

**Winbond Electronics Corporation and
Subsidiaries**

**Consolidated Financial Statements for the
Three Months Ended March 31, 2019 and 2018 and
Independent Auditors' Review Report**

INDEPENDENT AUDITORS' REVIEW REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Introduction

We have reviewed the accompanying consolidated financial statements of Winbond Electronics Corporation and its subsidiaries (the Group) as of March 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the three-month periods then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2019 and 2018, its consolidated financial performance and its consolidated cash flows for the three months then ended March 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

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



Deloitte & Touche
Taipei, Taiwan
Republic of China

May 3, 2019

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (In Thousands of New Taiwan Dollars)

ASSETS	March 31, 2019 (Reviewed)		December 31, 2018 (Audited)		March 31, 2018 (Reviewed)	
	Amount	%	Amount	%	Amount	%
CURRENT ASSETS						
Cash and cash equivalents (Notes 4 and 6)	\$ 10,890,356	11	\$ 12,559,631	13	\$ 11,253,767	13
Current financial assets at fair value through profit or loss (Notes 4 and 7)	-	-	8,290	-	29,837	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	7,036,434	7	6,249,212	7	6,402,280	7
Accounts receivable, net (Notes 4 and 9)	6,036,755	6	6,469,413	7	6,134,816	7
Accounts receivable due from related parties, net (Note 26)	38,878	-	44,297	-	32,801	-
Other receivables (Note 6)	447,051	1	406,879	-	633,781	1
Inventories (Notes 4 and 10)	11,313,062	11	10,908,106	11	8,747,928	10
Other current assets	894,336	1	882,418	1	961,674	1
Total current assets	<u>36,656,872</u>	<u>37</u>	<u>37,528,246</u>	<u>39</u>	<u>34,196,884</u>	<u>39</u>
NON-CURRENT ASSETS						
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	916,514	1	861,853	1	901,767	1
Investments accounted for using equity method (Notes 4 and 11)	3,824,477	4	3,585,328	4	4,195,903	5
Property, plant and equipment (Notes 4 and 12)	53,626,917	54	52,484,183	55	47,532,748	54
Right-of-use assets (Notes 4 and 13)	2,388,819	3	-	-	-	-
Investment properties (Notes 4 and 14)	50,568	-	50,527	-	56,057	-
Intangible assets (Notes 4 and 15)	256,608	-	229,195	-	265,212	-
Deferred income tax assets	818,658	1	953,726	1	1,022,674	1
Other non-current assets (Note 6)	318,500	-	349,406	-	299,473	-
Total non-current assets	<u>62,201,061</u>	<u>63</u>	<u>58,514,218</u>	<u>61</u>	<u>54,273,834</u>	<u>61</u>
TOTAL	<u>\$ 98,857,933</u>	<u>100</u>	<u>\$ 96,042,464</u>	<u>100</u>	<u>\$ 88,470,718</u>	<u>100</u>
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Current financial liabilities at fair value through profit or loss (Notes 4 and 7)	\$ 10,819	-	\$ -	-	\$ -	-
Notes and accounts payable	3,926,205	4	4,317,866	4	4,460,425	5
Accounts payable to related parties (Note 26)	803,954	1	629,681	1	575,539	1
Payables on machinery and equipment	2,620,436	3	2,860,869	3	2,882,560	3
Other payables	3,423,702	3	3,776,574	4	3,271,956	4
Current tax liabilities	187,639	-	178,690	-	249,684	-
Lease liabilities - current (Notes 4 and 13)	182,231	-	-	-	-	-
Long-term borrowings - current portion (Note 16)	4,563,520	5	4,563,520	5	3,323,520	4
Other current liabilities	129,844	-	142,544	-	175,185	-
Total current liabilities	<u>15,848,350</u>	<u>16</u>	<u>16,469,744</u>	<u>17</u>	<u>14,938,869</u>	<u>17</u>
NON-CURRENT LIABILITIES						
Bonds payable (Notes 4 and 17)	9,922,754	10	9,919,779	10	-	-
Long-term borrowings (Note 16)	4,047,778	4	4,179,273	4	8,732,278	10
Lease liabilities - non-current (Notes 4 and 13)	2,174,526	2	-	-	-	-
Net defined benefit liabilities - non-current	1,157,684	1	1,167,325	1	1,074,240	1
Other non-current liabilities	421,506	1	415,246	1	423,046	-
Total non-current liabilities	<u>17,724,248</u>	<u>18</u>	<u>15,681,623</u>	<u>16</u>	<u>10,229,564</u>	<u>11</u>
Total liabilities	<u>33,572,598</u>	<u>34</u>	<u>32,151,367</u>	<u>33</u>	<u>25,168,433</u>	<u>28</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Note 19)						
Share capital	39,800,002	40	39,800,002	41	39,800,002	45
Capital surplus	7,540,472	8	7,540,440	8	7,540,440	9
Retained earnings						
Legal reserve	1,053,441	1	1,053,441	1	498,385	-
Special reserve	-	-	-	-	31,429	-
Unappropriated earnings	10,983,851	11	10,567,845	11	9,397,099	11
Exchange differences on translation of foreign financial statements	(24,826)	-	(50,780)	-	(145,015)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	4,439,258	5	3,533,423	4	4,710,514	5
Total equity attributable to owners of the parent	63,792,198	65	62,444,371	65	61,832,854	70
NON-CONTROLLING INTERESTS						
	<u>1,493,137</u>	<u>1</u>	<u>1,446,726</u>	<u>2</u>	<u>1,469,431</u>	<u>2</u>
Total equity	<u>65,285,335</u>	<u>66</u>	<u>63,891,097</u>	<u>67</u>	<u>63,302,285</u>	<u>72</u>
TOTAL	<u>\$ 98,857,933</u>	<u>100</u>	<u>\$ 96,042,464</u>	<u>100</u>	<u>\$ 88,470,718</u>	<u>100</u>

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

(With Deloitte & Touche review report dated May 3, 2019)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE	\$ 10,886,768	100	\$ 12,156,183	100
OPERATING COSTS (Note 10)	<u>7,438,319</u>	<u>68</u>	<u>7,577,204</u>	<u>62</u>
GROSS PROFIT	<u>3,448,449</u>	<u>32</u>	<u>4,578,979</u>	<u>38</u>
OPERATING EXPENSES				
Selling expenses	352,333	3	332,218	3
General and administrative expenses	466,552	5	409,444	3
Research and development expenses	1,986,477	18	1,818,830	15
Reversal of expected credit loss (Note 9)	<u>(8,950)</u>	<u>-</u>	<u>(9,310)</u>	<u>-</u>
Total operating expenses	<u>2,796,412</u>	<u>26</u>	<u>2,551,182</u>	<u>21</u>
INCOME FROM OPERATIONS	<u>652,037</u>	<u>6</u>	<u>2,027,797</u>	<u>17</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income	25,292	-	16,744	-
Dividend income	-	-	833	-
Other income	8,430	-	8,408	-
Foreign exchange gains (losses)	24,280	-	(91,067)	(1)
(Losses) gains on financial instruments at fair value through profit or loss	(40,255)	-	74,896	-
Interest expense	(42,754)	(1)	(40,302)	-
Other expenses	(29,517)	-	(19,058)	-
Losses on disposal of property, plant and equipment	(987)	-	(125)	-
Share of loss of associates accounted for using equity method	<u>(2,216)</u>	<u>-</u>	<u>(6,662)</u>	<u>-</u>
Total non-operating income and expenses	<u>(57,727)</u>	<u>(1)</u>	<u>(56,333)</u>	<u>(1)</u>
PROFIT BEFORE INCOME TAX	594,310	5	1,971,464	16
INCOME TAX EXPENSE (Notes 4 and 22)	<u>166,086</u>	<u>1</u>	<u>359,294</u>	<u>3</u>
NET PROFIT	<u>428,224</u>	<u>4</u>	<u>1,612,170</u>	<u>13</u>

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (In Thousands of New Taiwan Dollars, Except Earnings Per Share) (Reviewed, Not Audited)

	Three Months Ended March 31			
	2019		2018	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive loss that will not be reclassified to profit or loss:				
Gains on remeasurement of defined benefit plans	\$ -	-	\$ 221	-
Unrealized gains (losses) on investments in equity instruments measured at fair value through other comprehensive income	693,216	7	(53,913)	-
Share of other comprehensive income (loss) of associates accounted for using the equity method	241,365	2	(336,800)	(3)
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	<u>33,177</u>	<u>-</u>	<u>(29,736)</u>	<u>-</u>
Other comprehensive income (loss)	<u>967,758</u>	<u>9</u>	<u>(420,228)</u>	<u>(3)</u>
TOTAL COMPREHENSIVE INCOME	<u>\$ 1,395,982</u>	<u>13</u>	<u>\$ 1,191,942</u>	<u>10</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 415,229	4	\$ 1,572,267	13
Non-controlling interests	<u>12,995</u>	<u>-</u>	<u>39,903</u>	<u>-</u>
	<u>\$ 428,224</u>	<u>4</u>	<u>\$ 1,612,170</u>	<u>13</u>
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:				
Owners of the parent	\$ 1,349,591	12	\$ 1,193,212	10
Non-controlling interests	<u>46,391</u>	<u>1</u>	<u>(1,270)</u>	<u>-</u>
	<u>\$ 1,395,982</u>	<u>13</u>	<u>\$ 1,191,942</u>	<u>10</u>
EARNINGS PER SHARE (Note 23)				
Basic	<u>\$ 0.10</u>		<u>\$ 0.40</u>	
Diluted	<u>\$ 0.10</u>		<u>\$ 0.39</u>	

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

(With Deloitte & Touche review report dated May 3, 2019)

