years

Intangible Assets

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

Impairment of Tangible and Intangible Assets (Except Goodwill)

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

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

Before the Company recognizes an impairment loss from assets related to contract costs, any impairment loss on inventories, property, plant and equipment and intangible assets related to the contract applicable under IFRS 15 shall be recognized in accordance with applicable standards. Then, impairment loss from the assets related to the contract costs is recognized to the extent that the carrying amount of the assets exceeds the remaining amount of consideration that the Company expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services and which have not been recognized as expenses. The assets related to the contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

When an impairment loss subsequently is reversed, the carrying amount of the asset, 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, cash-generating unit in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Provisions

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

Revenue Recognition

<u>2018</u>

The Company identify the performance obligations in the contract with customers, allocate the transaction price to the performance obligations in the contracts and recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue from the sale of goods is mainly recognized when a customer obtains control of promised goods, at which time the goods are delivered to the customer’s specific location and performance obligation is satisfied.

Revenue from sale of goods is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Provision for estimated sales returns and other allowances is generally made and adjusted based on historical experience and the consideration of varying contractual terms to recognize provisions, which is classified under other non-current liabilities.

<u>2017</u>

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

Leasing

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

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

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

Borrowing Costs

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

   Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the period adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

Share-based Payments Agreements

The fair values at the grant date of the equity-settled share-based payments/employee share options are expensed on a straight-line basis over the vesting period, based on the Company's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus. It is recognized as an expense in full at the grant date if vested immediately.

Taxation

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

a. Current tax

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

b. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Company 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 and liabilities are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.
The Company's critical accounting judgments and key sources of estimation uncertainty is below:

a. Valuation of inventory

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

b. Impairment of financial assets - 2018

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 10. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Impairment of accounts receivable - 2017

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2018	**2017**
Cash and deposits in banks	$ 8,284,525	$ 9,298,056
Repurchase agreements collateralized by bonds	1,100,000	2,360,078
	$ 9,384,525	$ 11,658,134

The Company has time deposits pledged to secure land and building leases at a science park, customs tariff obligations and export bill deposits which are reclassified as other non-current assets. Time deposits pledged as security at the end of the reporting period were as follows:

	December 31	
	2018	**2017**
Time deposits	$ 123,776	$ 123,730

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	**2017**
Financial assets at FVTPL - current		
Derivative financial assets (not under hedge accounting)		
Foreign exchange swap contracts	$ 196	$ 3,298
Forward exchange contracts	7,330	27,737
	$ 7,526	$ 31,035

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2018</u>			
Sell forward exchange contracts	USD to NTD	2019.01.04-2019.03.08	USD110,000/NTD3,380,571
Buy forward exchange contracts	NTD to USD	2019.01.11-2019.01.25	NTD613,385/USD20,000
Foreign exchange swap contracts	USD to NTD	2019.02.15	USD5,150/NTD157,858
<u>December 31, 2017</u>			
Sell forward exchange contracts	USD to NTD	2018.01.05-2018.02.23	USD103,550/NTD3,100,484
Foreign exchange swap contracts	USD to NTD	2018.02.02-2018.02.23	USD14,188/NTD423,559

The Company entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign currency denominated assets and liabilities. These derivative financial instruments contracts did not meet the criteria of hedge effectiveness, therefore, they were not accounted for by hedge accounting.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME - 2018

Equity instruments at FVTOCI:

	December 31, 2018
Domestic listed and emerging stocks	
Walsin Lihwa Corporation	$ 3,350,000
Walsin Technology Corporation	1,509,218
Hannstar Display Corporation	774,873
Walton Advanced Engineering Inc.	540,677
Domestic unlisted stocks	23,657
	$ 6,198,425
Current	$ 6,174,768
Non-current	23,657
	$ 6,198,425

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes. These investments in equity instruments were classified as available-for-sale and financial assets measured at cost under IAS 39. Refer to Notes 3, 9 and 12 for information relating to their reclassification and comparative information for 2017.

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS - 2017

	December 31, 2017
Listed stocks	
Walsin Lihwa Corporation	$ 3,520,000
Hannstar Display Corporation	994,668
Walsin Technology Corporation	961,077
Walton Advanced Engineering Inc.	806,009
Available-for-sale financial assets - current	$ 6,281,754

10. NOTES AND ACCOUNTS RECEIVABLE

	December 31	
	2018	2017
Notes receivable	$ -	$ 54,203
Accounts receivable		
At amortized cost		
Gross carrying amount	4,018,246	3,872,976
Less: Allowance for impairment loss	(100,000)	(97,000)
	$ 3,918,246	$ 3,830,179

In 2018

The average credit period of sales of goods was 30 to 60 days. No interest was charged on accounts receivable. The Company adopted a policy of only dealing with entities that are rated the equivalent of investment grade or higher and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved annually.

In order to minimize credit risk, the management of the Company has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Company reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Company's credit risk was significantly reduced.

The Company applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all accounts receivable. The expected credit losses on accounts receivable are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company estimates expected credit losses based on past due days. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

The Company writes off accounts receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For accounts receivable that have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of accounts receivable based on the Company's provision matrix.

December 31, 2018

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	-
Gross carrying amount	$ 3,606,142	$ 390,593	$ 2,635	$ 32	$ 18,844	$ 4,018,246
Loss allowance (Lifetime ECL)	(73,075)	(7,812)	(263)	(6)	(18,844)	(100,000)
Amortized cost	$ 3,533,067	$ 382,781	$ 2,372	$ 26	$ -	$ 3,918,246

The movements of the loss allowance of accounts receivable were as follows:

	2018
Balance at January 1 (IAS 39)	$ 97,000
Adjustment on initial application of IFRS 9	-
Balance at January 1 (IFRS 9)	97,000
Add: Net remeasurement of loss allowance	3,000
Balance at December 31	$ 100,000

In 2017

The Company applied the same credit policy in 2018 and 2017. Allowances for doubtful accounts is based on the estimated uncollectable amounts determined by reference to the aging of receivables, past dealing experience with the relevant counterparties and consideration of their respective financial positions.

The aging of accounts receivable were as follows:

	December 31, 2017
Not overdue	$ 3,635,134
Overdue under 30 days	209,503
Overdue 31- 60 days	7,807
Overdue 61 days and longer	20,532
	$ 3,872,976

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

	2017
Balance at January 1	$ 81,000
Add: Provision recognized on accounts receivable	16,000
Balance at December 31	$ 97,000

The Company's provision losses on accounts receivable were recognized on a collective basis.

11. INVENTORIES

	December 31	
	2018	2017
Finished goods	$ 1,686,541	$ 1,286,036
Work-in-process	6,987,250	4,683,003
Raw materials and supplies	653,743	528,223
Inventories in transit	3,112	-
	$ 9,330,646	$ 6,497,262

a. Operating costs for the years ended December 31, 2018 and 2017 included inventory write-downs for the decline in market value, obsolescence and scrap of inventories of $69,522 thousand and $92,399 thousand, respectively. The net realizable value of inventory for the years ended December 31, 2018 and 2017 are higher than operating cost, respectively.

b. Unallocated fixed manufacturing costs recognized as operating costs in the years ended December 31, 2018 and 2017 amounted to $329,373 thousand and $139,546 thousand, respectively.

12. FINANCIAL ASSETS MEASURED AT COST - 2017

	December 31, 2017
Harbinger III Venture Capital Corp.	$ 14,396
Others	13,253
Non-current financial assets measured at cost	$ 27,649

The Company concludes that the fair value of the above unlisted equity investments held by the Company cannot be reliably measured since the wide range of reasonable estimated fair value, and therefore should be measured at cost less impairment at the end of the reporting period.

After proper assessment, the Company recognized an impairment loss on Smart Catch International Co., Ltd. of $10,000 thousand, which was recorded as an impairment loss on financial assets for the years ended December 31, 2017.

13. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2018	2017
Investments in subsidiaries	$ 4,827,987	$ 4,572,415
Investments in associates	3,585,328	4,430,985
	$ 8,413,315	$ 9,003,400

a. Investments in subsidiaries

Name of Subsidiaries	December 31			
	2018		2017	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Listed companies				
Nuvoton Technology Corporation	$ 2,256,830	61%	$ 2,210,345	61%
Unlisted companies				
Winbond Int'l Corporation	1,628,543	100%	1,534,361	100%
Landmark Group Holdings Ltd.	382,317	100%	307,243	100%
Winbond Electronics (H.K.) Limited	314,666	100%	17,878	100%
Callisto Holding Limited	156,614	100%	-	-
Winbond Technology LTD	55,387	100%	48,202	100%
Techdesign Corporation	27,316	100%	30,439	100%
Pine Capital Investment Limited	6,314	100%	276,819	100%
Newfound Asian Corporation	-	100%	147,128	100%
Mobile Magic Design Corporation	-	100%	-	100%
	$ 4,827,987		$ 4,572,415	

Refer to Table 5 for information of above subsidiaries' main business and products, registered locations and company.

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

Name of Subsidiary	December 31	
	2018	2017
Nuvoton Technology Corporation	$ 5,026,817	$ 8,103,686

2) Callisto Holding Limited was incorporated in May 2018, and the Company has injected capital in August 2018.

3) Newfound Asian Corporation completed the liquidation and legal procedures in September 2018.

4) In December 2018, the board of directors of Pine Capital Investment Limited resolved capital reductions, and the Company recognized receivable of the repayment of shares in the amount of $267,065 thousand.

5) In September 2017, the board of directors of Winbond Int'l Corporation resolved capital reductions of the repayment of shares in the amount of $282,249 thousand.

6) Mobile Magic Design Corporation has a negative net book value as of December 31, 2018, which is reclassified as other non-current liabilities.

7) In 2018 and 2017, the Company recognized shares of subsidiaries' profit in the amounts of $601,811 thousand and $574,873 thousand, respectively.

b. Investments in associates

1) Aggregate information of associates that are not individually material

	December 31	
	2018	2017
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	$ 3,584,605	$ 4,430,985
Hwa Bao Botanic Conservation Corp.	723	-
	$ 3,585,328	$ 4,430,985

The Company subscribed the ordinary shares of Hwa Bao Botanic Conservation Corp. (Hwa Bao) in $750 thousand and owned 15% of ownership interest directly in July 2018. As of December 31, 2018, the main shareholders of Hwa Bao was Chin Xin Investment Co., Ltd., and its ownership interest were 70%. The Company accounted for the equity investment in Hwa Bao using equity method for its consolidated ownership interest of Hwa Bao was 41%.

As of December 31, 2018, the Company had 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2018	2017
The Company's share of:		
Profit from continuing operations for the year	$ 228,981	$ 192,125
Other comprehensive income	(1,157,275)	1,584,383
Total comprehensive income	$ (928,294)	$ 1,776,508

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the subsidiaries' and associates' financial statements audited by independent auditors.

14. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2018	2017
Land	$ 1,544,450	$ 1,544,450
Buildings	9,822,098	10,038,588
Machinery and equipment	37,154,939	29,005,891
Other equipment	553,105	996,420
Construction in progress and prepayments on purchase of equipment	2,503,038	1,383,662
	$ 51,577,630	$ 42,969,011

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Cost						
Balance at January 1, 2018	$ 1,544,450	$ 21,901,502	$ 96,572,096	$ 3,731,698	$ 1,383,662	$ 125,133,408
Additions	-	561,826	12,371,256	849,561	2,112,911	15,895,554
Disposals	-	-	(224,614)	(924)	-	(225,538)
Reclassified	-	409,904	1,747,239	(1,163,608)	(993,535)	-
Balance at December 31, 2018	$ 1,544,450	$ 22,873,232	$ 110,465,977	$ 3,416,727	$ 2,503,038	$ 140,803,424
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ -	$ 11,862,914	$ 67,566,205	$ 2,735,278	$ -	$ 82,164,397
Depreciation expense	-	1,188,220	5,968,428	129,268	-	7,285,916
Disposals	-	-	(223,595)	(924)	-	(224,519)
Balance at December 31, 2018	$ -	$ 13,051,134	$ 73,311,038	$ 2,863,622	$ -	$ 89,225,794
Cost						
Balance at January 1, 2017	$ 1,544,450	$ 17,859,028	$ 81,693,742	$ 3,025,521	$ 6,401,279	$ 110,524,020
Additions	-	633,811	9,327,893	1,489,741	3,712,434	15,163,879
Disposals	-	(400)	(543,097)	(10,994)	-	(554,491)
Reclassified	-	3,409,063	6,093,558	(772,570)	(8,730,051)	-
Balance at December 31, 2017	$ 1,544,450	$ 21,901,502	$ 96,572,096	$ 3,731,698	$ 1,383,662	$ 125,133,408
Accumulated depreciation and impairment						
Balance at January 1, 2017	$ -	$ 10,804,720	$ 63,487,416	$ 2,624,042	$ -	$ 76,916,178
Depreciation expense	-	1,058,215	4,616,370	121,825	-	5,796,410
Disposals	-	(21)	(537,581)	(10,589)	-	(548,191)
Balance at December 31, 2017	$ -	$ 11,862,914	$ 67,566,205	$ 2,735,278	$ -	$ 82,164,397

a. As of December 31, 2018 and 2017, the carrying amounts of $21,008,324 thousand and $21,256,153 thousand of land, buildings and 12-inch fab facilities were pledged to secure long-term borrowing corporate bonds. The Company was not permitted to sell or pledge any of these pledged assets.

b. Information about capitalized interest

	For the Year Ended December 31	
	2018	2017
Capitalized interest amounts	$ 74,013	$ 134,113
Capitalized interest rate	1.79%	1.79%

15. INTANGIBLE ASSET

	December 31	
	2018	2017
Deferred technical assets, net	$ 104,925	$ 115,325

	Deferred Technical Assets
Cost	
Balance at January 1, 2018	$ 17,844,211
Balance at December 31, 2018	$ 17,844,211
Accumulated amortization and impairment	
Balance at January 1, 2018	$ 17,728,886
Amortization expense	10,400
Balance at December 31, 2018	$ 17,739,286
Cost	
Balance at January 1, 2017	$ 17,787,924
Addition	56,287
Balance at December 31, 2017	$ 17,844,211
Accumulated amortization and impairment	
Balance at January 1, 2017	$ 17,718,486
Amortization expense	10,400
Balance at December 31, 2017	$ 17,728,886

The amounts of deferred technical assets were the technical transfer fees in connection with certain technical transfer agreements. The above technical assets pertained to different products or process technology. The assets were depreciated on a straight-line basis from the commencement of production and over the estimated useful lives of the assets. The estimated useful lives of technical assets were based on the economic benefits generated from the assets or the terms of the technical asset contracts.

16. BORROWINGS

a. Short-term borrowings

	December 31			
	2018		2017	
	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	-	$ -	0.75	$ 553,539

b. Long-term borrowings

	Period	Interest Rate	December 31 2018	December 31 2017
Secured borrowings				
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.07.07-2019.11.27	1.87%-2.23%	$ 2,600,000	$ 5,200,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.40%-1.70%	370,560	494,080
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%	5,800,000	6,400,000
			8,770,560	12,094,080
Less: Current portion			(4,563,520)	(3,323,520)
Less: Syndication agreement management fee			(27,767)	(41,787)
			$ 4,179,273	$ 8,728,773

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

a) On July 7, 2014, the Company entered into a syndicated loan, with a group of financial institutions to procure equipment for 12-inch fab and repay bank loans, credit line was divided into part A and B, which amounted to $6.5 billion and $2.5 billion, respectively; the total line of credit $9 billion.

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

c) Refer to Note 14 for collateral on bank borrowings.

2) The collateral on the Bank of Taiwan secured medium-term loan is the land and building of the Company in Zhubei. Refer to Note 14. The principal will be repaid every six months from June 29, 2017 until maturity.

3) Bank of Taiwan Syndicated Loan (IV)

a) On August 15, 2016, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for 12-inch fab, repay bank loans and augment medium-term working capital. The credit line was divided into part A and B, which amounted to $10 billion and $2 billion, respectively; and the total line of credit amounted to $12 billion.

b) Part A will be repaid every six months from December 29, 2019 until maturity, and part B will be repaid every six months from December 29, 2018 until maturity.

c) Refer to Note 14 for collateral on bank borrowings.

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

17. BONDS PAYABLE

	December 31, 2018
Domestic secured bonds	$ 10,000,000
Less: Discounts on bonds payable	(80,221)
	$ 9,919,779

On July 10, 2018, the Company was approved by the SFB to offer and issue the first secured corporate bonds of 2018, with an aggregate principal amount of $10,000,000 thousand. The terms of issuance, amounts and interest rate as follows:

Issuance Date	Period	Amount	Coupon Rate	Repayment and Interest Payment
2018.07.17	7 years	$10,000,000	1%	The principal will be repaid upon maturity. The interest is payable once a year at the coupon rate accrued annually on a simple basis starting from the issue date.

Refer to Note 14 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

The defined benefit plan adopted by the Company in accordance with the Labor Standards Law is operated by the government. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company contribute amounts equal to 2% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Company assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Company is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Company has no right to influence the investment policy and strategy.

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

	December 31	
	2018	2017
Present value of the defined benefit obligation	$ 1,278,847	$ 1,148,246
Fair value of the plan assets	(520,415)	(495,793)
Net defined benefit liabilities, non-current	$ 758,432	$ 652,453

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 1,148,246	$ (495,793)	$ 652,453
Service cost			
Current service cost	19,516	-	19,516
Net interest expense (income)	16,763	(7,095)	9,668
Recognized in profit or loss	36,279	(7,095)	29,184
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(12,847)	(12,847)
- changes in demographic assumptions	18,837	-	18,837
- changes in financial assumptions	33,393	-	33,393
- experience adjustments	45,697	-	45,697
Recognized in other comprehensive income	97,927	(12,847)	85,080
Contributions from the employer	-	(15,907)	(15,907)
Benefits paid	(11,227)	11,227	-
Transfer from pension liabilities from subsidiaries	8,060	-	8,060
Account paid	(438)	-	(438)
Balance at December 31, 2018	$ 1,278,847	$ (520,415)	$ 758,432
Balance at January 1, 2017	$ 1,067,856	$ (495,246)	$ 572,610
Service cost			
Current service cost	17,211	-	17,211
Net interest expense (income)	15,610	(7,132)	8,478
Recognized in profit or loss	32,821	(7,132)	25,689
Remeasurement			
Actuarial loss			
- realized rate less than the discounted rate	-	2,864	2,864
- experience adjustments	66,591	-	66,591
Recognized in other comprehensive income	66,591	2,864	69,455
Contributions from the employer	-	(15,301)	(15,301)
Benefits paid	(19,022)	19,022	-
Balance at December 31, 2017	$ 1,148,246	$ (495,793)	$ 652,453

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

	For the Year Ended December 31	
	2018	2017
Operating cost	$ 14,691	$ 13,768
Selling expenses	2,115	1,843
General and administrative expenses	3,751	2,692
Research and development expenses	8,627	7,386
	$ 29,184	$ 25,689

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

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

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

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

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

	December 31	
	2018	2017
Discount rate	1.25%	1.50%
Expected rate of salary increase	3.00%	3.00%

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

	December 31	
	2018	2017
Discount rate		
0.5% increase	$ (65,542)	$ (48,780)
0.5% decrease	$ 70,752	$ 52,246
Expected rate of salary increase		
0.5% increase	$ 69,170	$ 51,230
0.5% decrease	$ (64,785)	$ (48,343)

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

	December 31	
	2018	2017
The expected contribution to the plan for the next year	$ 16,744	$ 15,750
The average duration of defined benefit obligation	10.70 years	8.80 years

19. EQUITY

a. Share capital

	December 31	
	2018	2017
Number of shares authorized (in thousands)	6,700,000	6,700,000
Share authorized	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousands)	3,980,000	3,980,000
Share issued	$ 39,800,002	$ 39,800,002

Reconciliation of outstanding shares:

	Shares (In Thousands)	Capital
January 1, 2018	3,980,000	$ 39,800,002
December 31, 2018	3,980,000	$ 39,800,002
January 1, 2017	3,580,000	$ 35,800,002
Issuance of ordinary shares	400,000	4,000,000
December 31, 2017	3,980,000	$ 39,800,002

On September 7, 2017, the Company's board of directors resolved to issue 400,000 thousand ordinary shares for the need of production capacity expansion, with a par value of NT$10. On October 16, 2017, this resolution was approved by the FSC. The consideration of NT$22 per share was determined as at October 24, 2017, by the Chairman authorized by the board of directors which increased the share capital issued and fully paid, and the subscription base date was determined as at December 15, 2017. The cost of issuance of the shares amounted to $12,327 thousand and was recorded as a reduction of capital surplus arising from the issuance of share capital.

As of December 31, 2018 and 2017, the balance of the Company's capital account amounted to $39,800,002 thousand, divided into 3,980,000 thousand shares with a par value of NT$10.

b. Capital surplus

	December 31	
	2018	2017
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of share capital	$ 5,026,873	$ 5,026,873
Arising from treasury share transactions	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352
May be used to offset a deficit only		
Arising from changes in percentage of ownership interest in subsidiaries	6,042	6,042
Arising from share of changes in capital surplus of associates	29,137	29,137
	$ 7,540,440	$ 7,540,440

The capital surplus generated from the excess of the issuance price over the par value of capital stock (including the stock issued for new capital, mergers and convertible bonds) may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or stock dividends up to a certain percentage of the Company's paid-in capital. The capital surplus from share of changes in equities of subsidiaries and associates may be used to offset a deficit; however, when generated from issuance of restricted shares for employees, such capital surplus may not be used for any purpose.

c. Retained earnings and dividend policy

From the pre-tax net profit of the current year, before deducting remuneration of employees and remuneration of directors, no more than 1% shall be allocated as remuneration of directors and no less than 1% as remuneration of employees. The remuneration of employees may be distributed in stock or cash upon resolution of the board of directors, and may be distributed to the employees of subsidiaries of the Company meeting certain criteria.

However, if the Company has accumulated losses, the Company shall first set aside an amount for making up losses, and then allocate remuneration of employees and remuneration of directors according to the percentage set forth in the preceding paragraph.

The board of directors is authorized to determine the "employees of subsidiaries of the Company meeting certain criteria" set forth in the first paragraph or the board of directors may authorize the Chairman of the board of directors to determine the "employees of subsidiaries of the Company meeting certain criteria" set forth in the first paragraph.

If the Company has pre-tax profits at the end of the current fiscal year, after paying all taxes and covering all accumulated losses, the Company shall set aside 10% of said earnings as legal reserve. However, legal reserve need not be made when the accumulated legal reserve equals the paid-in capital of the Company. After setting aside or reversing special reserve pursuant to applicable laws and regulations and orders of competent authorities or based on the business needs of the Company, if there is any balance, the board of directors may submit a proposal for allocation of the remaining balance and the accumulated undistributed earnings to the shareholders meeting for resolution of distributing bonus and dividends to shareholders.

The Company's dividend distribution policy is made in accordance with the Company Act and the Articles of Incorporation in consideration of factors including capital and financial structure, operating status, retained earnings, industry characteristics and economic cycle. The dividends shall be distributed in a steady manner. With respect to distribution of dividends, in consideration of future operation scale and cash flow needs, no less than 50% of the remaining amount of the net profit after tax of the current year, after covering the accumulative losses and setting aside the legal reserve and the special reserve, shall be distributed to shareholders as dividends, which may be distributed in stock dividend or cash dividend, and the distribution of cash dividend shall not be less than 50% of total dividends, so as to maintain continuous growth.

For information about the accrual basis of the employees' compensation and remuneration of directors and the actual appropriations, refer to Note 20 to the financial statements on employee benefits expenses.

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

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

As of the date of the Company's board meeting, January 31, 2019, the appropriation of earnings for 2018 are not subjected.

The appropriations of earnings for 2017 and 2016 were approved in the shareholders' meetings on June 11, 2018 and June 13, 2017, respectively, as follows:

	Appropriation of Earnings		**Dividends Per Share (NT$)**	
	For Year 2017	**For Year 2016**	**For Year 2017**	**For Year 2016**
Legal reserve appropriated	$ 555,056	$ 289,779		
Reversal of special reserve	(31,429)	(1,363,634)		
Cash dividends	3,980,000	2,148,000	$1.0	$0.6
	$ 4,503,627	$ 1,074,145		

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2018	**2017**
Balance at January 1	$ (120,988)	$ 23,433
Exchange differences arising on translating the financial statements of foreign operations	(1,486)	223
Share of exchange difference of subsidiaries and associates accounted for using the equity method	71,694	(144,644)
Balance at December 31	$ (50,780)	$ (120,988)

The exchange differences arising on translation of foreign operation's net assets from its functional currency to the Company's presentation currency are recognized directly in other comprehensive income and also accumulated in the foreign currency translation reserve.

