Winbond Electronics Corporation

Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Winbond Electronics Corporation

Opinion

We have audited the accompanying financial statements of Winbond Electronics Corporation (the "Company"), which comprise the balance sheets as of December 31, 2019 and 2018, and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Occurrence of Sales Revenues</u>

There is a significant risk on revenue recognition, and customers' line of credit and delivery of products are highly correlated to recognition of sales revenue. We therefore considered that the occurrence of sales revenue from the twenty largest customers with changes in credit limits and temporary increase in credit limits in 2019 as a key audit matter for the year ended December 31, 2019. Refer to Note 4 to the consolidated financial statements for the Company's revenue recognition policies.

Our audit procedures in response to the validity of sales revenue included understanding the design and the implementation of internal control of sales revenue and selecting samples of revenue items to verify that revenue transactions have indeed occurred.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the year ended December 31, 2019 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Wen-yea Shyu   Hung-Bin Yu

Deloitte & Touche
Taipei, Taiwan
Republic of China

February 7, 2020

Notice to Readers

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

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

WINBOND ELECTRONICS CORPORATION

BALANCE SHEETS
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CURRENT ASSETS				
Cash and cash equivalents (Notes 4 and 6)	$ 5,424,966	6	$ 9,384,525	10
Current financial assets at fair value through profit or loss (Notes 4 and 7)	69,425	-	7,526	-
Current financial assets at fair value through other comprehensive income (Notes 4 and 8)	7,173,101	7	6,174,768	7
Accounts receivable, net (Notes 4 and 9)	2,940,289	3	3,918,246	4
Accounts receivable due from related parties, net (Note 26)	1,477,313	2	1,213,213	1
Other receivables	221,601	-	469,494	1
Inventories (Notes 4 and 10)	8,750,071	9	9,330,646	10
Other current assets	1,413,779	1	689,621	1
Total current assets	27,470,545	28	31,188,039	34
NON-CURRENT ASSETS				
Non-current financial assets at fair value through other comprehensive income (Notes 4 and 8)	17,476	-	23,657	-
Investments accounted for using equity method (Notes 4 and 11)	11,931,184	12	8,413,315	9
Property, plant and equipment (Notes 4 and 12)	55,691,405	57	51,577,630	56
Right-of-use assets (Notes 4 and 13)	1,716,292	2	-	-
Investment properties (Notes 4 and 14)	295,251	-	-	-
Intangible assets (Notes 4 and 15)	123,949	-	104,925	-
Deferred income tax assets (Notes 4 and 21)	652,000	1	667,000	1
Other non-current assets (Note 6)	350,829	-	199,263	-
Total non-current assets	70,778,386	72	60,985,790	66
TOTAL	$ 98,248,931	100	$ 92,173,829	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings (Note 16)	$ 1,000,000	1	$ -	-
Notes payable	181,352	-	207,394	-
Accounts payable	3,488,513	4	3,233,658	4
Accounts payable to related parties (Note 26)	911,529	1	629,681	1
Payables on machinery and equipment	2,919,647	3	2,790,736	3
Other payables	2,410,968	3	3,083,269	3
Current tax liabilities (Note 21)	86,193	-	73,504	-
Lease liabilities - current (Notes 4 and 13)	74,527	-	-	-
Long-term borrowings - current portion (Note 16)	4,123,520	4	4,563,520	5
Other current liabilities	71,350	-	56,674	-
Total current liabilities	15,267,599	16	14,638,436	16
NON-CURRENT LIABILITIES				
Bonds payable (Notes 4 and 17)	9,931,746	10	9,919,779	11
Long-term borrowings (Note 16)	9,230,473	9	4,179,273	4
Lease liabilities - non-current (Notes 4 and 13)	1,660,704	2	-	-
Net defined benefit liabilities, non-current (Notes 4 and 18)	952,775	1	758,432	1
Other non-current liabilities	185,012	-	233,538	-
Total non-current liabilities	21,960,710	22	15,091,022	16
Total liabilities	37,228,309	38	29,729,458	32
EQUITY (Note 19)				
Share capital	39,800,002	40	39,800,002	43
Capital surplus	7,536,396	8	7,540,440	8
Retained earnings				
Legal reserve	1,798,091	2	1,053,441	1
Unappropriated earnings	6,995,451	7	10,567,845	12
Exchange differences on translation of foreign financial statements	(119,246)	-	(50,780)	-
Unrealized gains on financial assets measured at fair value through other comprehensive income	5,009,928	5	3,533,423	4
Total equity	61,020,622	62	62,444,371	68
TOTAL	$ 98,248,931	100	$ 92,173,829	100