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	Equity Attributable to Owners of the Parent						Other Equity		Total	Non-controlling Interests	Total Equity
	Share Capital	Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets			
			Legal Reserve	Special Reserve	Unappropriated Earnings						
BALANCE, JANUARY 1, 2018	\$ 39,800,002	\$ 7,540,440	\$ 498,385	\$ 31,429	\$ 7,355,893	\$ (120,988)	\$ -	\$ 5,107,003	\$ 60,212,164	\$ 1,414,827	\$ 61,626,991
Adjustment on initial application of IFRS 9	-	-	-	-	471,170	-	5,065,763	(5,107,003)	429,930	55,874	485,804
BALANCE, JANUARY 1, 2018 AFTER ADJUSTMENTS	<u>39,800,002</u>	<u>7,540,440</u>	<u>498,385</u>	<u>31,429</u>	<u>7,827,063</u>	<u>(120,988)</u>	<u>5,065,763</u>	-	<u>60,642,094</u>	<u>1,470,701</u>	<u>62,112,795</u>
Net profit for the three months ended March 31, 2018	-	-	-	-	1,572,267	-	-	-	1,572,267	39,903	1,612,170
Other comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	221	(24,027)	(355,249)	-	(379,055)	(41,173)	(420,228)
Total comprehensive income (loss) for the three months ended March 31, 2018	-	-	-	-	<u>1,572,488</u>	<u>(24,027)</u>	<u>(355,249)</u>	-	<u>1,193,212</u>	<u>(1,270)</u>	<u>1,191,942</u>
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(2,452)	-	-	-	(2,452)	-	(2,452)
BALANCE, MARCH 31, 2018	<u>\$ 39,800,002</u>	<u>\$ 7,540,440</u>	<u>\$ 498,385</u>	<u>\$ 31,429</u>	<u>\$ 9,397,099</u>	<u>\$ (145,015)</u>	<u>\$ 4,710,514</u>	<u>\$ -</u>	<u>\$ 61,832,854</u>	<u>\$ 1,469,431</u>	<u>\$ 63,302,285</u>
BALANCE, JANUARY 1, 2019	\$ 39,800,002	\$ 7,540,440	\$ 1,053,441	\$ -	\$ 10,567,845	\$ (50,780)	\$ 3,533,423	\$ -	\$ 62,444,371	\$ 1,446,726	\$ 63,891,097
Net profit for the three months ended March 31, 2019	-	-	-	-	415,229	-	-	-	415,229	12,995	428,224
Other comprehensive income for the three months ended March 31, 2019	-	-	-	-	-	25,954	908,408	-	934,362	33,396	967,758
Total comprehensive income for the three months ended March 31, 2019	-	-	-	-	<u>415,229</u>	<u>25,954</u>	<u>908,408</u>	-	<u>1,349,591</u>	<u>46,391</u>	<u>1,395,982</u>
Other changes in capital surplus	-	32	-	-	-	-	-	-	32	20	52
Disposals of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	777	-	(2,573)	-	(1,796)	-	(1,796)
BALANCE, MARCH 31, 2019	<u>\$ 39,800,002</u>	<u>\$ 7,540,472</u>	<u>\$ 1,053,441</u>	<u>\$ -</u>	<u>\$ 10,983,851</u>	<u>\$ (24,826)</u>	<u>\$ 4,439,258</u>	<u>\$ -</u>	<u>\$ 63,792,198</u>	<u>\$ 1,493,137</u>	<u>\$ 65,285,335</u>

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

(With Deloitte & Touche review report dated May 3, 2019)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	\$ 594,310	\$ 1,971,464
Adjustments for:		
Depreciation expense	2,058,519	1,730,992
Amortization expense	26,322	24,752
Expected credit loss reversed on accounts receivable	(8,950)	(9,310)
Provision for (reversal of) declines in market value, obsolescence and scraps of inventories	203,676	(109,856)
Net loss on financial assets and liabilities at fair value through profit or loss	19,109	2,908
Interest expense	42,754	40,302
Interest income	(25,292)	(16,744)
Dividend income	-	(833)
Share of loss of associates accounted for using equity method	2,216	6,662
Loss on disposal of property, plant and equipment	987	125
Property, plant and equipment transferred to expenses	-	3,980
Changes in operating assets and liabilities		
Decrease in accounts receivable	441,405	527,760
Decrease in accounts receivable due from related parties	5,419	745
(Increase) decrease in other receivables	(37,764)	21,995
Increase in inventories	(608,632)	(498,090)
(Increase) decrease in other current assets	(16,332)	34,729
Increase in other non-current assets	(4,223)	(9,289)
(Decrease) increase in notes and accounts payable	(391,661)	39,480
Increase in accounts payable to related parties	174,273	78,752
(Decrease) increase in other payables	(372,836)	10,208
Decrease in other current liabilities	(12,700)	(18,842)
Decrease in other non-current liabilities	(3,381)	(12,113)
Cash generated from operations	2,087,219	3,819,777
Interest received	24,689	14,105
Dividends received	-	833
Interest paid	(47,957)	(56,986)
Income taxes (paid) returned	(23,188)	22,700
Net cash generated from operating activities	<u>2,040,763</u>	<u>3,800,429</u>

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WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands of New Taiwan Dollars)

(Reviewed, Not Audited)

	<u>Three Months Ended March 31</u>	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of financial assets at fair value through other comprehensive income	\$ (176,446)	\$ (6,064)
Proceeds from disposal of financial assets at fair value through other comprehensive income	26,538	141,199
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	-	10,294
Acquisitions of property, plant and equipment	(3,346,494)	(6,281,268)
Proceeds from disposal of property, plant and equipment	313	824
Acquisition of intangible assets	<u>(54,483)</u>	<u>(15,018)</u>
Net cash used in investing activities	<u>(3,550,572)</u>	<u>(6,150,033)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	-	(553,539)
Change in non-controlling interests	20	-
Repayments of lease liabilities	(50,642)	-
Other financing activities	<u>(134,968)</u>	<u>-</u>
Net cash used in financing activities	<u>(185,590)</u>	<u>(553,539)</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>26,124</u>	<u>(15,531)</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(1,669,275)	(2,918,674)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>12,559,631</u>	<u>14,172,441</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 10,890,356</u>	<u>\$ 11,253,767</u>

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

(With Deloitte & Touche review report dated May 3, 2019)

(Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise) (Reviewed, Not Audited)

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 March 31, 2019 and 2018.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors on April 26, 2019.

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

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

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

- 1) IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized

as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within financing activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as finance leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.34%-3.69%. The difference between the lease liabilities recognized and operating lease commitments disclosed on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	\$ 3,020,797
Less: Recognition exemption for short-term leases	(16,790)
Less: Recognition exemption for leases of low-value assets	<u>(5,853)</u>
Undiscounted amounts on January 1, 2019	<u>\$ 2,998,154</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 2,387,252</u>

The Group as lessor

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

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

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
Prepayments for leases - current	\$ 3,463	\$ (3,463)	\$ -
Prepayments for leases - non-current	35,129	(35,129)	-
Right-of-use assets	<u>-</u>	<u>2,425,844</u>	<u>2,425,844</u>
Total effect on assets	<u>\$ 38,592</u>	<u>\$ 2,387,252</u>	<u>\$ 2,425,844</u>
Lease liabilities - current	\$ -	\$ 177,083	\$ 177,083
Lease liabilities - non-current	<u>-</u>	<u>2,210,169</u>	<u>2,210,169</u>
Total effect on liabilities	<u>\$ -</u>	<u>\$ 2,387,252</u>	<u>\$ 2,387,252</u>

2) IFRIC 23 “Uncertainty over Income Tax Treatments”

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

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

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

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in the interim consolidated financial statements do not present all the disclosures required for a complete set of annual financial statements.

Basis of Preparation

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

Basis of consolidation

a. Principles for preparing consolidated financial statements

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

Attribution of total comprehensive income to non-controlling interests

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

Changes in the Group's ownership interests in existing subsidiaries

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

b. Subsidiaries included in consolidated financial statements

Investor	Investee	Main Business	% of Ownership		
			March 31, 2019	December 31, 2018	March 31, 2018
The Company	Winbond Int'l Corporation ("WIC")	Investment holding	100	100	100
WIC	Winbond Electronics Corp. America ("WECA")	Design, sales and after-sales service of semiconductor	100	100	100
The Company	Landmark Group Holdings Ltd. ("Landmark")	Investment holding	100	100	100
Landmark	Winbond Electronics Corp. Japan ("WEJ")	Research, development, sales and after-sales service of semiconductor	100	100	100
Landmark	Peaceful River Corp. ("PRC")	Investment holding	100	100	100
The Company	Winbond Electronics (HK) Limited ("WEHK")	Sale of semiconductor and investment holding	100	100	100
WEHK	Winbond Electronics (Suzhou) Limited ("WECN") (Note 1)	Design, development and marketing of VLSI integrated ICs	100	100	-
The Company	Pine Capital Investment Limited ("PCI")	Investment holding	100	100	100
PCI	Winbond Electronics (Suzhou) Limited ("WECN") (Note 1)	Design, development and marketing of VLSI integrated ICs	-	-	100
The Company	Mobile Magic Design Corporation ("MMDC")	Design, development and marketing of Pseudo SRAM	100	100	100
The Company	Winbond Technology LTD ("WTL")	Design and service of semiconductor	100	100	100
The Company	Newfound Asian Corp. ("NAC") (Note 2)	Investment holding	-	-	100
NAC	Baystar Holdings Ltd. ("BHL") (Note 3)	Investment holding	-	-	100
The Company	Techdesign Corporation ("TDC")	Electronic commerce and product marketing	100	100	100
The Company	Callisto Holdings Limited ("Callisto") (Note 4)	Electronic commerce and investment holding	100	100	-
The Company	Nuvoton Technology Corporation ("NTC")	Research, development, design, manufacture and marketing of Logic IC, 6 inch wafer product, test, and OEM	61	61	61
NTC	Marketplace Management Ltd. ("MML")	Investment holding	100	100	100
MML	Goldbond LLC ("GLLC")	Investment holding	100	100	100
GLLC	Nuvoton Electronics Technology (Shanghai) Limited ("NTSH")	Provide project of sale in China and repair, test and consult of software	100	100	100
GLLC	Winbond Electronics (Nanjing) Ltd. ("WENJ")	Computer software service (except I.C. design)	100	100	100

(Continued)

Investor	Investee	Main Business	% of Ownership		
			March 31, 2019	December 31, 2018	March 31, 2018
NTC	Pigeon Creek Holding Co., Ltd. ("PCH") (Note 5)	Investment holding	-	100	100
PCH	Nuvoton Technology Corp. America ("NTCA")	Design, sales and after-sales service of semiconductor	-	100	100
NTC	Nuvoton Technology Corp. America ("NTCA")	Design, sales and after-sales service of semiconductor	100	-	-
NTC	Nuvoton Investment Holding Ltd. ("NIH")	Investment holding	100	100	100
NIH	Nuvoton Technology Israel Ltd. ("NTIL")	Design and service of semiconductor	100	100	100
NTC	Nuvoton Electronics Technology (H.K.) Limited ("NTHK")	Sales of semiconductor	100	100	100
NTHK	Nuvoton Electronics Technology (Shenzhen) Limited ("NTSZ")	Computer software service (except I.C. design), wholesale business for computer, supplement and software	100	100	100
NTC	Song Yong Investment Corporation ("SYI")	Investment holding	100	100	100
NTC	Nuvoton Technology India Private Limited ("NTIPL")	Design, sales and service of semiconductor	100	100	100

(Concluded)

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

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

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

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

Note 5: PCH completed the liquidation and legal procedures in January 2019.