2) Unrealized gain on financial assets at FVTOCI

	For the Year Ended December 31, 2018
Balance at January 1 (IAS 39)	$ -
Adjustment on initial application of IFRS 9	5,065,763
Balance at January 1 (IAS 9)	5,065,763
Unrealized losses on revaluation of financial assets at FVTOCI	(301,203)
Share of unrealized losses on revaluation of financial assets at FVTOCI of subsidiaries and associates accounted for using equity method	(1,288,815)
Disposals of investments in equity instruments designated as at fair value through other comprehensive income	57,678
Balance at December 31	$ 3,533,423

Unrealized gain (loss) on financial assets at FVTOCI represents the cumulative gains or losses arising from the fair value measurement on financial assets at FVTOCI that are recognized in other comprehensive income. The cumulative gain or loss will not be reclassified as profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

3) Unrealized gain on available-for-sale financial assets

	Amounts
Balance at January 1, 2017	$ 1,176,299
Unrealized gain on revaluation of available-for-sale financial assets	2,266,196
Share of unrealized gain on revaluation of available-for-sale financial assets of subsidiaries and associates accounted for using equity method	1,664,508
Balance at December 31, 2017	$ 5,107,003
Balance at January 1, 2018 (IAS 39)	$ 5,107,003
Adjustment on initial application of IFRS 9	(5,107,003)
Balance at January 1, 2018 (IFRS 9)	$ -

Unrealized gain (loss) on available-for-sale financial assets represents the cumulative gains or losses arising from the fair value measurement on available-for-sale financial assets that are recognized in other comprehensive income. When those available-for-sale financial assets have been disposed of or are determined to be impaired subsequently, the related cumulative gains or losses in other comprehensive income are reclassified as profit or loss.

e. Treasury shares

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

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

The Company's subsidiary - Baystar Holdings Ltd. (BHL) originally held 7,518,364 shares of the Company's share capital. In August 2017, BHL sold 7,518,364 shares of the Company's share capital in a gain of $38,012 thousand, the Company recorded the transaction as an addition of capital surplus under the treasury shares accounting policy.

Treasury shares transactions for 2017 were summarized as follows:

Purpose of Buyback	Treasury Shares Held as of January 1, 2017	Increase During the Period	Decrease During the Period	Treasury Shares Held as of December 31, 2017
Share capital held by subsidiaries	7,518,364	-	7,518,364	-

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2018			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	$ 2,338,387	$ 2,554,625	$ -	$ 4,893,012
Insurance	$ 140,989	$ 120,334	$ -	$ 261,323
Board compensation	$ -	$ 88,185	$ -	$ 88,185
Post-employment benefits				
Pension	$ 99,648	$ 82,641	$ -	$ 182,289
Depreciation	$ 6,654,240	$ 631,676	$ -	$ 7,285,916
Amortization	$ -	$ 10,400	$ 14,020	$ 24,420

	For the Year Ended December 31, 2017			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	$ 2,287,645	$ 2,004,374	$ -	$ 4,292,019
Insurance	$ 132,340	$ 96,208	$ -	$ 228,548
Board compensation	$ -	$ 73,971	$ -	$ 73,971
Post-employment benefits				
Pension	$ 94,376	$ 66,743	$ -	$ 161,119
Depreciation	$ 5,323,899	$ 472,511	$ -	$ 5,796,410
Amortization	$ -	$ 10,400	$ 14,020	$ 24,420

There were 2,795 and 2,567 employees in the Company and 8 of the directors do not doubled as employee as of December 31, 2018 and 2017, respectively.

In accordance with the Company Act and the Articles of Incorporation, it stipulates distribution of the compensation of employees and remuneration of directors at the rates no more than 1% and no less than 1%, respectively, of net profit before income tax, remuneration to directors and compensation of employees. The calculation for the rate mentioned above also include the Company's remuneration of supervisors before establishment of the Audit Committee. For the years ended December 31, 2018 and 2017, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31			
	2018		2017	
	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	$ 163,650	2%	$ 67,881	1%
Remuneration of directors	$ 81,825	1%	$ 67,881	1%

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

The compensation to employees and remuneration to the directors of 2017 and 2016 were approved by the Company's board of directors on February 2, 2018 and February 3, 2017, respectively, were as below:

	For the Year Ended December 31	
	2017	2016
Employees' compensation	$ 67,881	$ 34,400
Remuneration of directors	$ 67,881	$ 34,400

There was no difference between the amounts of the compensation of employees and remuneration of directors resolved by the Company's board of directors, and the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

Information on the compensation to employees and remuneration to the directors resolved by the Company's board of directors is available on the Market Observation Post System website of the Taiwan Stock Exchange Corporation.

21. SHARE-BASED PAYMENT ARRANGEMENTS

The Company's board of directors resolved to reserve 10% of the shares from the issuance of 400,000 thousand shares approved by the FSC on October 16, 2017 to be subscribed for by its employees. The number of shares subscribed for by the employees was affirmed on October 24, 2017. The fair value of such share options subscribed for by the Company's employees on the grant date was measured using the Black-Scholes Option Pricing Model and amounted to $239,200 thousand which was recorded as compensation costs with a corresponding increase in capital surplus.

a. As of December 31, 2017, the Company's share-based payments agreements were as follows:

Agreement	Grant Date	Number of Shares Grant	Vesting Conditions
Cash capital increase reserved for employee preemption	2017.10.24	40,000 thousand shares	Vested immediately

b. The fair value of share options acquired by employees on grant day, October 24, 2017, was measured by using Black-Scholes Option Pricing Model. Relevant information is as follows:

Stock Price (NT$)	Exercise Price (NT$)	Expected Price Volatility	Expected Vesting Period	Expected Dividend Yield Rate	Risk-free Interest Rate	Fair Value Per Share (NT$)
$27.9	$22	38.94%	49 days	0.00%	0.36%	$5.98

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2018	2017
Current income tax expense		
In respect of the current year	$ 1,374,003	$ 966,000
Additional income tax expense on unappropriated earnings	68,146	122,806
Adjustment for prior years' tax	6,371	-
Deferred income tax		
In respect of the current year	(766,176)	13,000
Effect of tax rate changes	(191,824)	-
Income tax expense recognized in profit or loss	$ 490,520	$ 1,101,806

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

	For the Year Ended December 31	
	2018	2017
Income tax expense from continuing operations at the statutory rate	$ 1,587,000	$ 1,131,000
Tax effect of adjustment items		
Permanent difference	(209,000)	(165,000)
Others	(3,997)	-
Current income tax expense	1,374,003	966,000
Deferred income tax		
In respect of the current year	(766,176)	13,000
Effect of tax rate changes	(191,824)	-
Additional income tax expense on unappropriated earnings	68,146	122,806
Adjustment for prior years' income tax expense	6,371	-
Tax expense recognized in profit or loss	$ 490,520	$ 1,101,806

In 2017, the applicable corporate income tax rate used by the Company entities in the ROC is 17%. However, the Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%, effective in 2018. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

As the shareholders meeting haven't resolved the appropriation of earnings for 2018, the potential income tax consequences of the 2018 unappropriated earnings are not reliably determinable.

b. Current tax assets and liabilities

	December 31 2018	December 31 2017
Current income tax assets		
Tax refund receivable (recorded as "other receivables")	$ 10,727	$ 5,675
Current income tax liabilities		
Income tax payable	$ 73,504	$ 128,164

c. Deferred tax assets

As of December 31, 2018 and 2017, deferred tax assets were as follows:

	December 31 2018	December 31 2017
Deferred tax assets		
Operating loss carryforwards	$ 463,000	$ 924,000
Temporary differences		
Allowance for loss on inventories	148,000	117,000
Provision for sales returns and discounts	44,000	30,000
Others	12,000	16,000
	$ 667,000	$ 1,087,000

d. Operating loss carryforwards

Operating loss carryforwards as of December 31, 2018 comprised:

Operating Loss Carryforwards	Expiry Year
$ 463,000	2022

e. Information about investment credits

The Company apply the Statute for Industrial Innovation Article 10, up to ten percent of the R&D expenses may be credited against the profit-seeking enterprise income tax payable by it in each of the three years following the then current year.

f. Tax return assessments

The tax returns through 2015 have been assessed by the tax authorities.

23. EARNINGS PER SHARE

	For the Year Ended December 31					
	2018			2017		
	Amounts (Numerator) After Income Tax	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax	Amounts (Numerator) After Income Tax	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) After Income Tax
Basic earnings per share						
Net income attributed to common shareholders	$ 7,446,496	3,980,000	$ 1.87	$ 5,550,562	3,608,948	$ 1.54
Effect of dilutive potential common shares						
Employees' compensation	-	12,078		-	3,431	
Diluted earnings per share						
Net income attributed to common shareholders	$ 7,446,496	3,992,078	$ 1.87	$ 5,550,562	3,612,379	$ 1.54

If the Company may settle the compensation or bonus to employees by cash or shares, the Company should presume that the entire amount of the compensation or bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the shareholders resolve the number of shares to be distributed to employees at their meeting in the following year.

24. OPERATING LEASE ARRANGEMENTS

The Company as Lessee

a. Lease arrangements

The Company leased land from Science Park Administration until 2037, and the lease term can extended after the expiration of the lease period.

The Company leased some of the offices, and the lease terms will expire between 2019 and 2022 which can be extended after the expiration of the lease periods.

As of December 31, 2018 and 2017, deposits paid under operating leases amounted to $66,016 thousand and $66,345 thousand, respectively (recorded as "other non-current assets").

b. Lease expense

	For the Year Ended December 31	
	2018	2017
Lease expenditure	$ 87,133	$ 83,570

25. CAPITAL MANAGEMENT

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

26. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

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

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

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

- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the balance sheets

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

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

Fair value hierarchy as at December 31, 2018

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Financial liabilities measured at amortized cost					
Bonds payable	$ 9,919,779	$ -	$ 9,919,779	$ -	$ 9,919,779

4) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy as at December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 7,526	$ -	$ 7,526
Financial assets at FVTOCI				
Equity securities				
Domestic listed and emerging securities	$ 6,174,768	$ -	$ -	$ 6,174,768
Domestic unlisted securities	-	17,510	6,147	23,657
	$ 6,174,768	$ 17,510	$ 6,147	$ 6,198,425

Fair value hierarchy as at December 31, 2017

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 31,035	$ -	$ 31,035
Available-for-sale financial assets				
Equity securities				
Domestic listed and emerging securities	$ 6,281,754	$ -	$ -	$ 6,281,754

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Measured at amortized cost				
Cash and cash equivalents	$ 9,384,525	$ 9,384,525	$ -	$ -
Notes and accounts receivable (included related parties)	5,131,459	5,131,459	-	-
Other receivables	469,494	469,494	-	-
Refundable deposits (recorded in other non-current assets)	168,535	168,535	-	-

(Continued)

	December 31			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables				
Cash and cash equivalents	$ -	$ -	$ 11,658,134	$ 11,658,134
Notes and accounts receivable (included related parties)	-	-	5,583,780	5,583,780
Other receivables	-	-	247,805	247,805
Refundable deposits (recorded in other non-current assets)	-	-	142,055	142,055
Financial assets at fair value through profit or loss	7,526	7,526	31,035	31,035
Financial assets at fair value through other comprehensive income (current and non-current)	6,198,425	6,198,425	-	-
Available-for-sale financial assets	-	-	6,281,754	6,281,754
Financial assets measured at cost	-	-	27,649	27,649
Financial liabilities				
Measured at amortized cost				
Short-term borrowings	-	-	553,539	553,539
Notes and accounts payable (included related parties)	4,070,733	4,070,733	4,002,460	4,002,460
Payable on equipment and other payables	5,874,005	5,874,005	6,267,583	6,267,583
Bonds payable	9,919,779	9,919,779	-	-
Long-term borrowings (included current portion)	8,770,560	8,770,560	12,094,080	12,094,080
Guarantee deposits (recorded in other non-current liabilities)	40	40	458	458

