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.

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 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 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)

	Share Capital	Capital Surplus	Retained Earnings: Legal Reserve	Retained Earnings: Special Reserve	Retained Earnings: Unappropriated Earnings	Other Equity: Exchange Differences on Translation of Foreign Financial Statements	Other Equity: Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Other Equity: 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.

   <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 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

2018

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.

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 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)
December 31, 2018			
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
December 31, 2017			
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.

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)	<u>Share</u>							
	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	
	<u>Share</u>							
	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	<u>Share</u>							
	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	
	<u>Funds</u>							
	JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 2,325	9	USD 2,325	
PRC	<u>Funds</u>							
	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)

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

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.

TABLE 6

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.