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

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

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

Cash Equivalents

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

Financial Instruments

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

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

a. Measurement category

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

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 FVTOCI 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 25.

2) Financial assets at amortized cost

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

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

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

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

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

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

3) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI 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 FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

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

b. Impairment of financial assets

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

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

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

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

c. Derecognition of financial assets

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

d. Financial liabilities

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

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

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

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

g. Information about fair value of financial instruments

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

- 1) The fair values of financial assets and liabilities which have standard terms and conditions and traded in active market are determined by reference to quoted market price. If there is no quoted market price in active market, valuation techniques are applied.
- 2) The fair value of foreign-currency derivative financial instrument could be determined by reference to the price and discount rate of currency swap quoted by financial institutions. Foreign exchange forward contracts use individual maturity rate to calculate the fair value of each contract.

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

Inventories

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

Investments in Associates

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

Investment Properties

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

Intangible Assets

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

Impairment of Tangible and Intangible Assets (Except Goodwill)

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

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

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

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

Provisions

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

Revenue Recognition

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

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

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

Leasing

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

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

When the Group subleases a right-of-use asset, the sublease is classified by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. However, if the head lease is a short-term lease that the Group, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

Under finance leases, the lease payments comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives payable. The net investment in a lease is measured at (a) the present value of the sum of the lease payments receivable by a lessor and any unguaranteed residual value accrued to the lessor plus (b) initial direct costs and is presented as a finance lease receivable. Finance lease income is allocated to the relevant accounting periods so as to reflect a constant, periodic rate of return on the Group's net investment outstanding in respect of leases.

Under operating lease, lease payments (less any lease incentives payable) are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments, in-substance fixed payments, variable lease payments which depend on an index or a rate, residual value guarantees, the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating a lease if the lease term reflects such termination, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, a change in the amounts expected to be payable under a residual value guarantee, a change in the assessment of an option to purchase an underlying asset, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

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

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

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

Borrowing Costs

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistent with the accounting for the transaction itself which gives rise to the tax consequence, and is recognized in profit or loss. The effect of the change in tax rate relating to transactions recognized in profit or loss is included in estimating the average annual income tax rate, consequently spreading the effect throughout the interim period.

a. Current tax

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

b. Deferred tax

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

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

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. Valuation of inventory

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

b. Impairment of financial assets

The provision for impairment of accounts receivable is based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

6. CASH AND CASH EQUIVALENTS

	March 31, 2019	December 31, 2018	March 31, 2018
Cash and deposits in banks	\$ 9,987,356	\$ 11,306,329	\$ 9,866,867
Repurchase agreements collateralized by bonds	<u>903,000</u>	<u>1,253,302</u>	<u>1,386,900</u>
	<u>\$ 10,890,356</u>	<u>\$ 12,559,631</u>	<u>\$ 11,253,767</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Time deposits	<u>\$ 204,605</u>	<u>\$ 201,414</u>	<u>\$ 200,963</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Time deposits	<u>\$ 149,020</u>	<u>\$ 145,654</u>	<u>\$ 321,841</u>

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Financial assets at FVTPL - current</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	\$ -	\$ 8,094	\$ 11,090
Foreign exchange swap contracts	<u>-</u>	<u>196</u>	<u>18,747</u>
	<u>\$ -</u>	<u>\$ 8,290</u>	<u>\$ 29,837</u>
<u>Financial liabilities at FVTPL - current</u>			
Derivative financial assets (not under hedge accounting)			
Forward exchange contracts	<u>\$ 10,819</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Currencies	Maturity Date	Contract Amount (In Thousands)
<u>March 31, 2019</u>			
Sell forward exchange contracts	USD to NTD	2019.04.12-2019.05.31	USD149,000/NTD4,577,051
Buy forward exchange contracts	NTD to USD	2019.04.21	NTD153,525/USD5,000
<u>December 31, 2018</u>			
Sell forward exchange contracts	USD to NTD	2019.01.04-2019.03.08	USD127,000/NTD3,902,302
Buy forward exchange contracts	NTD to USD	2019.01.11-2019.01.25	NTD613,385/USD20,000
Foreign exchange swap contracts	USD to NTD	2019.02.15	USD5,150/NTD157,858
<u>March 31, 2018</u>			
Sell forward exchange contracts	USD to NTD	2018.04.13-2018.06.01	USD127,000/NTD3,699,965
Foreign exchange swap contracts	USD to NTD	2018.04.13-2018.05.25	USD45,648/NTD1,330,411
Foreign exchange swap contracts	EUR to NTD	2018.04.20-2018.06.29	EUR15,562/NTD560,918
Foreign exchange swap contracts	NTD to USD	2018.04.02	NTD96,111/USD3,290

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

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	March 31, 2019	December 31, 2018	March 31, 2018
Domestic listed and emerging stocks			
Walsin Lihwa Corporation	\$ 3,706,500	\$ 3,350,000	\$ 3,500,000
Walsin Technology Corporation	1,960,023	1,509,218	1,098,374
Hannstar Display Corporation	750,658	774,873	1,000,672
Walton Advanced Engineering Inc.	540,676	540,677	723,405
Nyquest Technology Co., Ltd.	129,149	120,209	248,518
Brightek Optoelectronic Co., Ltd.	381	341	495
Domestic unlisted stocks			
United Industrial Gases Co., Ltd.	448,800	396,000	369,600
Yu-Ji Venture Capital Co., Ltd.	20,370	22,733	25,011
Harbinger III Venture Capital Corp.	1,353	6,147	20,027
Others	17,430	17,510	17,880
Overseas listed stocks			
Everspin Technologies, Inc.	78,576	57,351	73,138
Telit Communications PLC	-	4,521	6,691
Micron Technology, Inc.	-	12,572	-
Overseas unlisted stocks			
LTIP Trust Fund	227,368	227,228	213,495
JVP VIII, L.P.	71,664	71,420	-
Others	-	265	6,741
	<u>\$ 7,952,948</u>	<u>\$ 7,111,065</u>	<u>\$ 7,304,047</u>
Current	\$ 7,036,434	\$ 6,249,212	\$ 6,402,280
Non-current	<u>916,514</u>	<u>861,853</u>	<u>901,767</u>
	<u>\$ 7,952,948</u>	<u>\$ 7,111,065</u>	<u>\$ 7,304,047</u>

These investments in equity instruments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

As of March 31, 2019, the Group disposed the shares for \$26,538 thousand at the fair value for the adjustment of the investment position. The unrealized gains on financial assets at fair value through other comprehensive income of \$2,421 thousand were transferred to retained earnings.

9. ACCOUNTS RECEIVABLE

	March 31, 2019	December 31, 2018	March 31, 2018
<u>Accounts receivable</u>			
At amortized cost			
Gross carrying amount	\$ 6,183,166	\$ 6,624,571	\$ 6,283,830
Less: Allowance for impairment loss	<u>(146,411)</u>	<u>(155,158)</u>	<u>(149,014)</u>
	<u>\$ 6,036,755</u>	<u>\$ 6,469,413</u>	<u>\$ 6,134,816</u>

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

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

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

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

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

March 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 days	Overdue 91-180 days	Over 181 days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 5,786,910	\$ 359,789	\$ 17,623	\$ -	\$ 18,844	\$ 6,183,166
Loss allowance (Lifetime ECL)	<u>(118,609)</u>	<u>(7,196)</u>	<u>(1,762)</u>	<u>-</u>	<u>(18,844)</u>	<u>(146,411)</u>
Amortized cost	<u>\$ 5,668,301</u>	<u>\$ 352,593</u>	<u>\$ 15,861</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,036,755</u>

December 31, 2018

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 181 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 6,073,766	\$ 513,593	\$ 18,336	\$ 32	\$ 18,844	\$ 6,624,571
Loss allowance (Lifetime ECL)	<u>(124,203)</u>	<u>(10,272)</u>	<u>(1,833)</u>	<u>(6)</u>	<u>(18,844)</u>	<u>(155,158)</u>
Amortized cost	<u>\$ 5,949,563</u>	<u>\$ 503,321</u>	<u>\$ 16,503</u>	<u>\$ 26</u>	<u>\$ -</u>	<u>\$ 6,469,413</u>

March 31, 2018

	Not Overdue	Overdue under 30 Days	Overdue 31-90 days	Overdue 91-180 days	Over 181 days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	\$ 5,929,166	\$ 313,784	\$ 10,505	\$ 11,531	\$ 18,844	\$ 6,283,830
Loss allowance (Lifetime ECL)	<u>(120,537)</u>	<u>(6,276)</u>	<u>(1,051)</u>	<u>(2,306)</u>	<u>(18,844)</u>	<u>(149,014)</u>
Amortized cost	<u>\$ 5,808,629</u>	<u>\$ 307,508</u>	<u>\$ 9,454</u>	<u>\$ 9,225</u>	<u>\$ -</u>	<u>\$ 6,134,816</u>

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

	<u>Three Months Ended March 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ 155,158	\$ 158,302
Less: Reversal of loss allowance	(8,950)	(9,310)
Effect of exchange rate changes	<u>203</u>	<u>22</u>
Balance at March 31	<u>\$ 146,411</u>	<u>\$ 149,014</u>

Compared to January 1, 2019 and 2018, the decrease in loss allowance of \$8,950 thousand and \$9,310 thousand at March 31, 2019 and 2018, respectively, resulted from the decrease in accounts receivable net of those settled of \$441,405 thousand and \$527,759 thousand, respectively.

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

10. INVENTORIES

	March 31, 2019	December 31, 2018	March 31, 2018
Finished goods	\$ 1,784,982	\$ 2,045,369	\$ 1,855,019
Work-in-process	8,735,555	8,049,457	6,206,406
Raw materials and supplies	791,562	777,692	651,172
Inventories in transit	<u>963</u>	<u>35,588</u>	<u>35,331</u>
	<u>\$ 11,313,062</u>	<u>\$ 10,908,106</u>	<u>\$ 8,747,928</u>

- a. Operating costs for the three months ended March 31, 2019 and 2018 included inventory write-downs for the decline in market value, obsolescence and scrap of inventories of \$203,676 thousand and reversals of inventory write-downs of \$109,856 thousand, respectively. Operating costs for the three months ended March 31, 2018 decreased by \$110,532 thousand due to the net realized value of inventory increased.
- b. Unallocated fixed manufacturing costs recognized as operating costs in the three months ended March 31, 2019 and 2018 amounted to \$200,205 thousand and \$108,427 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Investments in Associates

	March 31, 2019	December 31, 2018	March 31, 2018
Associates that are not individually material			
Chin Xin Investment Co., Ltd.	\$ 3,823,756	\$ 3,584,605	\$ 4,195,903
Hwa Bao Botanic Conservation Corp.	<u>721</u>	<u>723</u>	<u>-</u>
	<u>\$ 3,824,477</u>	<u>\$ 3,585,328</u>	<u>\$ 4,195,903</u>

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. 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 March 31, 2019, the Company had 182,841 thousand shares of Chin Xin Investment Co., Ltd. with a 38% ownership interest.