(Concluded)

c. Financial risk management objectives and policies

The Company's Corporate Treasury function provides services to the business, coordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be an increase in net income in the amounts of $29,834 thousand and $23,830 thousand for the years ended December 31, 2018 and 2017.

b) Interest rate risk

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

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

	December 31	
	2018	**2017**
Cash flow interest rate risk		
Financial liabilities	$ 8,770,560	$ 12,094,080

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Company's cash flows for the years ended December 31, 2018 and 2017 would increase by $87,706 thousand and $120,941 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	December 31, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	$ 9,944,738	$ 40	$ -	$ 9,944,778
Variable interest rate liabilities	4,563,520	1,883,520	2,323,520	8,770,560
Fixed interest rate liabilities	-	-	10,000,000	10,000,000
	$ 14,508,258	$ 1,883,560	$ 12,323,520	$ 28,715,338

	December 31, 2017			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	$ 10,270,043	$ 458	$ -	$ 10,270,501
Variable interest rate liabilities	3,323,520	4,563,520	4,207,040	12,094,080
Fixed interest rate liabilities	553,539	-	-	553,539
	$ 14,147,102	$ 4,563,978	$ 4,207,040	$ 22,918,120

27. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Walsin Lihwa Corporation	Investor that exercises significant influence over the Company
Winbond Electronics (H.K.) Limited	Subsidiary
Pine Capital Investment Limited	Subsidiary
Mobile Magic Design Corporation	Subsidiary
Winbond Technology LTD	Subsidiary
Techdesign Corporation	Subsidiary
Callisto Holding Limited	Subsidiary
Winbond Electronics (Suzhou) Limited	Subsidiary
Winbond Electronics Corporation America	Subsidiary
Winbond Electronics Corporation Japan	Subsidiary
Nuvoton Technology Corporation	Subsidiary
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
HannStar Display Corporation	Related party in substance
Walsin Technology Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance

b. Operating activities

	For the Year Ended December 31	
	2018	2017
1) Operating revenue		
Subsidiaries		
Winbond Electronics (H.K.) Limited	$ 7,485,855	$ 7,498,035
Winbond Electronics Corporation Japan	4,864,471	4,624,782
Others	2,480,734	2,983,697
	$ 14,831,060	$ 15,106,514
2) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	$ 2,678,821	$ 1,824,418
Others	566,350	561,137
	$ 3,245,171	$ 2,385,555
3) Selling expenses		
Subsidiaries		
Winbond Electronics Corporation America	$ 182,790	$ 173,637
Others	4,507	4,291
	$ 187,297	$ 177,928
4) General and administrative expenses		
Investor that exercises significant influence over the Company	$ 10,078	$ 9,099
Subsidiaries	-	459
Related party in substance	29	-
	$ 10,107	$ 9,558
5) Research and development expenses		
Subsidiaries	$ 1,135,332	$ 978,695
6) Dividend income		
Investor that exercises significant influence over the Company		
Walsin Lihwa Corporation	$ 200,000	$ 140,000
Related party in substance		
HannStar Display Corporation	50,034	59,033
Walton Advanced Engineering Inc.	42,553	12,513
Walsin Technology Corporation	39,384	11,776
Others	10,213	2,362
	$ 342,184	$ 225,684

(Continued)

	For the Year Ended December 31	
	2018	2017
7) Other income		
Subsidiaries		
Nuvoton Technology Corporation	$ 7,818	$ 29,581
Others	396	396
Related party in substance	2,690	2,431
	$ 10,904	$ 32,408

(Concluded)

	December 31	
	2018	2017
8) Accounts receivable due from related parties		
Subsidiaries		
Winbond Electronics (H.K.) Limited	$ 846,501	$ 770,332
Others	366,712	983,269
	$ 1,213,213	$ 1,753,601
9) Accounts payable to related parties		
Related party in substance		
Walton Advanced Engineering Inc.	$ 473,453	$ 352,266
Others	156,228	144,521
	$ 629,681	$ 496,787
10) Other receivables and other current assets		
Subsidiaries		
Pine capital Investment Limited.	$ 277,470	$ -
Others	3,071	2,885
Investor that exercises significant influence over the Company	209	1,172
	$ 280,750	$ 4,057
11) Other payables		
Subsidiaries	$ 245,495	$ 253,489
Related party in substance	35,745	33,360
Investor that exercises significant influence over the Company	1,862	1,464
	$ 283,102	$ 288,313

(Continued)

	December 31	
	2018	2017
12) Refundable deposits (recorded as “other non-current assets”)		
Subsidiaries	$ 545	$ 545
Investor that exercises significant influence over the Company	203	203
	$ 748	$ 748

(Concluded)

13) Disposal of property, plant and equipment

	For the Year Ended December 31			
	2018		2017	
	Proceeds	Gain on Disposal	Proceeds	Gain on Disposal
Related party in substance	$ -	$ -	$ 620	$ 114

The Company’s transactions with the related party were conducted under normal terms.

c. Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Short-term employment benefits	$ 237,990	$ 164,090
Post-employment benefits	21,485	587
Share-based payments	-	6,888
	$ 259,475	$ 171,565

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

28. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6 and 14 to the financial statements.

29. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of December 31, 2018 and 2017 were approximately USD14,708 thousand and USD36,514 thousand, JPY2,483,939 thousand and JPY2,936,690 thousand and EUR122 thousand and EUR1,596 thousand, respectively.

b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2018
TASA Construction Corporation	$ 3,199,466	$ 927,367

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2018			2017		
	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
Financial assets						
Monetary items						
USD	$ 193,353	30.715	$ 5,938,826	$ 211,911	29.76	$ 6,306,464
EUR	1,392	35.20	49,006	1,673	35.57	59,497
JPY	1,780,210	0.2782	495,254	2,516,883	0.2642	664,961
RMB	14,162	4.472	63,334	93,434	4.565	426,527
Non-monetary items						
USD	15,840	30.715	486,529	601	29.76	17,878
ILS	6,796	8.1494	55,387	5,619	8.5791	48,202
Financial liabilities						
Monetary items						
USD	96,221	30.715	2,955,419	131,835	29.76	3,923,421
EUR	3,358	35.20	118,201	18,223	35.57	648,188
JPY	3,120,742	0.2782	868,190	3,231,832	0.2642	853,850

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31	
Foreign Currencies	**2018**	**2017**
USD	$ 279,526	$ (248,096)

31. ADDITIONAL DISCLOSURE

a. Following are the additional disclosures for material transactions and; b. investments required by the Securities and Futures Bureau for the Company:

1)	Financings provided	None
2)	Endorsement and guarantee provided	None
3)	Marketable securities held (excluding investments in subsidiaries and associates)	Table 1
4)	Marketable securities acquired and disposed of at costs or prices of at least NT$300 million or 20% of the paid-in capital	None
5)	Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital	Table 2
6)	Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital	None
7)	Total purchases from or sales to related parties of at least NT$100 million or 20% of the paid-in capital	Table 3
8)	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	Table 4
9)	Information about the derivative financial instruments transaction	Note 7
10)	Names, locations, and related information of investees over which TSMC exercises significant influence	Table 5

c. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 6
2)	Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.	Table 6

32. SEGMENT INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

TABLE 1

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Winbond Electronics Corp. (WEC)	Share							
	Walsin Lihwa Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman. As WEC's corporate director, the investee held 22% ownership interest in WEC	Current financial assets at fair value through other comprehensive income	200,000,000	$ 3,350,000	6	$ 3,350,000	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	〃	110,067,210	774,873	3	774,873	
	Walton Advanced Engineering Inc.	The investee chairman are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's director.	〃	50,062,641	540,677	10	540,677	
	Walsin Technology Corporation	The investee's chairmans are relatives within the second degree of relationship of WEC's chairman. WEC as the investee's supervisor.	〃	9,800,117	1,509,218	2	1,509,218	
	Share							
	His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,060	-	9,060	
	Linkou Golf Course	〃	〃	1	8,450	-	8,450	
	Smart Catch International Co., Ltd.	〃	〃	4,000,000	-	16	-	
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	〃	5,440	6,147	5	6,147	
WECA	Share							
	Telit Communications PLC	None	Current financial assets at fair value through other comprehensive income	92,000	USD 147	-	USD 147	
	Everspin Technologies, Inc.	〃	〃	332,834	USD 1,867	2	USD 1,867	
	Micron Technology, Inc.	〃	〃	12,900	USD 409	-	USD 409	
	Funds							
	JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 2,325	9	USD 2,325	
PRC	Funds							
	Vertex Israel II (C.I.) Fund L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	265	2	265	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
WECJ	Share							
	Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -	
NTC	Share							
	Yu-Ji Venture Capital Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,750,000	22,733	5	22,733	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	〃	8,800,000	396,000	4	396,000	
	Brightek Optoelectronic Co., Ltd.	None	〃	34,680	341	-	341	
	Nyquest Technology Co., Ltd.	The held company's subsidiaries as the investee's director	〃	2,650,892	74,092	8	74,092	
SYI	Share							
	Nyquest Technology Co., Ltd.	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	1,650,000	46,117	5	46,117	

Note: Refer to Tables 5 and 6 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

TABLE 2

WINBOND ELECTRONICS CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Property	Event Date	Transaction Amount	Payment Term	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			
WEC	Buildings	January 19, 2018 to December 19, 2018	$ 1,223,297	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	January 25, 2018 to December 26, 2018	338,091	Monthly settlement by the construction progress and acceptance	Wholetech System Hitech Limited	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

TABLE 3

WINBOND ELECTRONICS CORPORATION

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, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Company Name	Related Party	Relationship	Transaction Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
WEC	WEHK	Direct subsidiary with 100% ownership	Sales	$ 7,485,855	18	Net 90 days from invoice date	N/A	N/A	$ 846,501	16	
	WECJ	Indirect subsidiary with 100% ownership	Sales	4,864,471	12	Net 90 days from invoice date	N/A	N/A	267,477	5	
	WECN	Indirect subsidiary with 100% ownership	Sales	1,304,397	3	Net 90 days from invoice date	N/A	N/A	63,232	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	1,072,653	3	Net 90 days from invoice date	N/A	N/A	19,389	-	
	NTC	Direct subsidiary with 61% ownership	Sales	103,684	-	Net 30 days from invoice date	N/A	N/A	15,844	-	
WEHK	WEC	Parent company	Purchases	USD 248,725	100	Net 90 days from invoice date	N/A	N/A	USD (27,560)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 17,989,745	98	Net 90 days from invoice date	N/A	N/A	JPY (966,171)	(94)	
WECN	WEC	Parent company	Purchases	RMB 286,076	100	Net 90 days from invoice date	N/A	N/A	RMB (14,139)	(100)	
WECA	WEC	Parent company	Purchases	USD 35,951	100	Net 90 days from invoice date	N/A	N/A	USD (296)	(70)	
NTC	WEC	Parent company	Purchases	103,274	3	Net 30 days from invoice date	N/A	N/A	(15,700)	(2)	
	NTHK	Subsidiary	Sales	3,790,977	39	Net 90 days from invoice date	N/A	N/A	233,440	25	
	NTCA	Subsidiary	Sales	106,538	1	Net 90 days from invoice date	N/A	N/A	33,523	4	
	Nyquest Technology Co., Ltd.	The held company's subsidiaries as the investee's director	Sales	247,282	3	Net 45 days from invoice date	N/A	N/A	44,269	5	
NTHK	NTC	Parent company	Purchases	USD 125,890	100	Net 90 days from invoice date	N/A	N/A	USD (7,600)	(100)	
NTCA	NTC	Parent company	Purchases	USD 3,535	100	Net 90 days from invoice date	N/A	N/A	USD (1,091)	(100)	

TABLE 4

WINBOND ELECTRONICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Action Taken		
WEC	WEHK	Direct subsidiary with 100% ownership	$ 846,501	9.26	$ -	-	$ 269,980	$ -
	WECJ	Indirect subsidiary with 100% ownership	267,477	13.31	-	-	-	-
NTC	NTHK	Subsidiary	233,440	19.87	-	-	233,440	-