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUE	$ 37,884,848	100	$ 40,733,527	100
OPERATING COSTS (Note 10)	29,645,436	78	25,952,289	64
GROSS PROFIT	8,239,412	22	14,781,238	36
OPERATING EXPENSES				
Selling expenses	930,591	2	1,034,591	3
General and administrative expenses	1,407,488	4	1,400,498	3
Research and development expenses	5,539,492	15	5,399,222	13
Expected credit (gain) loss (Note 9)	(18,000)	-	3,000	-
Total operating expenses	7,859,571	21	7,837,311	19
INCOME FROM OPERATIONS	379,841	1	6,943,927	17
NON-OPERATING INCOME AND EXPENSES				
Interest income	56,775	-	65,662	-
Dividend income	461,274	1	342,184	1
Other income	42,671	-	38,459	-
Gains (losses) on financial instruments at fair value through profit or loss	64,269	-	(298,216)	(1)
Share of profit of subsidiaries and associates accounted for using equity method	808,579	2	830,792	2
Interest expense	(204,095)	(1)	(182,299)	(1)
Other expenses	(117,052)	-	(62,909)	-
Losses on disposal of property, plant and equipment	(903)	-	(411)	-
Foreign exchange (losses) gains	(131,507)	-	272,717	1
Other impairment loss	-	-	(12,890)	-
Total non-operating income and expenses	980,011	2	993,089	2
PROFIT BEFORE INCOME TAX	1,359,852	3	7,937,016	19
INCOME TAX EXPENSE (Notes 4 and 21)	103,465	-	490,520	1
NET PROFIT	1,256,387	3	7,446,496	18

(Continued)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OTHER COMPREHENSIVE INCOME (LOSS)				
Components of other comprehensive income (loss) that will not be reclassified to profit or loss:				
(Gains) losses on remeasurement of defined benefit plans (Note 18)	$ (74,024)	-	$ (85,080)	-
Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive loss	700,754	2	(301,203)	(1)
Share of other comprehensive income (loss) of subsidiaries and associates accounted for using equity method	745,644	2	(1,319,596)	(3)
Components of other comprehensive income (loss) that will be reclassified to profit or loss:				
Exchange differences on translation of foreign financial statements	(10,985)	-	(1,486)	-
Share of other comprehensive (loss) income of subsidiaries and associates accounted for using equity method	(57,481)	-	71,694	-
Other comprehensive income (loss)	1,303,908	4	(1,635,671)	(4)
TOTAL COMPREHENSIVE INCOME	$ 2,560,295	7	$ 5,810,825	14
EARNINGS PER SHARE (Note 22)				
Basic	$ 0.32		$ 1.87	
Diluted	$ 0.32		$ 1.87	

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

			Retained Earnings			Other Equity			
	Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets Measured at Fair Value Through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total Equity
BALANCE AT JANUARY 1, 2018	$ 39,800,002	$ 7,540,440	$ 498,385	$ 31,429	$ 7,355,893	$ (120,988)	$ -	$ 5,107,003	$ 60,212,164
Effect of retrospective application and retrospective restatement	-	-	-	-	471,170	-	5,065,763	(5,107,003)	429,930
BALANCE AT JANUARY 1, 2018 RESTATED	39,800,002	7,540,440	498,385	31,429	7,827,063	(120,988)	5,065,763	-	60,642,094
Appropriation of 2017 earnings									
Legal reserve appropriated	-	-	555,056	-	(555,056)	-	-	-	-
Reversal of special reserve	-	-	-	(31,429)	31,429	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	(3,980,000)
Total appropriations	-	-	555,056	(31,429)	(4,503,627)	-	-	-	(3,980,000)
Net profit for the year ended December 31, 2018	-	-	-	-	7,446,496	-	-	-	7,446,496
Other comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	(115,861)	70,208	(1,590,018)	-	(1,635,671)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	7,330,635	70,208	(1,590,018)	-	5,810,825
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	(86,226)	-	57,678	-	(28,548)
BALANCE AT JANUARY 1, 2018	39,800,002	7,540,440	1,053,441	-	10,567,845	(50,780)	3,533,423	-	62,444,371
Appropriation of 2018 earnings									
Legal reserve appropriated	-	-	744,650	-	(744,650)	-	-	-	-
Cash dividends	-	-	-	-	(3,980,000)	-	-	-	(3,980,000)
Total appropriations	-	-	744,650	-	(4,724,650)	-	-	-	(3,980,000)
Net profit for the year ended December 31, 2019	-	-	-	-	1,256,387	-	-	-	1,256,387
Other comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	(115,561)	(68,466)	1,487,935	-	1,303,908
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	1,140,826	(68,466)	1,487,935	-	2,560,295
Changes in ownership interest in subsidiaries	-	(4,044)	-	-	-	-	-	-	(4,044)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	-	11,430	-	(11,430)	-	-
BALANCE AT DECEMBER 31, 2019	$ 39,800,002	$ 7,536,396	$ 1,798,091	$ -	$ 6,995,451	$ (119,246)	$ 5,009,928	$ -	$ 61,020,622