The investments accounted for using equity method and the shares of profit or loss and other comprehensive income of those investments for the three months ended March 31, 2019 and 2018 were based on the associates' financial statements reviewed by independent auditors.

12. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2019	December 31, 2018	March 31, 2018
Land	\$ 1,620,135	\$ 1,619,877	\$ 1,615,923
Buildings	9,988,624	10,105,591	10,164,459
Machinery and equipment	37,301,812	37,569,737	33,526,717
Other equipment	762,218	685,940	565,146
Construction in progress and prepayments for purchase of equipment	<u>3,954,128</u>	<u>2,503,038</u>	<u>1,660,503</u>
	<u>\$ 53,626,917</u>	<u>\$ 52,484,183</u>	<u>\$ 47,532,748</u>

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments for Purchase of Equipment	Total
<u>Cost</u>						
Balance at January 1, 2019	\$ 1,619,877	\$ 26,794,687	\$ 121,948,989	\$ 3,882,485	\$ 2,503,038	\$ 156,749,076
Additions	-	98,129	1,217,130	236,210	1,592,829	3,144,298
Disposals	-	-	(216,633)	(793)	-	(217,426)
Reclassified	-	101,296	158,433	(117,990)	(141,739)	-
Effect of exchange rate changes	<u>258</u>	<u>930</u>	<u>3,951</u>	<u>7,373</u>	<u>-</u>	<u>12,512</u>
Balance at March 31, 2019	<u>\$ 1,620,135</u>	<u>\$ 26,995,042</u>	<u>\$ 123,111,870</u>	<u>\$ 4,007,285</u>	<u>\$ 3,954,128</u>	<u>\$ 159,668,460</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2019	\$ -	\$ 16,689,096	\$ 84,379,252	\$ 3,196,545	\$ -	\$ 104,264,893
Depreciation expenses	-	316,682	1,643,457	44,480	-	2,004,619
Disposals	-	-	(215,394)	(732)	-	(216,126)
Effect of exchange rate changes	<u>-</u>	<u>640</u>	<u>2,743</u>	<u>4,774</u>	<u>-</u>	<u>8,157</u>
Balance at March 31, 2019	<u>\$ -</u>	<u>\$ 17,006,418</u>	<u>\$ 85,810,058</u>	<u>\$ 3,245,067</u>	<u>\$ -</u>	<u>\$ 106,061,543</u>
<u>Cost</u>						
Balance at January 1, 2018	\$ 1,617,532	\$ 25,773,108	\$ 108,091,801	\$ 4,208,296	\$ 1,403,829	\$ 141,094,566
Additions	-	123,279	5,000,473	18,384	302,503	5,444,639
Disposals	-	-	(124,767)	(323)	-	(125,090)
Reclassified	-	33,873	532,827	(524,482)	(41,218)	-
Transfer to expense	-	-	-	-	(3,980)	(3,980)
Effect of exchange rate changes	<u>(1,609)</u>	<u>(5,796)</u>	<u>(3,245)</u>	<u>(3,667)</u>	<u>(631)</u>	<u>(14,948)</u>
Balance at March 31, 2018	<u>\$ 1,615,923</u>	<u>\$ 25,924,464</u>	<u>\$ 113,497,089</u>	<u>\$ 3,697,208</u>	<u>\$ 1,660,503</u>	<u>\$ 146,395,187</u>
<u>Accumulated depreciation and impairment</u>						
Balance at January 1, 2018	\$ -	\$ 15,461,015	\$ 78,711,312	\$ 3,093,532	\$ -	\$ 97,265,859
Depreciation expenses	-	302,778	1,385,119	41,908	-	1,729,805
Disposals	-	-	(123,819)	(322)	-	(124,141)
Reclassified	-	23	-	(23)	-	-
Effect of exchange rate changes	<u>-</u>	<u>(3,811)</u>	<u>(2,240)</u>	<u>(3,033)</u>	<u>-</u>	<u>(9,084)</u>
Balance at March 31, 2018	<u>\$ -</u>	<u>\$ 15,760,005</u>	<u>\$ 79,970,372</u>	<u>\$ 3,132,062</u>	<u>\$ -</u>	<u>\$ 98,862,439</u>

- a. As of March 31, 2019, December 31, 2018 and March 31, 2018, the carrying amounts of \$20,137,592 thousand, \$21,008,324 thousand and \$20,483,172 thousand of land, buildings and manufacturing facilities were pledged to secure long-term borrowings and corporate bonds. The Group was not permitted to sell or pledge any of these pledged assets.

b. Information about capitalized interest

	Three Months Ended March 31	
	2019	2018
Capitalized interest amounts	\$ 38,237	\$15,312
Capitalized interest rates	1.79%	1.79%

13. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	March 31, 2019
<u>Carrying amounts</u>	
Land	\$ 2,022,344
Buildings	338,114
Other equipment	<u>28,361</u>
	<u>\$ 2,388,819</u>
	For the Three Months Ended March 31, 2019
Additions to right-of-use assets	<u>\$ 6,491</u>
Depreciation for right-of-use assets	
Land	\$ 26,975
Buildings	22,492
Other equipment	<u>3,257</u>
	<u>\$ 52,724</u>
Income from the subleasing of right-of-use assets (recorded as other income)	<u>\$ (482)</u>

b. Lease liabilities - 2019

	March 31, 2019
<u>Carrying amounts</u>	
Current	<u>\$ 182,231</u>
Non-current	<u>\$ 2,174,526</u>
Range of discount rate for lease liabilities is as follows:	
	March 31, 2019
Land	1.76%-2.47%
Buildings	1.34%-3.69%
Other equipment	1.34%-2.19%

For the three months ended March 31, 2019, the interest expense under lease liabilities amounted to \$13,889 thousand.

c. Material lease-in activities and terms

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

NTC leased a land from Taiwan Sugar Corporation. Under a twenty-year term from October 2014 to September 2034, which is allowed to extend after the expiration of lease. The chairman of NTC is a joint guarantor of such lease, refer to Note 26.

The Group leased some of the offices in the United States, China, Hong Kong, Japan, Israel, India, and part in Taiwan, and the lease terms will expire between 2019 and 2026 which can be extended after the expiration of the lease periods.

d. Subleases

Subleases of right-of-use assets - 2019

The Group subleases its right-of-use assets for buildings under operating leases with lease terms between 1 to 5 years.

The maturity analysis of lease payments receivable under operating subleases is as follows:

	March 31, 2019
Year 1	\$ 1,928
Year 2	1,928
Year 3	1,927
Year 4	1,927
Year 5	<u>1,446</u>
	<u>\$ 9,156</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

e. Other lease information

2019

	For the Three Months Ended March 31, 2019
Expenses relating to short-term leases	\$ <u>9,052</u>
Expenses relating to low-value asset leases	\$ <u>563</u>
Expenses relating to variable lease payments not included in the measurement of lease liabilities	\$ <u>2,928</u>
Total cash outflow for leases	<u>\$ (12,543)</u>

The Group has elected to apply the recognition exemption for short-term leases and low-value assets leases, thus, not to recognize right-of-use assets and lease liabilities for these leases.

Lease-out arrangements under operating leases for investment properties are set out in Note 14.

2018

Prepayments for lease obligations

	December 31, 2018	March 31, 2018
Current (recorded as “other current assets”)	\$ 3,463	\$ 3,091
Non-current (recorded as “other non-current assets”)	<u>35,129</u>	<u>36,915</u>
	<u>\$ 38,592</u>	<u>\$ 40,006</u>

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

Lease expense

	For the Three Months Ended March 31, 2018
Lease expenditure	<u>\$ 59,469</u>

14. INVESTMENT PROPERTIES

	March 31, 2019	December 31, 2018	March 31, 2018
Investment properties, net	<u>\$ 50,568</u>	<u>\$ 50,527</u>	<u>\$ 56,057</u>

The investment properties is in Shen-Zhen, China. As of March 31, 2019, December 31, 2018 and March 31, 2018, the fair value of such investment properties were both approximately \$200,000 thousand, which was referred by the neighborhood transactions. The Group’s management team evaluated the fair value of investment properties and determined that the fair value of the investment properties had not changed significantly, compared to the fair value of the investment properties during the three months ended March 31, 2019 and 2018.

	Investment Properties
<u>Cost</u>	
Balance at January 1, 2019	\$ 102,333
Effect of exchange rate changes	<u>2,471</u>
Balance at March 31, 2019	<u>\$ 104,804</u>

(Continued)

	Investment Properties
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2019	\$ 51,806
Depreciation expense	1,175
Effect of exchange rate changes	<u>1,255</u>
Balance at March 31, 2019	<u>\$ 54,236</u>
<u>Cost</u>	
Balance at January 1, 2018	\$ 104,460
Effect of exchange rate changes	<u>1,809</u>
Balance at March 31, 2018	<u>\$ 106,269</u>
<u>Accumulated depreciation and impairment</u>	
Balance at January 1, 2018	\$ 48,182
Depreciation expense	1,187
Effect of exchange rate changes	<u>843</u>
Balance at March 31, 2018	<u>\$ 50,212</u> (Concluded)

The investment properties were leased out for 3 years. The lease contracts contain market review clauses in the event that the lessees exercise their options to extend. The lessees do not have bargain purchase options to acquire the investment properties at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating leases of investment properties is as follows:

	March 31, 2019
Year 1	\$ 8,831
Year 2	<u>3,321</u>
	<u>\$ 12,152</u>

To reduce the residual asset risk related to the subleased asset at the end of the relevant sublease, the lease contract between the Group and the lessee includes the receipt of the deposits and the compensation for damage due to the lack of management and maintenance.