WINBOND ELECTRONICS CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
Winbond Electronics Corp.	Nuvoton Technology Corporation	Taiwan	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	$ 727,548	$ 727,548	126,620,087	61	$ 2,256,830	$ 710,633	$ 439,872	
	Winbond Int'l Corporation	British Virgin Islands	Investment holding	2,992,157	2,992,157	95,410,000	100	1,628,543	61,462	61,462	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	186,126	186,126	5,893,000	100	382,317	53,819	53,819	
	Mobile Magic Design Corporation	Taiwan	Design, development and marketing of Pseudo SRAM	50,000	50,000	5,000,000	100	(33,345)	7,450	7,450	(Note 1)
	Newfound Asian Corporation	British Virgin Islands	Investment holding	-	210,256	-	-	-	1,481	1,481	(Note 2)
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	1,948	71,150,000	100	314,666	35,595	35,595	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	270,033	780,000	100	6,314	(13,424)	(1,615)	(Note 3)
	Winbond Technology LTD	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	55,387	9,049	8,847	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	3,584,605	607,596	229,008	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	750	-	75,000	15	723	(179)	(27)	
	Techdesign Corporation	Taiwan	Electronic commerce and product marketing	50,000	50,000	5,000,000	100	27,316	(3,123)	(5,573)	
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	-	40,000,000	100	156,614	473	473	(Note 4)
Winbond Int'l Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and after-sales service of semiconductor	1,683,207	1,683,207	3,067	100	1,431,540	61,663	61,663	
Newfound Asian Corporation	Baystar Holdings Ltd.	British Virgin Islands	Investment holding	-	65,931	-	-	-	1,521	1,521	(Note 5)
Landmark Group Holdings Ltd.	Winbond Electronics Corporation Japan	Yokohama, Japan	Research, development, sales and after-sales service of semiconductor	112,644	112,644	2,970	100	377,884	53,853	53,853	
	Peaceful River Corp.	British Virgin Islands	Investment holding	21,789	21,789	6,260,000	100	4,604	338	338	
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	452,809	17,041	17,041	
	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment holding	439,651	439,651	13,897,925	100	178,644	5,807	5,807	
	Marketplace Management Limited	British Virgin Islands	Investment holding	271,798	271,798	8,790,789	100	78,279	958	958	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	574,296	650,122	17,420,000	100	217,761	(11,752)	(11,752)	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100	60,600	5,750	5,750	
	Nuvoton Technology India Private Limited	India	Design, sales and after-sales service of semiconductor	30,211	30,211	600,000	100	21,781	(800)	(800)	
Pigeon Creek Holding Co., Ltd.	Nuvoton Technology Corp. America	United States of America	Design, sales and after-sales service of semiconductor	190,862	190,862	60,500	100	191,970	6,408	6,408	
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,124	1,472,124	-	100	78,501	1,280	1,280	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	232,882	(2,955)	(2,955)	

Note 1: MMDC has a negative net book value as of December 31, 2018, which is reclassified to other non-current liabilities.

Note 2: NAC completed the liquidation and legal procedures in September 2018.

Note 3: In December 2018, the board of directors of PCI resolved capital reductions, and the Company recognized receivable of the repayment of shares in the amount of $267,065 thousand.

Note 4: Callisto was incorporated in May 2018, and the Company has injected the capital in August 2018.

Note 5: BHL completed the liquidation and legal procedures in August 2018.

Note 6: Refer to Table 6 for information on investment in Mainland China.

WINBOND ELECTRONICS CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars and Foreign Currencies)

1. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2018	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2018	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018
						Outward	Inward						
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	$ 276,435 USD 9,000	Through investing in PCI and WEHK in the third area, which then invested in the investee in Mainland China indirectly (Note 3)	$ 276,435 USD 9,000	$ -	$ -	$ 276,435 USD 9,000	$ 17,926	100	$ 17,926	$ 282,371	$ 35,880
NTC	Nuvoton Electronics Technology (Shanghai) Limited	Provide project of sale in China and repair, test and consult of software	68,036 USD 2,000	Through investing in Marketplace Management Limited in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	68,036 USD 2,000	-	-	68,036 USD 2,000	1,656	61	1,010	49,017	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 USD 500	Through investing in Marketplace Management Limited in the third area in British Virgin Islands, which then invested in the investee in Mainland China indirectly	16,429 USD 500	-	-	16,429 USD 500	-	61	-	(1,083) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	184,290 USD 6,000	Through investing in NTHK in the third area, which then invested in the investee in Mainland China indirectly	184,290 USD 6,000	-	-	184,290 USD 6,000	8,187	61	4,995	127,537	-

Note 1: Investment profit or loss for the year ended December 31, 2018 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 2018, which is reclassified to other non-current liabilities.

Note 3: WEHK purchased 100% of the shares of WECN from PCI on August 31, 2018 and made the payments in September 2018.

2. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Company	Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 4)
WEC	$ 276,435 (USD9,000)	$ 276,435 (USD9,000)	$ 37,466,622
NTC	268,755 (USD8,500)	268,755 (USD8,500)	2,240,620

Note 4: Upper limit on the amount of 60% of the investee's net book value.

3. Refer to Table 3 for significant transactions with the investee in Mainland China directly and indirectly through investing in companies in the third area.

4. Handling endorsement, guarantee and collateral to the investee in Mainland China directly and indirectly through investing in companies in the third area: None.

5. Financing of funds to investee in Mainland China directly and indirectly through investing in companies in the third area: None.

6. Other transactions with significant influence on profit or loss for the period or financial performance: None.

Financial Position, Financial Performance and Risk Analysis

I. Financial position

Unit: NT$1,000

Item\Year	2018 consolidated financial statements	2017 consolidated financial statements	Increase (decrease) amount	Change (%)
Current assets	37,528,246	37,240,205	288,041	1
Property, plant and equipment	52,484,183	43,828,707	8,655,476	20
Intangible assets	229,195	288,013	(58,818)	(20)
Other assets	5,800,840	6,759,198	(958,358)	(14)
Total Assets	96,042,464	88,116,123	7,926,341	9
Current liabilities	16,469,744	16,240,188	229,556	1
Non-current liabilities	15,681,623	10,248,944	5,432,679	53
Total liabilities	32,151,367	26,489,132	5,662,235	21
Equity attributable to owners of parent	62,444,371	60,212,164	2,232,207	4
Capital	39,800,002	39,800,002	-	-
Capital surplus	7,540,440	7,540,440	-	-
Retained earnings	11,621,286	7,885,707	3,735,579	47
Other interests	3,482,643	4,986,015	(1,503,372)	(30)
Non-controlling interests	1,446,726	1,414,827	31,899	2
Total equity	63,891,097	61,626,991	2,264,106	4

Reasons for changes exceeding 20%:
1. Increase in property, plant and equipment was mainly due to increase in building structures, machinery and equipment for plant expansion.
2. Decrease in intangible assets was mainly due to amortization.
3. Increase in non-current liabilities was mainly due to increase in corporate bond payable resulting from the issue of corporate bonds in 2018.
4. Increase in retained earnings was due to increase in net profit in 2018.
5. Decrease in other interests was mainly due to unrealized loss of financial assets measured at fair value through other comprehensive income held by the Company and associates accounted for using equity method.

II. Financial performance

Unit: NT$1,000

Item\Year	2018 consolidated financial statements	2017 consolidated financial statements	Increase (decrease) amount	Change (%)
Net revenue	51,190,323	47,591,792	3,598,531	8
Operating cost	32,039,220	31,268,105	771,115	2
Gross profit	19,151,103	16,323,687	2,827,416	17
Operating Expenses	11,224,406	9,667,919	1,556,487	16
Operating profits	7,926,697	6,655,768	1,270,929	19
Non-operating income and expenses	468,203	441,761	26,442	6
Net income (loss) before tax	8,394,900	7,097,529	1,297,371	18
Income tax expense	667,242	1,274,579	(607,337)	(48)
Current period net profit	7,727,658	5,822,950	1,904,708	33
Other comprehensive income for the current period	(1,738,472)	3,749,701	(5,488,173)	(146)
Total comprehensive income for the current period	5,989,186	9,572,651	(3,583,465)	(37)

Reasons for changes exceeding 20%:
1. Decrease in income tax expense: was mainly due to reversal on valuation allowance for deferred tax assets and recognition of tax income.
2. Decrease in other comprehensive income and total comprehensive income for the current period was mainly due to unrealized loss of financial assets measured at fair value through other comprehensive income held by the Company and associates accounted for using equity method.

Main reasons for the projection of continuous sales growth in the next year:

The monthly capacity of Winbond fab at Central Taiwan Science Park has increased to 52,000 pcs in 2018, which together with the volume production of self-developed 25nm DRAM process in Q4 2018 are expected to boost the operations in 2019.

III. Cash flows

(I) Financial analysis of 2018 consolidated financial statements

Unit: NT$1m

Cash balance at beginning of period (Dec. 31, 2017)	Net cash flow from operating activities (2018)	Net cash flow from investing and financing activities (2018)	Cash surplus (December 31, 2018)	Remedial measures for cash deficit	
				Investment plan	Financial plan
14,172	13,533	(15,145)	12,560	-	-

1.Analysis on the cash flow changes in 2018 consolidated financial statements:
(1) Operating activities: Operating activities produced a net cash inflow of NT$13.5 billion.
(2) Investing activities: Purchase of production equipment produced a cash outflow of NT$16.9 billion; equity investment and others produced a cash outflow of NT$100 million.
(3) Financing activities: Issuance of corporate bonds produced a cash inflow of NT$10 billion; loan repayment produced a cash outflow of NT$3.9 billion; distribution of cash dividends and others produced a cash outflow of NT$4.2 billion.
2. Remedial action for cash deficit and liquidity analysis: N/A.

(II) Analysis on consolidated cash flow for the coming year

Net cash inflow from operating activities of the Company and subsidiaries for the coming year is estimated at NT$10.43 billion, and net cash outflow due to investing and financing activities is estimated at NT$15.57 billion, which to be used mainly on capital expenditure, equity investment and distribution of cash dividends.

IV. Effect of major capital expenditure on financial position and business operation

(I) Utilization of fund on major capital expenditure and sources of funds

Unit: NT$1m

Project	Actual or expected source of funds	Actual or estimated completion date	Total funds needed	Actual or expected status of spending		
				2016	2017	2018
Expansion of fab facilities and capacity and process upgrade	Bank syndication loan, issuance of corporate bonds and operating profit	2018	36,674	4,796	15,164	16,714

(II) Anticipated benefit

Expansion of plant facilities and capacity, accelerated upgrade of process technology, and sustained market share.

V. Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year

1.Investment policy: The Company makes investment in the hope to boost business performance in principle.
2.Investment profit or loss in recent years: The Company recognized NT$831 million of gain on equity method investments in 2018 (NT$229 million of gain on equity method investments in consolidated statements).
3.Investment plan for the next year: The Company will formulate an investment plan in view of operating needs of the Company and invested enterprises.

VI. Risk management and evaluation

(I) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures

1. Interest rate change

The Company's interest rate risk is associated mainly with long-term floating rate loans borrowed to meet the operational needs of process upgrade or capacity expansion. At the time of financing, the Company has negotiated better rates based on then market conditions to reduce the impact brought about by interest rate fluctuation. The Company pay a fixed rate on the corporate bonds issued, which will not affect cash flows during interest rate fluctuation.

The consolidated interest expense in 2018 amounted to NT$88,466 thousand, accounting for 0.17% of 2018 consolidated revenue and 1.05% of 2018 consolidated net income before tax. Rate changes are not expected to produce much impact on Company operations. In the future, the Company will watch closely of interest rate movement and the impact on cash flows.

2. Exchange rate change

The Company's exchange gain (loss) arises mainly from the foreign currency positions associated with its import/export business. The income/loss from foreign exchange transactions (including financial derivatives transactions) in 2018 amounted to NT$48,626 thousand, representing 0.09% of 2018 consolidated revenue and 0.58% of 2018 consolidated net income before tax. The Company would hedge the exchange rate risk associated with the net position of its foreign-currency assets/liabilities in view of the exchange rate fluctuation. As of year-end 2018, the Company held USD 152,150 thousand of financial derivatives assets which are subject to exchange rate risk. The unrealized loss on those assets valued by fair value amounted to NT$8,290 thousand, which is within controllable range. The Company will continue to adopt the following response actions for exchange rate risk:

(1)Engage in financial derivatives transactions for the main purpose of hedging exchange rate risks, and choose financial derivative products to primarily hedge the risks associated with the Company's business operations. In the selection of trading counterparty, give primary consideration to credit risk to avoid loss arising from counterparty's failure to perform its contractual obligation. In addition, financial institutions with low credit risk and good relationship with the Company, and having the capability to provide the Company with professional information will be chosen as trading counterparties.