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

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 1,359,852	$ 7,937,016
Adjustments for:		
Depreciation expense	8,328,952	7,285,916
Amortization expense	30,120	24,420
Expected credit (gain) loss recognized on accounts receivable	(18,000)	3,000
(Reversal of) provision for declines in market value, obsolescence and scraps of inventories	1,087,821	69,522
Net (gains) losses on financial assets and liabilities at fair value through profit or loss	(61,898)	23,509
Interest expense	204,095	182,299
Interest income	(56,775)	(65,662)
Dividend income	(461,274)	(342,184)
Share of profit of subsidiaries and associates accounted for using equity method	(808,579)	(830,792)
Gains (losses) on disposal of property, plant and equipment	903	411
(Reversal of) impairment loss on non-financial assets	-	12,890
Unrealized profit (loss) on the transactions with subsidiaries	(14,010)	(15,664)
Other adjustments to reconcile (profit) loss	(669)	-
Changes in operating assets and liabilities		
(Increase) decrease in notes and accounts receivable	995,957	(91,067)
(Increase) decrease in accounts receivable due from related parties	(198,643)	540,388
(Increase) decrease in other receivables	(10,826)	55,396
(Increase) decrease in inventories	(507,246)	(2,902,906)
(Increase) decrease in other current assets	40,542	44,360
(Increase) decrease in other non-current assets	(122,838)	(26,480)
Increase (decrease) in notes payable	(26,042)	(26,293)
Increase (decrease) in accounts payable	257,472	(38,328)
Increase (decrease) in accounts payable to related parties	281,744	132,894
Increase (decrease) in other payables	(689,328)	455,655
Increase (decrease) in other current liabilities	14,421	(28,117)
Increase (decrease) in other non-current liabilities	17,296	20,848
Cash generated from (used in) operations	9,643,047	12,421,031
Interest received	62,000	60,695
Dividends received	832,677	694,614
Interest paid	(335,849)	(206,744)
Income taxes paid	(70,855)	(130,233)
Net cash flows from (used in) operating activities	10,131,020	12,839,363

(Continued)

WINBOND ELECTRONICS CORPORATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from capital reduction of financial assets at fair value through other comprehensive income	$ -	$ 11,914
Acquisition of financial assets at fair value through other comprehensive income	(291,398)	(183,229)
Acquisition of investments accounted for using the equity method	(2,451,142)	(433,252)
Proceeds from capital reduction of investments accounted for using equity method	284,436	148,609
Acquisition of property, plant and equipment	(13,158,790)	(16,714,392)
Proceeds from disposal of property, plant and equipment	495	608
Acquisition of intangible assets	(29,423)	-
Net cash inflows from business combination	26,375	-
Net cash flows from (used in) investing activities	(15,619,447)	(17,169,742)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	1,000,000	(553,539)
Proceeds from issuing bonds	-	10,000,000
Proceeds from long-term borrowings	9,850,000	-
Repayments of long-term borrowings	(5,123,520)	(3,323,520)
Cash dividends paid	(3,980,000)	(3,980,000)
Repayments of lease liabilities	(82,612)	-
Other financing activities	(135,000)	(86,171)
Net cash flows from (used in) financing activities	1,528,868	2,056,770
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,959,559)	(2,273,609)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	9,384,525	11,658,134
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 5,424,966	$ 9,384,525

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

1. GENERAL INFORMATION

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

The Company's shares have been listed on the Taiwan Stock Exchange Corporation since October 18, 1995. Walsin Lihwa Corporation is a major shareholder of the Company and held approximately 22% ownership interest in the Company as of December 31, 2019 and 2018.