15. INTANGIBLE ASSETS

	March 31, 2019	December 31, 2018	March 31, 2018
Deferred technical assets, net	\$ 252,206	\$ 225,717	\$ 262,469
Other intangible assets, net	<u>4,402</u>	<u>3,478</u>	<u>2,743</u>
	<u>\$ 256,608</u>	<u>\$ 229,195</u>	<u>\$ 265,212</u>

	Deferred Technical Assets	Other Intangible Assets	Total
<u>Cost</u>			
Balance at January 1, 2019	\$ 18,901,179	\$ 25,240	\$ 18,926,419
Additions	48,711	1,169	49,880
Disposals	-	(237)	(237)
Effect of exchange rate changes	<u>5,360</u>	<u>95</u>	<u>5,455</u>
Balance at March 31, 2019	<u>\$ 18,955,250</u>	<u>\$ 26,267</u>	<u>\$ 18,981,517</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2019	\$ 18,675,462	\$ 21,762	\$ 18,697,224
Amortization expenses	22,553	264	22,817
Disposals	-	(237)	(237)
Effect of exchange rate changes	<u>5,029</u>	<u>76</u>	<u>5,105</u>
Balance at March 31, 2019	<u>\$ 18,703,044</u>	<u>\$ 21,865</u>	<u>\$ 18,724,909</u>
<u>Cost</u>			
Balance at January 1, 2018	\$ 18,877,126	\$ 23,329	\$ 18,900,455
Additions	-	137	137
Discounts	(758)	-	(758)
Effect of exchange rate changes	<u>(5,586)</u>	<u>782</u>	<u>(4,804)</u>
Balance at March 31, 2018	<u>\$ 18,870,782</u>	<u>\$ 24,248</u>	<u>\$ 18,895,030</u>
<u>Accumulated amortization and impairment</u>			
Balance at January 1, 2018	\$ 18,591,849	\$ 20,593	\$ 18,612,442
Amortization expenses	21,037	210	21,247
Effect of exchange rate changes	<u>(4,573)</u>	<u>702</u>	<u>(3,871)</u>
Balance at March 31, 2018	<u>\$ 18,608,313</u>	<u>\$ 21,505</u>	<u>\$ 18,629,818</u>

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

16. BORROWINGS

Long-term Borrowings

	Period	Interest Rate	March 31, 2019	December 31, 2018	March 31, 2018
<u>Secured borrowings</u>					
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.07.07-2019.11.27	1.87%-2.23%	\$ 2,600,000	\$ 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	370,560	494,080
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%	5,800,000	5,800,000	6,400,000
			<u>8,770,560</u>	<u>8,770,560</u>	<u>12,094,080</u>
Less: Current portion			(4,563,520)	(4,563,520)	(3,323,520)
Less: Syndication agreement management fee			(159,262)	(27,767)	(38,282)
			<u>\$ 4,047,778</u>	<u>\$ 4,179,273</u>	<u>\$ 8,732,278</u>

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 12 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 12. 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 12 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

	March 31, 2019	December 31, 2018	March 31, 2018
Domestic secured bonds	\$ 10,000,000	\$ 10,000,000	\$ -
Less: Discounts on bonds payable	<u>(77,246)</u>	<u>(80,221)</u>	<u>-</u>
	<u>\$ 9,922,754</u>	<u>\$ 9,919,779</u>	<u>\$ -</u>

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 12 for collateral of 12-inch Fab Manufacturing facilities on corporate bonds.

18. RETIREMENT BENEFIT PLANS

The employee benefit expense in respect of the Group's defined benefit retirement plans was calculated using the actuarially determined pension cost discount rate as of December 31, 2018 and 2017, and recognized \$22,659 thousand and \$23,612 thousand for the three months ended March 31, 2019 and 2018, respectively.

19. EQUITY

a. Share capital

	March 31, 2019	December 31, 2018	March 31, 2018
Number of shares authorized (in thousands)	<u>6,700,000</u>	<u>6,700,000</u>	<u>6,700,000</u>
Share authorized	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>	<u>\$ 67,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>3,980,000</u>	<u>3,980,000</u>	<u>3,980,000</u>
Share issued	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>	<u>\$ 39,800,002</u>

As of March 31, 2019, December 31, 2018 and March 31, 2018, 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

	March 31, 2019	December 31, 2018	March 31, 2018
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	\$ 5,026,873
Arising from treasury share transactions	2,342,036	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352	136,352
<u>May be used to offset a deficit only</u>			
Arising from changes in percentage of ownership interest in subsidiaries	6,074	6,042	6,042
Arising from share of changes in capital surplus of associates	<u>29,137</u>	<u>29,137</u>	<u>29,137</u>
	<u>\$ 7,540,472</u>	<u>\$ 7,540,440</u>	<u>\$ 7,540,440</u>

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 21 to the consolidated financial statements on employee benefits expenses.

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

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

The appropriations of earnings for 2018 and 2017 were proposed by the board of directors on March 25, 2019 and was approved in the shareholders' meeting on June 11, 2018, respectively, as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For Year 2018</u>	<u>For Year 2017</u>	<u>For Year 2018</u>	<u>For Year 2017</u>
Legal reserve appropriated	\$ 744,650	\$ 555,056		
Reversal of special reserve	-	(31,429)		
Cash dividends	<u>3,980,000</u>	<u>3,980,000</u>	\$ 1.0	\$ 1.0
	<u>\$ 4,724,650</u>	<u>\$ 4,503,627</u>		

The appropriations of earnings for 2018 are subject to the resolution of the shareholders in their meeting to be held on June 14, 2019.

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	<u>Three Months Ended March 31</u>	
	<u>2019</u>	<u>2018</u>
Balance at January 1	\$ (50,780)	\$ (120,988)
Exchange differences arising on translating the financial statements of foreign operations	<u>25,954</u>	<u>(24,027)</u>
Balance at March 31	<u>\$ (24,826)</u>	<u>\$ (145,015)</u>

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

2) Unrealized gain on financial assets at FVTOCI

	Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ 3,533,423	\$ 5,065,763
Unrealized gain (loss) on revaluation of financial assets at FVTOCI	667,043	(18,449)
Share of unrealized gain (loss) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	241,365	(336,800)
Disposals of investments in equity instruments designated at FVTOCI	<u>(2,573)</u>	<u>-</u>
Balance at March 31	<u>\$ 4,439,258</u>	<u>\$ 4,710,514</u>

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

e. Non-controlling interests

	Three Months Ended March 31	
	2019	2018
Balance at January 1	\$ 1,446,726	\$ 1,470,701
Share attributable to non-controlling interests		
Profit for the year	12,995	39,903
Exchange difference on translation of foreign financial statements	7,223	(5,709)
Unrealized gain (loss) on revaluation of financial assets at FVTOCI	26,173	(35,464)
Other capital surplus	<u>20</u>	<u>-</u>
Balance at March 31	<u>\$ 1,493,137</u>	<u>\$ 1,469,431</u>

20. REVENUE

Refer to Note 31 for the Group's revenue.

21. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	Three Months Ended March 31, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Loss	Total
Short-term employee benefits	\$ 679,241	\$ 1,325,865	\$ -	\$ 2,005,106
Post-employment benefits	\$ 32,788	\$ 83,123	\$ -	\$ 115,911
Depreciation	\$ 1,888,794	\$ 167,871	\$ 1,854	\$ 2,058,519
Amortization	\$ 8,370	\$ 14,447	\$ 3,505	\$ 26,322

	Three Months Ended March 31, 2018			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Loss	Total
Short-term employee benefits	\$ 839,965	\$ 1,336,010	\$ -	\$ 2,175,975
Post-employment benefits	\$ 32,359	\$ 72,378	\$ -	\$ 104,737
Depreciation	\$ 1,549,479	\$ 179,666	\$ 1,847	\$ 1,730,992
Amortization	\$ 8,323	\$ 12,924	\$ 3,505	\$ 24,752

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 three months ended March 31, 2019 and 2018, the employees' compensation and remuneration of directors were as follows:

	Three Months Ended March 31			
	2019		2018	
	Amounts	Accrual Rate	Amounts	Accrual Rate
Employees' compensation	\$ 11,551	2%	\$ 39,494	2%
Remuneration of directors	\$ 5,776	1%	\$ 19,747	1%

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

The compensation to employees and remuneration to the directors of 2018 and 2017 were approved by the Company's board of directors on March 25, 2019 and February 2, 2018, respectively, were as below:

	For the Year Ended December 31	
	2018	2017
Employees' compensation	\$ 163,650	\$ 67,881
Remuneration of directors	\$ 81,825	\$ 67,881

There was no difference between the actual amounts of employees' compensation and remuneration of directors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

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.

22. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

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

	Three Months Ended March 31	
	2019	2018
Income tax expense from continuing operations at the statutory rate	\$ 132,868	\$ 418,186
Tax effect of adjustment item		
Permanent differences	(11,355)	(16,000)
Others	<u>12,140</u>	<u>6,264</u>
Current income tax	133,653	408,450
Deferred income tax		
In respect of the current year	32,065	154,870
Effect of tax rate changes	-	(203,824)
Adjustment for prior years' income tax expense	<u>368</u>	<u>(202)</u>
Income tax expense recognized in profit or loss	<u>\$ 166,086</u>	<u>\$ 359,294</u>

The Income Tax Act in the ROC was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

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

23. EARNINGS PER SHARE

	Three Months Ended March 31					
	2019			2018		
	<u>Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)</u>	<u>Shares (Denominator) (In Thousands)</u>	<u>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)</u>	<u>Amounts (Numerator) After Income Tax (Attributable to Owners of the Parent)</u>	<u>Shares (Denominator) (In Thousands)</u>	<u>Earnings Per Share (NT\$) After Income Tax (Attributable to Owners of the Parent)</u>
Basic earnings per share						
Net income attributed to common shareholders	\$ 415,229	3,980,000	<u>\$ 0.10</u>	\$ 1,572,267	3,980,000	<u>\$ 0.40</u>
Effect of dilutive potential common share						
Employees' compensation	-	783		-	2,020	
Diluted earnings per share						
Net income attributed to common shareholders	<u>\$ 415,229</u>	<u>3,980,783</u>	<u>\$ 0.10</u>	<u>\$ 1,572,267</u>	<u>3,982,020</u>	<u>\$ 0.39</u>

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. CAPITAL MANAGEMENT

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

25. FINANCIAL INSTRUMENT

a. Fair value of financial instruments

1) Valuation techniques and assumptions used in fair value measurement

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes publicly traded stock and mutual funds).
- Forward exchange contracts and foreign exchange swap contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Domestic and overseas unlisted equity instrument at FVTOCI were all measured based on Level 3. Fair values of the above equity instruments were determined using comparable listed company approach, refer to strike price of similar business at active market, implied value multiple of the price and relevant information. Significant unobservable inputs included PE ratio, value multiple and market liquidity discount.