(2)The Company keeps abreast of financial market information, predicts market trends, gets familiar with financial products and related regulations and trading techniques, and provides full and timely information to the management and relevant departments for reference.

(3)The Company sets the limit of unrealized loss on all financial derivatives contracts to 20% of the contract values or 3% of stockholders' equity, whichever is lower. The Company's finance unit evaluates the Company's position on financial derivatives every month and produces a report therefor, which is submitted to the head of finance and senior management authorized by the Board of Directors for review in the hope to predict the risk of each every transaction and potential loss.

3. Inflation

The inflation problem has not been serious in recent years and hence has had limited impact on the Company's profit.

(II) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures

1. The Company does not engage in any high-risk, high-leverage investment. The Company's derivatives trading policy aims to minimize the risk of fair value fluctuation for assets and liabilities actually owned by the Company under the objective of economic hedge. Under this principle, all derivatives trading undertaken by the Company correspond to the real positions held by the Company. Any gain or loss resulting from derivative transactions and hedged positions during the period arises from difference in time of disposing a real position and the time a gain or loss on a derivative trading is realized. Such gain or loss is insignificant. Other than those derivatives transactions described above, the Company does not engage in other high-risk derivatives transactions and will continue to observe the principle of hedging only positions actually owned by the Company.
2. The Company does not extend loans to other companies or individuals.
3. The Company does not make endorsement/guarantee for other companies or individuals.

(III) Future R&D projects and estimated R&D expenditure

The Company's subsidiaries including Nuvoton Technology are expected to spend NT$8.5 billion on R&D in the following directions in 2019:

1. DRAM

   Specialty DRAM:

   We will continue to develop medium to low capacity specialty DRAM products using 25nm process in computing, communication and consumer electronics, automotive and industrial electronics, and medical electronics. We will also continue to develop advanced 2xnm process technology.

   Mobile DRAM:

   We will continue to develop medium to low capacity as well as low power consumption mobile DRAM for applications principally in cell phones, tablets, low power consumption mobile devices, wearable devices, IoT, automotive and industrial electronics.

2. Code Storage Flash Memory

   We will continue to upgrade the 46nm process to produce safe, high performance, low power consumption code storage flash memory products with high added value for applications in PCs and peripherals, mobile handheld devices and peripheral modules, network communications products, IoT, consumer electronics, automotive and industrial electronics, medical electronics, household appliance modules, and information security, etc. We will also continue to develop advanced 3xnm process technology.

3. Logic IC

   The R&D of logic ICs will focus on more advanced process platform, low voltage, low power consumption, secure and high speed CPU core and special IP technology, while strengthening IC's noise cancellation capability, low-temp working and high-temp resistance and ESD capability, and gradually making headway into the fields of energy efficient electrical goods and automotive electronics. We aim to attain the technical level of European, American and Japanese MCU suppliers and continue to expand our clientele base and applications and stay prepared for future changes in the industry. At the same time, we will continue to invest in the development of logic IC for use in cloud computing, smart handheld devices and PCs, and gear toward three directions - secure management, energy efficient and better user experience to expand the scope of products and applications on a solid existing basis.

(IV) Major changes in government policies and laws at home and broad and the impact on Company finance and business

The Company's operation policies comply with all applicable laws and regulations and the Company watches closely the important shifts in policies and laws at home and abroad and consult related experts for their opinion when necessary to take appropriate response measures. In the last year and up to the date of report, the Company finance and business have not been affected by major changes in government policies and laws at home and abroad.

(V) Impact of recent technological and market changes on the Company's finance and business, and response measures

The Company watches closely for technological and market changes, and will, in view of the circumstances, assign staff or a project team to study and evaluate the impact of those changes on the Company's development, finance and business in the future as well as response measures. As of the date of report, there have not been significant technological changes that may produce material impact on the Company's finance and business.

(VI) Impact of corporate image change on risk management and response measures

Winbond believes in honesty and integrity in business practice. We emphasize honest dealing with customers and rigorously demand self-discipline and compliance with internal rules from employees. We are committed to information disclosure and financial transparency, and utilize all kinds of communication channels to help shareholders, institutional investors and the general public know more about Winbond and win their recognition and support for our management philosophy and directions. In addition, we have departments set up to take charge of investor relations, employee relationship, internal audit, risk management, quality management, and customer service. Those departments work closely with related business units to unite the resources and strength throughout the company. In case of any contingency, the Company's senior officer will act as the convenor and promptly set up a crisis response team to quickly address the crisis, and prepare readiness plans to prevent and control all kinds of latent risks. As of the date of report, the Company is free of corporate image change event that calls for prompt actions in crisis management.

(VII) Expected benefits and potential risks of merger and acquisition

The Company does not have any merger and acquisition plan in the last year and up to the date of report.

(VIII) Expected benefits and potential risks of capacity expansion

All undertakings of expansion and construction of new-generation fab have had feasibility evaluation done by relevant professional teams before the project is proceeded. The purpose of fab expansion is to enhance the process technology and reduce production costs so as to fend off market competition and make headway into end-market applications. In light of the high market volatility of the memory industry, we will watch closely the market movement and supply-demand situation. We will take a prudent approach to capacity allocation, and opt for a diversity of optimal product mixes to keep our production plans flexible. We will also adopt advanced process to optimize the cost structure in the efforts to minimize the risk associated with market volatility. Financially, we will plan our future expansion and the necessary capital expenditure and funds in a prudent manner. We will also draw up sound business plans to lower the risk of incurring heavy debt. We believe we will have sufficient profit and cash flows to meet the additional investment needs and repayment obligations. Our technical team consists of wafer fabrication experts and IC design experts with dozens of years of experience in related fields. We also bring in advanced processes from abroad and embark on R&D with our own technology. The switch to high-end process is expected to improve our cost control capability and augment the possibility of product expansion. To sum up, Winbond will endeavor in fending off the risk of market volatility from the aspects of product, finance and technology, and in the process, maximize our profitability.

(IX) Risks associated with over-concentration in purchase or sale and response measures

Purchasing from a sole supplier carries the risk of over-concentration that the Company may not receive timely delivery when the supplier's plant has an accident or the supplier has financial or quality problems. The Company has multiple sources and qualified suppliers for all of its main materials to ensure supply stability.

Concentration in sales was a result of optimization of customer structure and long-term strategic cooperation. The Company has credit management and internal control and audit systems in place, and adopts computerized operations for sales, and hence does not run the risk of over-concentration in sales.

(X) Impact of mass transfer of equity by or change of directors or shareholders holding more than 10% interests on the Company, associated risks and response measures

In the last year and up to the date of report, the Company directors and Walsin Lihwa Corp., a shareholder holding more than 10% interests on the Company did not transfer their equity.

(XI) Impact of change of management rights on the Company, associated risk and response measures

The Company is free of the aforementioned situation in recent years up to the date of report.

(XII) Material litigious or non-litigious events

1 Concluded or pending litigious, non-litigious or administrative litigation event as of the date of report: None

2. The outcome of concluded or pending litigious, non-litigious, or administrative litigation events i nvolving the director, president, de facto responsible person, major shareholders holding more than 10% of shares, or subsidiary of the Company that may have material impact on shareholders' equity or stock price
Microchip Technology Inc. files a patent infringement lawsuit against a Winbond subsidiary Nuvoton Technology and its North America subsidiary. The civil complaint was served in January 2019. At the present time, Nuvoton Technology is unable to predict the outcome of the pending lawsuit or reliably estimate contingent liability related to the case.

(XIII) Risk management of organization framework

The Company's risk management tasks are dispersed among different functions inside the Company. The Company has established sound internal management guidelines and operating procedures, and has developed comprehensive plans and processes for risk aversion, loss prevention and crisis management. In addition, the Company's management keeps continuous watch over changes in the macroeconomic environment that might affect the Company business and operations, and has assigned staff to make planning and formulate response actions against all kinds of contingencies to reduce operational uncertainties to the minimum.

(XIV) Other significant risks and response measures

1. Information security policy

The Company has established an "information security policy" and "instructions for Technology and Classified Information Management" to protect classified information of the Company, including business secrets and intellectual properties to make sure customer privacy is safeguarded. We sign a confidentiality agreement with all of our suppliers and customers to protect the classified information of both parties and prevent the inadvertent disclosure of sensitive information. In addition, we conduct annual internal audit in accordance with the internal control system for information security operation.

2. Information security management

In reference to the standards and best practices recommended by ISO/IEC 27001/27002, we have set up an information security organization that holds regularly information security management meetings to discuss all kinds of information security issues and events, and carry out improvement projects.

In addition, the design & development, product, delivery and related operating environment of our secure memory products are Common Criteria EAL 5+ certified. It means Winbond's controls over the information security of products meet the requirements of Common Criteria, and Winbond manufactures trusted secure products that meet international standards and protect customer information and assets.

For important product data, we continue to strengthen access control and monitoring, implement information system access authority management and safekeep records to strictly control personnel entry and egress as well as data access. We impose disciplinary action and penalty against employees and vendors who breach data security rules to protect internal data against unauthorized access or alternation and prevent theft or leakage of trade secrets and intellectual properties.

3. Assessment of information security and cybersecurity risks

On the matters of cyber attack and data breach, we have constructed a network and computer security protection system to control or maintain the normal functions of manufacturing, operations, accounting and other important systems. The security protection system includes new-generation firewall/intrusion detection/intrusion prevention systems as well as security information and event management system (SIEM) to shore up our information security and protection capabilities.

While we continue to strengthen our information security and protection capabilities, third-party cyber attack may hack into our internal network system to disrupt our operational activities. When under reckless cyber attack, our internal systems may lose important data and our production lines may cease to work. Through annual system audits, backup and restore, offsite redundancy and emergency response drills, training and getting familiar with all operating systems, and examination of cyber security rules and procedures, we ensure each information security mechanism is proper and effective. However, our systems may still face new risks and attacks amid the constantly evolving cyber threat landscape.

Moreover, outside hackers may attempt to blackmail the Company using ransomware to disrupt our internal operations. They may also try to steal Company's trade secrets, intellectual properties and sensitive information, such as the proprietary information of clients or other stakeholders or the personal information of employees that lead to data leakage. Because of these attacks, the Company may need to compensate customers for their losses or implement costly remedies or improvement actions to shore up the internal network and information security systems. The Company may also be exposed to significant legal liabilities arising from or related to legal proceedings or regulatory investigations associated with leakage of customer or third party information.

In addition, the Company needs to share Company information with certain third-party service providers to enable them to provide relevant services. While we require all third-party service providers to comply with the confidentiality requirements in the service agreements with them, there is no assurance that every service provider will fulfill or observe such obligations. The systems, equipment and/or offsite cloud computing networks maintained by the service providers and/or their contractors are also exposed to the risk of cyber attacks. When those systems, equipment or services are under attack, if the Company or the service providers are not able to timely resolve the problems caused by such cyber attack, or ensure the accuracy and availability of the Company data, the Company's commitments to its customers and other stakeholders may be materially impaired and the Company's operations, financial condition and reputation may also be materially and adversely affected as a result.

4. The impact of major information security incidents and response measures

In 2018 and up to the date of report, the Company did not discover any information security incident that has caused or may produce materially adverse effect on Company business and operations.