2) Fair value measurements recognized in the consolidated balance sheets

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Fair value hierarchy as at March 31, 2019

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
Financial liabilities measured at amortized cost					
Bonds payable	\$ 9,922,754	\$ -	\$ 9,922,754	\$ -	\$ 9,922,754

Fair value hierarchy as at December 31, 2018

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
<u>Financial liabilities</u>					
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 March 31, 2019

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 7,087,387	\$ -	\$ -	\$ 7,087,387
Overseas listed securities	78,576	-	-	78,576
Domestic and overseas unlisted securities	-	17,430	769,555	786,985
	<u>\$ 7,165,963</u>	<u>\$ 17,430</u>	<u>\$ 769,555</u>	<u>\$ 7,952,948</u>

Financial liabilities at FVTPL

Derivative financial liabilities assets (not under hedge accounting)	\$ -	\$ 10,819	\$ -	\$ 10,819
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Fair value hierarchy as at December 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	\$ -	\$ 8,290	\$ -	\$ 8,290

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTOCI</u>				
Equity securities				
Domestic listed and emerging securities	\$ 6,295,318	\$ -	\$ -	\$ 6,295,318
Overseas listed securities	74,444	-	-	74,444
Domestic and overseas unlisted securities	<u>-</u>	<u>17,510</u>	<u>723,793</u>	<u>741,303</u>
	<u>\$ 6,369,762</u>	<u>\$ 17,510</u>	<u>\$ 723,793</u>	<u>\$ 7,111,065</u>
				(Concluded)

Fair value hierarchy as at March 31, 2018

	Level 1	Level 2	Level 3	Total
<u>Financial assets at FVTPL</u>				
Derivative financial assets (not under hedge accounting)	<u>\$ -</u>	<u>\$ 29,837</u>	<u>\$ -</u>	<u>\$ 29,837</u>

Financial assets at FVTOCI

Equity securities				
Domestic listed and emerging securities	\$ 6,571,464	\$ -	\$ -	\$ 6,571,464
Overseas listed securities	79,829	-	-	79,829
Domestic and overseas unlisted securities	<u>-</u>	<u>17,880</u>	<u>634,874</u>	<u>652,754</u>
	<u>\$ 6,651,293</u>	<u>\$ 17,880</u>	<u>\$ 634,874</u>	<u>\$ 7,304,047</u>

b. Categories of financial instruments

Fair values of financial assets and liabilities were summarized as follows:

	<u>March 31, 2019</u>		<u>December 31, 2018</u>		<u>March 31, 2018</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial assets</u>						
Measured at amortized cost						
Cash and cash equivalents	\$ 10,890,356	\$ 10,890,356	\$ 12,559,631	\$ 12,559,631	\$ 11,253,767	\$ 11,253,767
Accounts receivable (included related parties)	6,075,633	6,075,633	6,513,710	6,513,710	6,167,617	6,167,617
Other receivables	447,051	447,051	406,879	406,879	633,781	633,781
Refundable deposits (recorded in other non-current assets)	273,058	273,058	268,707	268,707	240,502	240,502
Financial assets at fair value through profit or loss	-	-	8,290	8,290	29,837	29,837
Financial assets at fair value through other comprehensive income (current and non-current)	7,952,948	7,952,948	7,111,065	7,111,065	7,304,047	7,304,047

(Continued)

	March 31, 2019		December 31, 2018		March 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Financial liabilities</u>						
Measured at amortized cost						
Notes and accounts payable (included related parties)	\$ 4,730,159	\$ 4,730,159	\$ 4,947,547	\$ 4,947,547	\$ 5,035,964	\$ 5,035,964
Payable on equipment and other payables	6,044,138	6,044,138	6,637,443	6,637,443	6,154,516	6,154,516
Bonds payable	9,922,754	9,922,754	9,919,779	9,919,779	-	-
Long-term borrowings (included current portion)	8,770,560	8,770,560	8,770,560	8,770,560	12,094,080	12,094,080
Guarantee deposits (recorded in other non-current liabilities)	60,118	60,118	59,858	59,858	64,913	64,913
Financial liabilities at fair value through profit or loss	10,819	10,819	-	-	-	-
						(Concluded)

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be impact on net income increase in the amounts of \$42,373 thousand and \$44,191 thousand for the three months ended March 31, 2019 and 2018, respectively.

b) Interest rate risk

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

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

	March 31, 2019	December 31, 2018	March 31, 2018
Cash flow interest rate risk			
Financial assets	\$ 33,766	\$ 133,666	\$ 36,719
Financial liabilities	8,770,560	8,770,560	12,094,080

The sensitivity analyses below were determined based on the Group's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Group's cash flows for the three months ended March 31, 2019 and 2018 would have increased by \$87,368 thousand and \$120,574 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	March 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 10,774,298	\$ 60,118	\$ -	\$ 10,834,416
Lease liabilities	236,673	201,665	2,476,007	2,914,345
Variable interest rate liabilities	4,563,520	1,883,520	2,323,520	8,770,560
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 15,574,491</u>	<u>\$ 2,145,303</u>	<u>\$14,799,527</u>	<u>\$ 32,519,321</u>

Additional information about the maturity analysis for lease liabilities:

	Less than 2 Years	2-5 Years	5-10 Years	10-15 Years	Over 15 Years
Lease liabilities	<u>\$ 438,338</u>	<u>\$ 544,482</u>	<u>\$ 687,485</u>	<u>\$ 537,414</u>	<u>\$ 706,626</u>

	December 31, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$ 11,584,990	\$ 59,858	\$ -	\$ 11,644,848
Variable interest rate liabilities	4,563,520	1,883,520	2,323,520	8,770,560
Fixed interest rate liabilities	<u>-</u>	<u>-</u>	<u>10,000,000</u>	<u>10,000,000</u>
	<u>\$ 16,148,510</u>	<u>\$ 1,943,378</u>	<u>\$ 12,323,520</u>	<u>\$ 30,415,408</u>
	March 31, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	\$11,190,480	\$ 64,913	\$ -	\$11,255,393
Variable interest rate liabilities	<u>3,323,520</u>	<u>4,563,520</u>	<u>4,207,040</u>	<u>12,094,080</u>
	<u>\$14,514,000</u>	<u>\$ 4,628,433</u>	<u>\$ 4,207,040</u>	<u>\$23,349,473</u>

26. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Walsin Lihwa Corporation	Investor that exercises significant influence over the Group
Nyquest Technology Co., Ltd.	Related party in substance
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering Ltd. (Suzhou)	Related party in substance
Chin Cherng Construction Co., Ltd.	Related party in substance
Walsin Technology Corporation	Related party in substance
Prosperity Dielectrics Co., Ltd.	Related party in substance

- b. Operating activities

	Three Months Ended March 31	
	2019	2018
1) Operating revenue		
Related party in substance	<u>\$ 51,475</u>	<u>\$ 53,340</u>
2) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	\$ 605,614	\$ 577,242
Others	<u>137,232</u>	<u>131,462</u>
	<u>\$ 742,846</u>	<u>\$ 708,704</u>
3) General and administrative expenses		
Related party in substance	\$ 2,695	\$ 2,635
Investor that exercises significant influence over the Group	<u>2,238</u>	<u>2,098</u>
	<u>\$ 4,933</u>	<u>\$ 4,733</u>

	March 31, 2019	December 31, 2018	March 31, 2018
4) Accounts receivable due from related parties			
Related party in substance	\$ <u>38,878</u>	\$ <u>44,297</u>	\$ <u>32,801</u>
5) Accounts payable to related parties			
Related party in substance			
Walton Advanced Engineering Inc.	\$ 645,840	\$ 473,453	\$ 444,554
Others	<u>158,114</u>	<u>156,228</u>	<u>130,985</u>
	<u>\$ 803,954</u>	<u>\$ 629,681</u>	<u>\$ 575,539</u>
6) Other current assets			
Investor that exercises significant influence over the Group	\$ <u>225</u>	\$ <u>209</u>	\$ <u>236</u>
7) Other payables			
Related party in substance	\$ 60,220	\$ 35,789	\$ 28,704
Investor that exercises significant influence over the Group	<u>1,116</u>	<u>1,862</u>	<u>979</u>
	<u>\$ 61,336</u>	<u>\$ 37,651</u>	<u>\$ 29,683</u>
8) Refundable deposits (recorded as “other non-current assets”)			
Related party in substance	\$ 1,722	\$ 1,722	\$ 1,722
Investor that exercises significant influence over the Group	<u>203</u>	<u>203</u>	<u>203</u>
	<u>\$ 1,925</u>	<u>\$ 1,925</u>	<u>\$ 1,925</u>

The related party transactions were conducted under normal terms.

c. Lease arrangements

Acquisitions of right-of-use assets

	Three Months Ended March 31, 2019
1) Acquisitions of right-of-use assets	
Related party in substance	\$ 43,120
Investor that exercises significant influence over the Group	<u>7,639</u>
	<u>\$ 50,759</u>

March 31, 2019

2) Lease liabilities

Related party in substance	\$ 40,573
Investor that exercises significant influence over the Group	<u>7,023</u>
	<u>\$ 47,596</u>

**Three Months
Ended
March 31, 2019**

3) Interest expense

Related party in substance	\$ 167
Investor that exercises significant influence over the Group	<u>28</u>
	<u>\$ 195</u>

d. Guarantee

As of March 31, 2019, the chairman of NTC is a joint guarantor of the land-leasing from Taiwan Sugar Corporation. Refer to Note 13.

e. Compensation of key management personnel

	Three Months Ended March 31	
	2019	2018
Short-term employment benefits	\$ 71,469	\$ 70,707
Post-employment benefits	<u>2,246</u>	<u>3,016</u>
	<u>\$ 73,715</u>	<u>\$ 73,723</u>

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

27. PLEDGED AND COLLATERALIZED ASSETS

Refer to Note 6 and Note 12 to the consolidated financial statements.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

- a. Amounts available under unused letters of credit as of March 31, 2019 and 2018 were approximately US\$12,788 thousand and US\$20,558 thousand, JPY1,305,330 thousand and JPY3,384,376 thousand and EUR122 thousand and EUR1,009 thousand, respectively.

b. Signed construction contract

	Total Contract Price	Payment as of March 31, 2019
TASA Construction Corporation	<u>\$ 6,993,546</u>	<u>\$ 1,588,720</u>

- c. On January 14, 2019, the Company entered into a syndicated loan, with a group of financial institutions to procure equipment for fab. As of March 31, 2019, the Company haven't drawdown the syndicated loan and paid in the amount of \$135,000 thousand for the syndication agreement management fee.
- d. Microchip Tech. Inc. (Listed Company in United States) filed a first amended complaint on January 2019, which alleges that NTC and NTCA infringed Microchip's six patents. The litigation proceeds, since both parties failed to reach an agreement before the deadline, 90 days. The case is under the proceeding of United States District Court for the Northern District of California, which NTC and NTCA filed the statement of defense to. The case is still in its initial stages, hence the possible impact on NTC's business and finance is indeterminable.

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

	March 31, 2019			December 31, 2018			March 31, 2018		
	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note 1)	New Taiwan Dollars (In Thousands)
Financial assets									
Monetary items									
USD	\$ 235,422	30.82	\$ 7,255,694	\$ 234,740	30.715	\$ 7,210,033	\$ 282,520	29.105	\$ 8,222,753
USD	15,474	110.74	476,920	16,855	110.41	517,691	21,132	106.18	615,033
		(Note 2)			(Note 2)			(Note 2)	
EUR	1,699	34.61	58,791	1,475	35.2	51,911	2,350	35.87	84,293
JPY	1,966,531	0.2783	547,286	1,781,786	0.2782	495,693	4,099,325	0.2741	1,123,625
RMB	14,756	4.58	67,581	15,978	4.472	71,452	44,526	4.644	206,780
ILS	19,637	8.4878	166,678	12,398	8.1494	101,037	12,972	8.3236	107,975
Non-monetary items									
USD	7,377	30.82	227,368	7,407	30.715	227,493	7,567	29.105	220,236
Financial liabilities									
Monetary items									
USD	97,589	30.82	3,007,685	122,895	30.715	3,774,717	125,282	29.105	3,646,344
USD	6,463	110.74	199,186	8,523	110.41	261,790	12,869	106.18	374,541
		(Note 2)			(Note 2)			(Note 2)	
EUR	2,296	34.61	79,460	3,894	35.2	137,069	3,421	35.87	122,708
JPY	2,108,869	0.2783	586,898	3,147,009	0.2782	875,498	4,407,494	0.2741	1,208,094
ILS	23,519	8.4878	199,624	14,600	8.1494	119,471	15,417	8.3236	128,329

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

Note 2: The exchange rate represents the number of JPY for which one US dollar could be exchanged.

For the three months ended March 31, 2019 and 2018, realized and unrealized net foreign exchange gain (loss) were gain of \$24,280 thousand and loss of \$91,067 thousand, respectively. It is impractical to disclose net foreign exchange gains (losses) by each significant foreign currency due to the variety of the foreign currency transactions and functional currencies of the group entities.

30. 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 the Company exercises significant influence (excluding information on investment in Mainland China)	Table 5

- c. Information on investment in mainland China

1)	The name of the investee in mainland China, the main businesses and products, its issued capital, method of investment, information on inflow or outflow of capital, percentage of ownership, income (losses) of the investee, share of profits (losses) of investee, ending balance, amount received as dividends from the investee, and the limitation on investee.	Table 6
2)	Significant direct or indirect transactions with the investee, its prices and terms of payment, unrealized gain or loss, and other related information which is helpful to understand the impact of investment in mainland China on financial reports.	Table 6

- d. Information on intercompany relationships and significant intercompany transactions: Refer to Table 7 attached.

31. SEGMENT INFORMATION

- a. Basic information about operating segment

- 1) Classification of operating segments

The Group's reportable segments under IFRS 8 "Operating Segments" and IAS 34 "Interim Financial Reporting" was as follows:

- a) Segment of DRAM IC product

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

b) Segment of Flash Memory product

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

c) Segment of Logic IC product

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

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

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

b. Segment revenues and operating results

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

	Segment Revenue		Segment Profit and Loss	
	For the Three Months Ended		For the Three Months Ended	
	March 31		March 31	
	2019	2018	2019	2018
DRAM IC product	\$ 4,769,680	\$ 5,183,199	\$ 480,922	\$ 1,034,322
Flash Memory product	4,088,730	4,751,767	907,838	1,533,581
Logic IC product	<u>2,027,961</u>	<u>2,221,175</u>	<u>237,138</u>	<u>294,191</u>
Total of segment revenue	10,886,371	12,156,141	1,625,898	2,862,094
Other revenue	<u>397</u>	<u>42</u>	397	42
Operating revenue	<u>\$ 10,886,768</u>	<u>\$ 12,156,183</u>		
Unallocated expenditure				
Administrative and supporting expense			(466,552)	(409,444)
Sales and other common expenses			<u>(507,706)</u>	<u>(424,895)</u>
Income from operations			<u>652,037</u>	<u>2,027,797</u>
Non-operating income and expenses				
Interest income			25,292	16,744
Dividend income			-	833
Other income			8,430	8,408
Foreign exchange gains (losses)			24,280	(91,067)
(Losses) gains on financial instruments at fair value through profit or loss			(40,255)	74,896
Interest expense			(42,754)	(40,302)

(Continued)

	<u>Segment Revenue</u>		<u>Segment Profit and Loss</u>	
	<u>For the Three Months Ended</u>		<u>For the Three Months Ended</u>	
	<u>March 31</u>		<u>March 31</u>	
	2019	2018	2019	2018
Other expenses			\$ (29,517)	\$ (19,058)
Losses on disposal of property, plant and equipment			(987)	(125)
Share of loss of associates accounted for using equity method			<u>(2,216)</u>	<u>(6,662)</u>
Profit before income tax			<u>\$ 594,310</u>	<u>\$ 1,971,464</u> (Concluded)

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

MARCH 31, 2019

(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	March 31, 2019				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	210,000,000	\$ 3,706,500	6	\$ 3,706,500	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	"	110,067,210	750,658	3	750,658	
	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	540,676	10	540,676	
	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	1,960,023	2	1,960,023	
	<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	8,370	-	8,370	
	Smart Catch International Co., Ltd.	"	"	4,000,000	-	16	-	
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	"	5,440	1,353	5	1,353	
WECA	<u>Share</u> Everspin Technologies, Inc.	None	Current financial assets at fair value through other comprehensive income	332,834	USD 2,550	2	USD 2,550	
	<u>Funds</u> JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 2,325	7	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	-	-	2	-	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	March 31, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
WECJ	<u>Share</u> Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	JPY -	
NTC	<u>Share</u> 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	20,370	5	20,370	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	"	8,800,000	448,800	4	448,800	
	Brightek Optoelectronic Co., Ltd.	None	"	34,680	381	-	381	
	Nyquest Technology Co., Ltd.	The held company's subsidiaries as the investee's director	"	2,404,892	76,596	8	76,596	
SYI	<u>Share</u> 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	52,553	5	52,553	

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 AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE THREE MONTHS ENDED MARCH 31, 2019

(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 4, 2019 to March 21, 2019	\$ 1,281,947	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

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(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	\$ 1,528,190	18	Net 90 days from invoice date	N/A	N/A	\$ 733,232	16	
	WECJ	Indirect subsidiary with 100% ownership	Sales	996,116	11	Net 90 days from invoice date	N/A	N/A	193,961	4	
	WECN	Indirect subsidiary with 100% ownership	Sales	192,263	2	Net 90 days from invoice date	N/A	N/A	17,172	-	
	WECA	Indirect subsidiary with 100% ownership	Sales	182,193	2	Net 90 days from invoice date	N/A	N/A	18,261	-	
WEHK	WEC	Parent company	Purchases	USD 49,621	100	Net 90 days from invoice date	N/A	N/A	USD (23,791)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 3,623,691	98	Net 90 days from invoice date	N/A	N/A	JPY (698,470)	(96)	
WECN	WEC	Parent company	Purchases	RMB 42,150	100	Net 90 days from invoice date	N/A	N/A	RMB (3,749)	(100)	
WECA	WEC	Parent company	Purchases	USD 6,283	100	Net 90 days from invoice date	N/A	N/A	USD (593)	(95)	
NTC	NTHK	Subsidiary	Sales	667,963	33	Net 90 days from invoice date	N/A	N/A	47,951	7	
NTHK	NTC	Parent company	Purchases	USD 21,701	100	Net 90 days from invoice date	N/A	N/A	USD (1,556)	(100)	

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL

MARCH 31, 2019

(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 WECJ	Direct subsidiary with 100% ownership	\$ 733,232	7.74	\$ -	-	\$ 158,104	\$ -
		Indirect subsidiary with 100% ownership	193,961	17.27	-	-	-	-

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of March 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				March 31, 2019	December 31, 2018	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	\$ 2,327,810	\$ 30,727	\$ 20,454	
	Winbond Int'l Corporation	British Virgin Islands	Investment holding	2,992,157	2,992,157	95,410,000	100	1,667,725	11,391	11,391	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	186,126	5,343,000	100	376,346	11,547	11,547	
	Mobile Magic Design Corporation	Taiwan	Design, development and marketing of Pseudo SRAM	50,000	50,000	5,000,000	100	(31,153)	2,192	2,192	(Note 1)
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100	345,631	8,960	8,967	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100	7,658	1,345	1,345	
	Winbond Technology LTD	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	60,305	2,613	2,613	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	3,823,756	(6,030)	(2,214)	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	750	750	75,000	15	721	(15)	(2)	
	Techdesign Corporation	Taiwan	Electronic commerce and product marketing	50,000	50,000	5,000,000	100	26,420	(896)	(896)	
Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100	155,693	(1,406)	(1,406)		
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	1,470,598	11,406	11,406	
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	388,829	10,828	10,828	
	Peaceful River Corp.	British Virgin Islands	Investment holding	20,044	21,789	5,660,000	100	(13,758)	2,339	2,339	(Note 2)
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	421,720	(36,847)	(36,847)	
	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment holding	-	439,651	-	-	-	-	-	(Note 3)
	Marketplace Management Limited	British Virgin Islands	Investment holding	271,798	271,798	8,790,789	100	80,759	603	603	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,952	574,296	17,960,000	100	249,575	5,471	5,471	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100	66,991	(43)	(43)	
	Nuvoton Technology India Private Limited	India	Design, sales and after-sales service of semiconductor	30,211	30,211	600,000	100	22,486	350	350	
Nuvoton Technology Corp. America	United States of America	Design, sales and after-sales service of semiconductor	190,862	190,862	60,500	100	193,902	1,277	1,277	(Note 4)	
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,124	1,472,124	-	100	81,053	676	676	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	248,505	5,936	5,936	

Note 1: MMDC has a negative net book value as of March 31, 2019, which is reclassified to other non-current liabilities.

Note 2: PRC has a negative net book value as of March 31, 2019, which is reclassified to other non-current liabilities.

Note 3: PCH completed the liquidation and legal procedures in January 2019.

Note 4: Since PCH completed the liquidation, NTC owned 100% of ownership interest directly in NTCA.

Note 5: Refer to Table 6 for information on investment in Mainland China.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

**INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE THREE MONTHS ENDED MARCH 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Dollars)**

1. Information on any investee company in mainland China, main businesses and procedures, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income or loss, carrying amount of the investment at the end of the period and repatriations of investment income:

Investor Company	Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of March 31, 2019	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of March 31, 2019	Accumulated Repatriation of Investment Income as of March 31, 2019
						Outward	Inward						
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	\$ 277,380 USD 9,000	Through investing in WEHK in the third area, which then invested in the investee in Mainland China indirectly	\$ 277,380 USD 9,000	\$ -	\$ -	\$ 277,380 USD 9,000	\$ 1,192	100	\$ 1,192	\$ 290,147	\$ 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	758	61	462	50,650	-
	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	-	(1,109) (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	2,321	61	1,416	131,957	-

Note 1: Investment profit or loss for the three months ended March 31, 2019 was recognized under the basis of the financial statements reviewed by the Company's auditor.