VII. Other important events:

Industry-specific key performance indicator

Performance indicator	**2018**
Output of 12-inch wafer	596,129 pcs
Average in-line yield	99.52 %

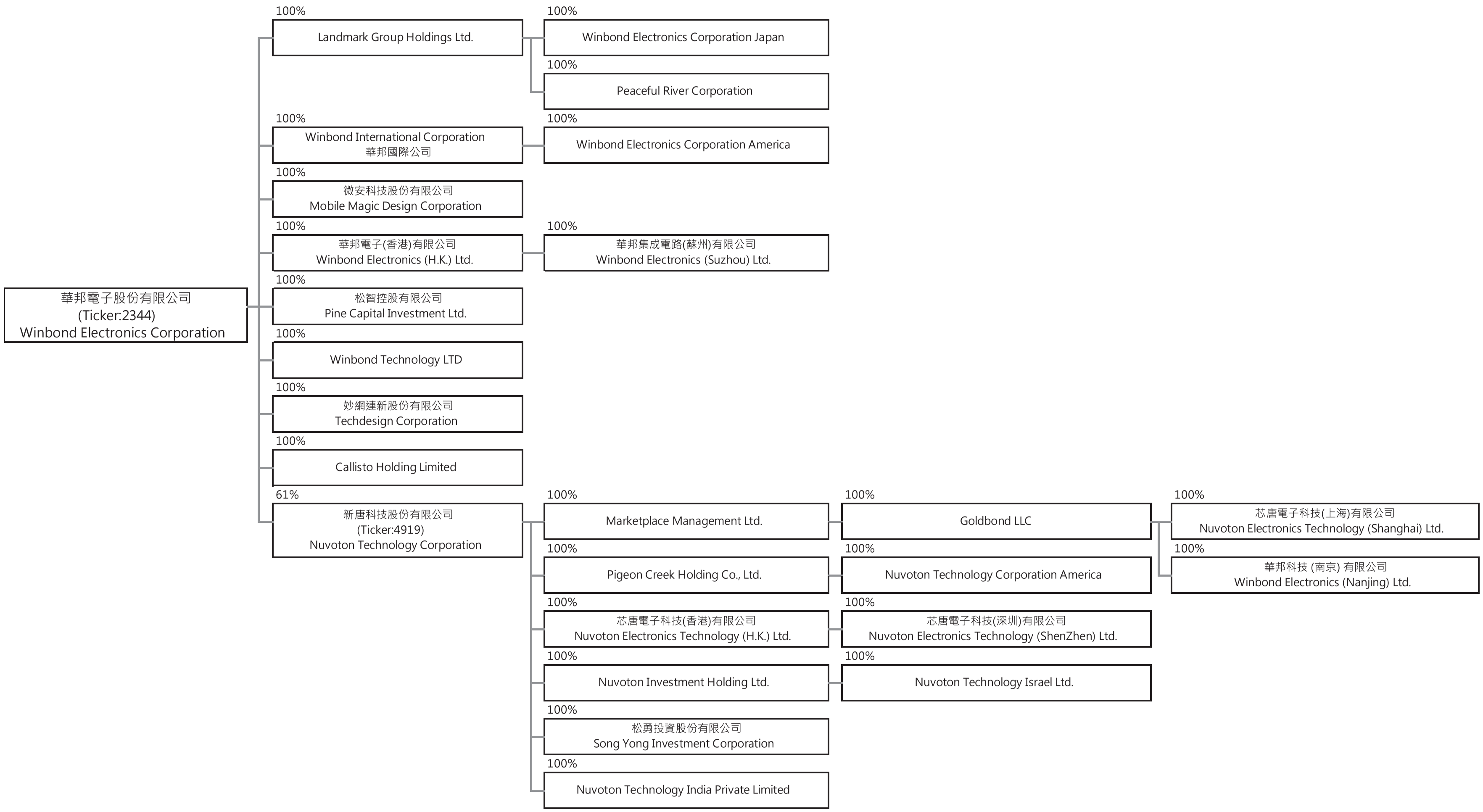
Important Notice

I. Profiles on affiliates and subsidiaries

A. Consolidated Business Report

1. Corporate Affiliation Chart

December 31, 2018



2. Profile of individual Affiliates

December 31, 2018；Unit：NT$1,000

Name of the Enterprise	Date of Incorporation	Address	Paid-in capital	Main business and products
Winbond Electronics Corporation	1987.09.29	No. 8, Keya 1st Rd.,Daya Dist., Taichung City 428, Taiwan, R.O.C.	TWD 39,800,002	Research, development, production, and sale of semiconductor parts and components used in integrated circuits and other system products
Landmark Group Holdings Ltd.	2005.07.25	Palm Grove House, P.O.Box 438, Road Town, Tortola, British Virgin Islands	USD 5,893	Investment
Winbond Electronics Corporation Japan	2001.01.05	Shin-Yokohama Square Bldg. 9F 2-3-12 Shin-Yokohama, Kouhoku-ku, Yokohama, Kanagawa, Japan 222-0033	JPY 148,500	Research, development, and sales of semiconductor parts and components, and after-sale service
Peaceful River Corporation	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 6,260	Investment
Winbond International Corporation	1995.08.28	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 95,410	Investment
Winbond Electronics Corporation America	1998.07.01	32 Loockerman Square, suite L-100, Dover, Kent 19904, Delaware	USD 58,917	Design, sales and service of semiconductor parts and components
Mobile Magic Design Corporation	2003.07.25	2F, No.40, Industrial East 4th Road, Hsinchu Science and Industrial Park	TWD 50,000	Research, development, design, manufacturing, and sales of Pseudo SRAM and Ultra Low Power SDRAM
Winbond Electronics (H.K.) Ltd.	2008.06.13	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 71,150	Sales and service of semiconductor parts and components
Winbond Electronics (Suzhou) Ltd.	2011.06.21	Rm1206, 12th Floor, No.505, 光明 Rd., Huaqiao Town, Kunshan City, Jiangsu Province, China	USD 9,000	Research, design, development and sales of integrated circuits and equipment, and after-sale service
Pine Capital Investment Ltd.	2011.01.12	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 780	Investment
Winbond Technology LTD	2013.07.31	1 Abba Eban Ave, Building B, First Floor Herzliya: 4672519, Israel	ILS 1	Design and service of semiconductor components
Techdesign Corporation	2015.03.03	19F., No.17, Sec.1, Chengde Rd., Datong Dist., Taipei City 103, Taiwan (R.O.C.)	TWD 50,000	E-commerce and products sales
Callisto Holding Limited	2018.05.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 40,000	E-commerce and Investment
Nuvoton Technology Corp.	2008.04.09	No.4, Yan Hsin 3rd Rd., Hsinchu Science and Industrial Park	TWD 2,075,544	Research, design, development, manufacturing and sales of logic IC and 6”Fab production, testing and OEM
Marketplace Management Limited	2000.07.28	P.O.Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	USD 8,791	Investment
Goldbond LLC	2000.09.22	1912 Capitol Ave, Cheyenne, WY 82001	USD 44,727	Investment
Nuvoton Electronics Technology (Shanghai) Ltd.	2001.03.30	Rm2701, 27F, No.2299, Yen An W. Rd., Shanghai, China	RMB 16,555	Provides repair and maintenance, testing and technology consultation service for products sold in Mainland China and related software
Winbond Electronics (Nanjing) Ltd.	2005.09.21	Suite 413-40, Gao Xing Technology Industrial Development Zone Office Building, Nanjing, China	RMB 4,046	Provides computer Software services (excluding IC Design)
Pigeon Creek Holding Co., Ltd.	1997.03.12	Flemming House, Wickhams Cay, P.O. Box 662, Road Town, Tortola, British Virgin Islands	USD 13,898	Investment
Nuvoton Technology Corporation America	2008.05.01	251 Little Falls Drive, Wilmington, DE 19808, Delaware	USD 6,050	Design, sales and service of semiconductor parts and components
Nuvoton Electronics Technology (H.K.) Ltd.	1989.04.04	Unit 9-11, 22F, Millennium City 2, No 378 Kwun Tong Road, Kowloon, Hong Kong	HKD 107,400	Sales and service of semiconductor parts and components
Nuvoton Electronics Technology (Shenzhen) Ltd.	2007.02.16	Rm801, 8F Microprofit Building, Gaoxinnan 6TH Rd., High-Tech Industrial Park, Nanshan Dist., Shenzhen, China	RMB 46,434	Provides computer software services (excluding IC design), computer and peripheral equipment and software wholesale

Name of the Enterprise	Date of Incorporation	Address	Paid-in capital	Main business and products
Nuvoton Investment Holding Ltd.	2005.03.21	3rd Floor,Omar Hodge Building,Wickhams Cay I,P.O. Box 362, Road Town,Tortola,British Virgin Islands	USD 17,420	Investment
Nuvoton Technology Israel Ltd.	2005.03.22	8 Hasadnaot Street, Herzliya B, 4672835 Israel	ILS1	Design and service of semiconductor components
Song Yong Investment Corporation	2014.04.09	3F, No.192, Jingye 1st Rd., Zhongshan Dist., Taipei City 104, Taiwan	TWD 38,500	Investment
Nuvoton Technology India Private Limited	2014.09.26	Suite #2, Tech Park Business Centre, Ground Floor, Innovator Building, International Tech Park, Whitefield, Bangalore 560066.	INR 60,000	Design, sales and service of semiconductor parts and components

3. Profiles on shareholders deemed to have dominant-subordinate relations: None

4. Profiles of Directors, Supervisors and Presidents of Affiliates and Subsidiaries

December 31, 2018；Unit：Share

Name of Enterprise	Title	Name or Representative	Shares held	
			Shares	%
Winbond Electronics Corporation	Chairman	Arthur Yu-Cheng Chiao	63,472,995	2%
	Vice Chairman	Yuan-Mow Su	963,279	0%
	Director	Matthew Feng-Chiang Miau	108,938	0%
	Director	Yung Chin	11,778,797	0%
	Independent director	Francis Tsai	-	-
	Independent director	Allen Hsu	-	-
	Independent director	Jerry Hsu	-	-
	Independent director	San-Cheng Chang	-	-
	Director	Wei-Shin Ma	-	-
	Director	Chih-Chen Lin	-	-
	Director	Sophi Pan (Representative of Walsin Lihwa Corporation)	883,848,423 (Note 1)	22%
	President	Tung-Yi Chan	901,000	0%
Landmark Group Holdings Ltd.	Director Director Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Robert I.S. Hsu	5,893,000 (Note 1)	100%
Winbond Electronics Corporation Japan	Director Director Director Director Director Supervisor	Landmark Group Holdings Ltd. Representative – Tatsuo Okamoto Landmark Group Holdings Ltd. Representative - Tung-Yi Chan Landmark Group Holdings Ltd. Representative - Robert I.S. Hsu Landmark Group Holdings Ltd. representative: Hsiang-Yun Fan Landmark Group Holdings Ltd. Representative – Jessica Huang Landmark Group Holdings Ltd. Representative - Yung Chin	2,970 (Note 1)	100%
	President	Tatsuo Okamoto	-	-
Peaceful River Corporation	Director Director Director	Landmark Group Holdings Ltd. Representative - Arthur Yu-Cheng Chiao Landmark Group Holdings Ltd. Representative - Tung-Yi Chan Landmark Group Holdings Ltd. Representative - Yung Chin	6,260,000 (Note 1)	100%
Winbond International Corporation	Director Director Director	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Robert I.S. Hsu	95,410,000 (Note 1)	100%
Winbond Electronics Corporation America	Chairman Director Director Director Director Director Director	Winbond International Corporation Representative - Yuan-Mow Su Winbond International Corporation Representative - Arthur Yu-Cheng Chiao Winbond International Corporation Representative - Tung-Yi Chan Winbond International Corporation Representative - Yung Chin Winbond International Corporation Representative - Pei-Ming Chen Winbond International Corporation Representative - Jessica Huang Winbond International Corporation Representative - Eung Joon Park	3,067 (Note 1)	100%
	President	Eung Joon Park	-	-
Mobile Magic Design Corporation	Chairman Director Director Director Supervisor	Winbond Electronics Corp. Representative - Pei-Ming Chen Winbond Electronics Corp. Representative - Tung-Yi Chan Winbond Electronics Corp. Representative - Wilson Wen Winbond Electronics Corp. Representative: Shi-Yuan Wang Winbond Electronics Corp. Representative – Jessica Huang	5,000,000 (Note 1)	100%
	President	Shi-Yuan Wang	-	-