Note 2: WENJ has a negative net book value as of March 31, 2019, which is reclassified to other non-current liabilities.

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 March 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
WEC	\$277,380 (USD9,000)	\$277,380 (USD9,000)	\$ 38,275,319
NTC	269,385 (USD8,500)	269,385 (USD8,500)	2,310,472

Note 3: 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.

WINBOND ELECTRONICS CORPORATION AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
0	<u>2019</u> WEC	WEHK	Transactions between parent company and subsidiaries	Operating revenue	\$ 1,528,190	-	14
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	733,232	-	1
		WECA	Transactions between parent company and subsidiaries	Operating revenue	182,193	-	2
		WECA	Transactions between parent company and subsidiaries	Research and development expenses	88,703	-	1
		WECA	Transactions between parent company and subsidiaries	Selling expenses	46,473	-	-
		WECA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	18,261	-	-
		WECA	Transactions between parent company and subsidiaries	Other payables	135,605	-	-
		WECJ	Transactions between parent company and subsidiaries	Research and development expenses	90,140	-	1
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	193,961	-	-
		WECJ	Transactions between parent company and subsidiaries	Other payables	61,786	-	-
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	996,116	-	9
		WECJ	Transactions between parent company and subsidiaries	Selling expenses	1,050	-	-
		WECN	Transactions between parent company and subsidiaries	Operating revenue	192,263	-	2
		WECN	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	17,172	-	-
		NTC	Transactions between parent company and subsidiaries	Operating revenue	27,146	-	-
		NTC	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	19,304	-	-
		NTC	Transactions between parent company and subsidiaries	Other receivables	27,540	-	-
		NTC	Transactions between parent company and subsidiaries	Other non-current assets	545	-	-
		NTC	Transactions between parent company and subsidiaries	Other income	1,680	-	-
		NTC	Transactions between parent company and subsidiaries	Other payables	391	-	-
		NTC	Transactions between parent company and subsidiaries	Right-of-use assets	14,336	-	-
		NTC	Transactions between parent company and subsidiaries	Lease liabilities	14,363	-	-
		NTC	Transactions between parent company and subsidiaries	General and administrative expenses	1,056	-	-
		NTC	Transactions between parent company and subsidiaries	Interest expense	57	-	-
		MMDC	Transactions between parent company and subsidiaries	Other payables	44,683	-	-
		MMDC	Transactions between parent company and subsidiaries	Research and development expenses	44,671	-	-
		MMDC	Transactions between parent company and subsidiaries	Other income	99	-	-
		WTL	Transactions between parent company and subsidiaries	Research and development expenses	68,381	-	1
		WTL	Transactions between parent company and subsidiaries	Other payables	23,425	-	-
		TDC	Transactions between parent company and subsidiaries	Selling expenses	37	-	-
		Callisto	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	163	-	-
		Callisto	Transactions between parent company and subsidiaries	Selling expenses	17	-	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
1	WEHK	WECN	Transactions between subsidiaries	Other payables	\$ 7,948	-	-
		WECN	Transactions between subsidiaries	Selling expenses	7,971	-	-
		NTHK	Transactions between subsidiaries	Other payables	309	-	-
		NTHK	Transactions between subsidiaries	Right-of-use assets	1,747	-	-
		NTHK	Transactions between subsidiaries	Lease liabilities	1,754	-	-
		NTHK	Transactions between subsidiaries	General and administrative expenses	403	-	-
		NTHK	Transactions between subsidiaries	Interest expense	18	-	-
2	WECA	WECJ	Transactions between subsidiaries	Other payables	6	-	-
		NTCA	Transactions between subsidiaries	Other income	2,081	-	-
3	TDC	NTC	Transactions between subsidiaries	Other income	1	-	-
		Callisto	Transactions between subsidiaries	Other income	10	-	-
4	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	667,963	-	6
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	47,951	-	-
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	37,727	-	-
		NTCA	Transactions between parent company and subsidiaries	Research and development expenses	61,049	-	1
		NTCA	Transactions between parent company and subsidiaries	General and administrative expenses	10,153	-	-
		NTCA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	7,146	-	-
		NTCA	Transactions between parent company and subsidiaries	Other payables	72,161	-	-
		WECJ	Transactions between subsidiaries	Operating revenue	16,226	-	-
		WECJ	Transactions between subsidiaries	Accounts receivable due from related parties	8,536	-	-
		Callisto	Transactions between subsidiaries	Other receivables	36	-	-
		NTIL	Transactions between parent company and subsidiaries	Research and development expenses	162,370	-	1
		NTIL	Transactions between parent company and subsidiaries	General and administrative expenses	13,531	-	-
		NTIL	Transactions between parent company and subsidiaries	Other payables	176,587	-	-
		NTSZ	Transactions between parent company and subsidiaries	Operating revenue	5,871	-	-
		NTSZ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	1,955	-	-
		SYI	Transactions between parent company and subsidiaries	Other receivables	5	-	-
NTIPL	Transactions between parent company and subsidiaries	Selling expenses	1,486	-	-		
NTIPL	Transactions between parent company and subsidiaries	Other payables	1,135	-	-		
5	NTHK	NTSZ	Transactions between parent company and subsidiaries	Selling expenses	27,716	-	-
		NTSZ	Transactions between parent company and subsidiaries	Other current assets	801	-	-
		NTSH	Transactions between subsidiaries	Selling expenses	19,145	-	-
		NTSH	Transactions between subsidiaries	Other current assets	4,839	-	-
6	NTCA	WECA	Transactions between subsidiaries	Right-of-use assets	21,741	-	-
		WECA	Transactions between subsidiaries	Lease liabilities	21,836	-	-
		WECA	Transactions between subsidiaries	Selling expenses	483	-	-
		WECA	Transactions between subsidiaries	General and administrative expenses	220	-	-
		WECA	Transactions between subsidiaries	Research and development expenses	1,274	-	-
		WECA	Transactions between subsidiaries	Interest expense	199	-	-

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
0	2018 WEC	WEHK	Transactions between parent company and subsidiaries	Operating revenue	\$ 1,696,238	-	14
		WEHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	654,696	-	1
		WECA	Transactions between parent company and subsidiaries	Operating revenue	240,824	-	2
		WECA	Transactions between parent company and subsidiaries	Research and development expenses	85,677	-	1
		WECA	Transactions between parent company and subsidiaries	Selling expenses	40,955	-	-
		WECA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	62,845	-	-
		WECA	Transactions between parent company and subsidiaries	Other payables	145,096	-	-
		WECJ	Transactions between parent company and subsidiaries	Research and development expenses	69,944	-	1
		WECJ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	388,261	-	-
		WECJ	Transactions between parent company and subsidiaries	Other payables	46,345	-	-
		WECJ	Transactions between parent company and subsidiaries	Operating revenue	1,138,023	-	9
		WECJ	Transactions between parent company and subsidiaries	Selling expenses	1,052	-	-
		WECN	Transactions between parent company and subsidiaries	Operating revenue	347,573	-	3
		WECN	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	76,642	-	-
		NTC	Transactions between parent company and subsidiaries	Operating revenue	26,576	-	-
		NTC	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	18,210	-	-
		NTC	Transactions between parent company and subsidiaries	Other receivables	9,838	-	-
		NTC	Transactions between parent company and subsidiaries	Other non-current assets	545	-	-
		NTC	Transactions between parent company and subsidiaries	Other income	1,726	-	-
		MMDC	Transactions between parent company and subsidiaries	Other payables	51,334	-	-
		MMDC	Transactions between parent company and subsidiaries	Research and development expenses	50,413	-	-
		MMDC	Transactions between parent company and subsidiaries	Other income	99	-	-
		WTL	Transactions between parent company and subsidiaries	Research and development expenses	58,464	-	-
		WTL	Transactions between parent company and subsidiaries	Other payables	22,654	-	-
		TDC	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	84	-	-
		TDC	Transactions between parent company and subsidiaries	Selling expenses	68	-	-
		1	WEHK	WECN	Transactions between subsidiaries	Other payables	7,102
WECN	Transactions between subsidiaries			Selling expenses	7,121	-	-
NTHK	Transactions between subsidiaries			Other payables	307	-	-
2	WECA	NTCA	Transactions between subsidiaries	Other income	1,978	-	-
3	TDC	NTC	Transactions between subsidiaries	Other non-current assets	151	-	-
4	NTC	NTHK	Transactions between parent company and subsidiaries	Operating revenue	759,822	-	6
		NTHK	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	155,983	-	-
		NTHK	Transactions between parent company and subsidiaries	Other payables	262	-	-
		NTCA	Transactions between parent company and subsidiaries	Operating revenue	26,662	-	-
		NTCA	Transactions between parent company and subsidiaries	Research and development expenses	65,398	-	1
		NTCA	Transactions between parent company and subsidiaries	General and administrative expenses	9,256	-	-
		NTCA	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	7,917	-	-
NTCA	Transactions between parent company and subsidiaries	Other payables	76,935	-	-		

(Continued)

No.	Company Name	Related Party	Nature of Relationship	Transaction Details			Percentage of Consolidated Total Gross Sales or Total Assets (%)
				Financial Statement Account	Amount	Terms	
5	NTHK	WECJ	Transactions between subsidiaries	Operating revenue	\$ 20,406	-	-
		WECJ	Transactions between subsidiaries	Accounts receivable due from related parties	12,947	-	-
		NTIL	Transactions between parent company and subsidiaries	Research and development expenses	145,281	-	1
		NTIL	Transactions between parent company and subsidiaries	General and administrative expenses	12,507	-	-
		NTIL	Transactions between parent company and subsidiaries	Other payables	105,675	-	-
		NTSZ	Transactions between parent company and subsidiaries	Operating revenue	3,610	-	-
		NTSZ	Transactions between parent company and subsidiaries	Accounts receivable due from related parties	1,232	-	-
		NTSZ	Transactions between parent company and subsidiaries	Selling expenses	29,271	-	-
		NTSZ	Transactions between parent company and subsidiaries	Other payables	1,659	-	-
		NTSH	Transactions between subsidiaries	Selling expenses	17,551	-	-
		NTSH	Transactions between subsidiaries	Other current assets	6,141	-	-

Note: The sales prices and payment terms to related parties were not significantly different from those of sales to third parties. For other related party transactions, price and terms were determined in accordance with mutual agreements.

(Concluded)