Name of Enterprise	Title	Name or Representative	Shares held	
			Shares	%
Winbond Electronics (H.K.) Ltd.	Chairman	Winbond Electronics Corp. Representative - Yung Chin	71,150,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Yuan-Mou Su		
	Director	Winbond Electronics Corp. Representative – Jessica Huang		
	Director	Winbond Electronics Corp. Representative - Hsiang Yun Fan		
	President	Jing-Fong Tsai	-	-
Winbond Electronics (Suzhou) Ltd.	Chairman	Pine Capital Investment Ltd. Representative - Tung-Yi Chan	(Note 2)	100%
	Director	Pine Capital Investment Ltd. Representative - Yuan-Mou Su		
	Director	Pine Capital Investment Ltd. Representative –Pei-Ming Chen		
	Director	Pine Capital Investment Ltd. Representative – Jessica Huang		
	Director	Pine Capital Investment Ltd. Representative –Eddie Hong		
	Supervisor	Pine Capital Investment Ltd. Representative - Yung Chin		
	President	Cheng-Kung Lin	-	-
Pine Capital Investment Ltd.	Chairman	Winbond Electronics Corp. Representative - Yung Chin	780,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Cheng-Kung Lin		
	President	Jessica Huang	-	-
Winbond Technology LTD	Chairman	Winbond Electronics Corp. Representative - Tung-Yi Chan	100,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Jessica Huang		
	Director	Winbond Electronics Corp. Representative - Ilia Stolov		
	President	Ilia Stolov	-	-
Techdesign Corporation	Chairman	Winbond Electronics Corp. Representative - Fu-Yuan Lee	5,000,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Tung-Yi Chan		
	Director	Winbond Electronics Corp. Representative - Sean Tai		
	Director	Winbond Electronics Corp. Representative - Jen-Lieh Lin		
	Director	Winbond Electronics Corp. Representative - Hsiang Yun Fan		
	Supervisor	Winbond Electronics Corp. Representative - Cheng-Kung Lin		
	President	Zi-Kai Chiao	-	-
Callisto Holding Limited	Chairman	Winbond Electronics Corp. Representative - Cheng-Kung Lin	40,000,000 (Note 1)	100%
	Director	Winbond Electronics Corp. Representative - Hsiang Yun Fan		
	Director	Winbond Electronics Corp. Representative – You-yi Zhu		
	Director	Winbond Electronics Corp. Representative - Ruo-Wei Fu		
	Director	Winbond Electronics Corp. Representative - Zi-Kai Chiao		
	President	Zi-Kai Chiao	-	-
Nuvoton Technology Corp	Chairman	Winbond Electronics Corp. Representative - Arthur Yu-Cheng Chiao	126,620,087 (Note 1)	61%
	Director	Robert Hsu	152,328	0%
	Director	Yung Chin	-	-
	Director	Ken-Shew Lu	-	-
	Director	Chi-Lin Wea	-	-
	Independent director	Yu-Chun Hong	-	-
	Independent director	Allen Hsu	-	-
	Independent director	David Shu-Chyuan Tu	-	-
	Independent director	Jerry Hsu	-	-
	President	Sean Tai	40,000	0%
Marketplace Management Limited	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	8,790,789 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Robert I.S. Hsu		
	Director	Nuvoton Technology Corp. Representative - Tung-Yi Chan		
Goldbond LLC	Manager (Note 3)	Marketplace Management Limited Representative – Arthur Yu-Cheng Chiao	(Note 2)	100%
	Manager (Note 3)	Marketplace Management Limited Representative – Jessica C. Huang		
	Manager (Note 3)	Marketplace Management Limited Representative – Hsiang-Yun Fan		
Nuvoton Electronics Technology (Shanghai) Ltd.	Chairman	Goldbond LLC Representative - Sean Tai	(Note 2)	100%
	Director	Goldbond LLC Representative - Jen-Lieh Lin		
	Director	Goldbond LLC Representative - Hsiang-Yun Fan		
	Supervisor	Goldbond LLC Representative - Yung Chin		
	President	Ruo-Wei Fu	-	-
Winbond Technology (Nanjing) Ltd.	Chairman	Goldbond LLC Representative - Jen-Lieh Lin	(Note 2)	100%
	Director	Goldbond LLC Representative - Sean Tai		
	Director	Goldbond LLC Representative - James Wen		
	President	Bosco Chi-Sing Law	-	-
Pigeon Creek Holding Co., Ltd.	Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao	13,897,925 (Note 1)	100%
	Director	Nuvoton Technology Corp. Representative - Tung-Yi Chan		
	Director	Nuvoton Technology Corp. Representative - Robert I.S. Hsu		
Nuvoton Technology Corporation America	Chairman	Pigeon Creek Holding Co., Ltd. Representative – Wei-Chan Hsu	60,500 (Note 1)	100%
	Director	Pigeon Creek Holding Co., Ltd. Representative – His-Jung Tsai		
	Director	Pigeon Creek Holding Co., Ltd. Representative - Sean Tai		
	Director	Pigeon Creek Holding Co., Ltd. Representative - Jen-Lieh Lin		
	Director	Pigeon Creek Holding Co., Ltd. Representative - Hsiang-Yun Fan		

Name of Enterprise	Title	Name or Representative	Shares held	
			Shares	%
Nuvoton Technology Corporation America	President	Aditya Raina	-	-
Nuvoton Electronics Technology (H.K.) Ltd.	Chairman Director Director Director	Nuvoton Technology Corp. Representative - Sean Tai Nuvoton Technology Corp. Representative - Yung Chin Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Representative - Patrick Wang	107,400,000 (Note 1)	100%
	President	Patrick Wang	-	-
Nuvoton Electronics Technology (Shenzhen) Ltd.	Chairman Director Director Supervisor	Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Sean Tai Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Robert I.S. Hsu Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Hsiang-Yun Fan Nuvoton Electronics Tech. (H.K.) Ltd. Representative - Jen-Lieh Lin	(Note 2)	100%
	President	Ruo-Wei Fu	-	-
Nuvoton Investment Holding Ltd.	Director Director Director	Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Representative - Robert I.S. Hsu Nuvoton Technology Corp. Representative - Jessica Huang	17,420,000 (Note 1)	100%
Nuvoton Technology Israel Ltd.	Chairman Director Director Director Director Director	Nuvoton Investment Holding Ltd. Representative - Hsin-Lung Yang Nuvoton Investment Holding Ltd. Representative - Robert I.S. Hsu Nuvoton Investment Holding Ltd. Representative - Sean Tai Nuvoton Investment Holding Ltd. Representative - Hsiang-Yun Fan Nuvoton Investment Holding Ltd. Representative - Biranit Levany Nuvoton Investment Holding Ltd. representative – Erez Naory	1,000 (Note 1)	100%
	President	Biranit Levany	-	-
Song Yong Investment Corporation	Chairman Director Director Supervisor	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Representative - Arthur Yu-Cheng Chiao Nuvoton Technology Corp. Representative - Sean Tai Nuvoton Technology Corp. Representative - Jen-Lieh Lin	3,850,000 (Note 1)	100%
Nuvoton Technology India Private Limited	Chairman Director Director	Nuvoton Technology Corp. Representative - Hsiang-Yun Fan Nuvoton Technology Corp. Representative - Jitendra Patil Nuvoton Technology Corp. Representative - Fu-Yuan Lee	600,000 (Note 1)	100%
	President	Jitendra Patil	-	-

Note 1: Shares held by Institutional shareholder.

Note 2: Winbond Electronics (Suzhou) Ltd., Goldbond LLC, Nuvoton Technology (Shanghai) Ltd, Winbond Technology (Nanjing) Ltd., and Nuvoton Technology (Shenzhen) Ltd. are not companies limited by shares.

Note 3: Goldbond LLC adopts the professional management system

5. Businesses covered by the affiliates' operations

Business activities covered by affiliates' operations are primarily the research, design, development, production, sale and service of integrated circuits, semiconductor parts and components and other system products. A few affiliates engage in investment business only. Overall, the affiliates support each other through technology, marketing and services to turn Winbond into a highly competitive company with its own product lines.

6. Business overview of affiliates

December 31, 2018; Unit: NT$1,000; Earning (loss) per share (NT$)

Name of enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Net Revenues	Operating profit (loss)	Net Income (loss)	Net earnings (loss) per share (NTD)
Winbond Electronics Corporation	39,800,002	92,173,829	29,729,458	62,444,371	40,733,527	6,943,927	7,446,496	1.87
Landmark Group Holdings Ltd.	181,003	382,647	330	382,317	54,193	53,819	53,819	9.13
Winbond Electronics Corporation Japan	41,313	717,607	339,723	377,884	5,535,915	82,073	53,853	18,132.25
Peaceful River Corporation	192,276	19,365	12,669	6,696	547	338	338	0.05
Winbond International Corporation	2,930,518	1,660,254	31,711	1,628,543	61,716	61,462	61,462	0.64
Winbond Electronics Corporation America	1,809,642	1,498,405	66,865	1,431,540	1,746,465	52,939	61,663	20,105.26
Mobile Magic Design Corporation	50,000	102,826	136,171	(33,345)	190,279	9,055	7,450	1.49
Winbond Electronics (H.K.) Ltd.	278,979	1,207,911	877,996	329,915	7,679,612	32,965	35,595	0.50
Winbond Electronics (Suzhou) Ltd.	276,435	342,113	71,461	270,652	1,418,838	21,196	17,926	(Note 1)
Pine Capital Investment Ltd.	3,058	283,464	277,150	6,314	13,203	(13,424)	(13,424)	(17.21)
Winbond Technology LTD	8	96,198	40,811	55,387	257,809	11,053	9,049	90.49
Techdesign Corporation	50,000	19,192	1,110	18,082	398	(5,666)	(3,123)	(0.62)

Name of enterprise	Capital	Total Assets	Total Liabilities	Net Worth	Net Revenues	Operating profit (loss)	Net Income (loss)	Net earnings (loss) per share (NTD)
Callisto Holding Limited	156,840	159,131	2,517	156,614	0	(374)	473	0.01
Nuvoton Technology Corp	2,075,544	6,072,034	2,337,668	3,734,366	9,798,594	705,358	710,633	3.42
Marketplace Management Limited	270,009	78,533	254	78,279	1,280	958	958	0.11
Goldbond LLC	1,373,785	80,616	2,115	78,501	1,658	1,280	1,280	(Note 1)
Nuvoton Electronics Technology (Shanghai) Ltd.	74,033	89,663	9,321	80,342	65,256	652	1,656	(Note 1)
Winbond Technology (Nanjing) Ltd.	18,092	1,355	3,130	(1,775)	0	0	0	(Note 1)
Pigeon Creek Holding Co., Ltd.	426,875	191,970	13,326	178,644	6,409	5,807	5,807	0.42
Nuvoton Technology Corporation America	185,826	244,062	52,092	191,970	428,640	13,585	6,408	105.91
Nuvoton Electronics Technology (H.K.) Ltd.	421,115	726,286	270,754	455,532	3,989,562	9,379	17,041	0.16
Nuvoton Electronics Technology (Shenzhen) Ltd.	207,653	229,560	17,796	211,764	129,848	969	8,187	(Note 1)
Nuvoton Investment Holding Ltd.	535,055	233,632	15,871	217,761	7,169	(11,752)	(11,752)	(0.67)
Nuvoton Technology Israel Ltd.	8	290,829	57,947	232,882	657,374	28,226	(2,955)	(2,955.00)
Song Yong Investment Corporation	38,500	60,730	130	60,600	6,001	5,787	5,750	1.49
Nuvoton Technology India Private Limited	26,322	21,879	98	21,781	2,090	(1,830)	(800)	(1.33)

Note 1: Winbond Electronics (Suzhou) Ltd., Goldbond LLC, Nuvoton Technology (Shanghai) Ltd., Winbond Technology (Nanjing) Ltd. and Nuvoton Technology (Shenzhen) Ltd. are not companies limited by shares and thus are not applicable.

Note 2: Exchange rates used for assets and liabilities items: 1 USD= 30.715 NTD; 1JPY= 0.2782 NTD; 1RMB= 4.4720 NTD; 1 ILS= 8.1494 NTD

Note 3: Exchange rates used for profit and loss items: 1 USD= 30.15 NTD; 1JPY= 0.2742 NTD; 1RMB= 4.5568 NTD; 1 ILS= 8.3914 NTD

B. Consolidated financial statements for Affiliates: Please see p. 71~ 144

C. Affiliation report: Not applicable (the Company is not a subsidiary of another company.)

II. Private placement activities in 2018 and as of the Date of this Annual Report: None

III. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None

IV. Other necessary supplemental information: None

V. Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities and Exchange Act in the past year and up to the date of report: None

winbond
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Winbond Electronics (Suzhou) Limited

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Winbond Electronics Corporation Japan

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