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

2. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on February 7, 2020.

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

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

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

   1) IFRS 16 "Leases"

      IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both the lessee and the 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 Company 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 Company as lessee

The Company recognizes lease liabilities for all leases on the 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 statements of comprehensive income, the Company 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 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 statements of cash flows.

The lessee's weighted average lessee's incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.34%-2.47%. 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	$ 2,364,484
Less: Recognition exemption for leases of low-value assets	(122)
Undiscounted amounts on January 1, 2019	$ 2,364,362
Lease liabilities recognized on January 1, 2019	$ 1,836,887

The Company as lessor

Except for sublease transactions, the Company 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 Company subleased its leasehold to a third party. Such sublease was classified as an operating lease under IAS 17. The Company classified the sublease 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**
Right-of-use assets	$ -	$ 1,836,887	$ 1,836,887
Total effect on assets	$ -	$ 1,836,887	$ 1,836,887
Lease liabilities - current	$ -	$ 80,076	$ 80,076
Lease liabilities - non-current	-	1,756,811	1,756,811
Total effect on liabilities	$ -	$ 1,836,887	$ 1,836,887

2) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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

Note 2: The Company shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

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

New IFRSs	Effective Date Announced by IASB (Note)
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

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

As of the date the financial statements were authorized for issue, the Company is continuously assessing the possible impact that the application of above standards and interpretations will have on the Company's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis of Preparation

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

The Company used equity method to account for its investment in subsidiaries and associates for the stand-alone financial statements. The amounts of the net profit, other comprehensive income and total equity in stand-alone financial statements are same with the amounts attributable to the owner of the Company in its consolidated financial statements since there is no difference in accounting treatment between stand-alone basis and consolidated basis.

Classification of Current and Non-current Assets and Liabilities

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

Foreign Currencies

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

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

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

For the purposes of presenting financial statements, the assets and liabilities of the Company's foreign operations (including subsidiaries and associates in other countries that use currencies which are different from the currency of the Company) are translated into New Taiwan dollars using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. The exchange differences arising are recognized in other comprehensive income and accumulated in balance of foreign currency translation of equity.

Cash Equivalents

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

Financial Instruments

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

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

a. Measurement category

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

   1) Financial asset at FVTPL

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

      Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss does not incorporate any dividend or interest earned on the financial asset. Fair value is determined in the manner described in Note 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 Company may make an irrevocable election to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified 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 Company’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 Company recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivable).

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

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

The Company recognizes an impairment 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 Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d. Financial liabilities

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

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

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

e. Derecognition of financial liabilities

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

f. Derivative financial instruments

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

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

g. Information about fair value of financial instruments

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

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

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

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

Inventories

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

Investments Accounted for Using Equity Method

Investment accounted for using equity method include investments in subsidiaries and associates.

a. Investment in subsidiaries

Subsidiaries are the entities controlled by the Company.

Under the equity method, the investment in a subsidiary is initially recognized at cost and the carrying amount is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the subsidiary after the date of acquisition. Besides, the Company also recognizes the Company's share of the change in other equity of the subsidiary.

Changes in the Company's ownership interests in subsidiaries that do not result in the Company's loss of control over the subsidiaries are accounted for as equity transactions. Any difference between the carrying amount of the investment and the fair value of the consideration paid or received is recognized directly in equity.

When the Company's share of losses of a subsidiary equals or exceeds its interest in that subsidiary (which includes any carrying amount of the investment in subsidiary accounted for by the equity method and long-term interests that, in substance, form part of the Company's net investment in the subsidiary), the Company continues recognizing its share of further losses.

Profits and losses from downstream transactions with a subsidiary are eliminated in full. Profits and losses from upstream transactions with a subsidiary and sidestream transactions between subsidiaries are recognized in the Company's financial statements only to the extent of interests in the subsidiary that are not related to the Company.

b. Investment in associates

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

Buildings	8-50 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 to 50 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 Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

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

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.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, and the sale should be expected to qualify for recognition as a completed sale within 1 year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

Provisions

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

Revenue Recognition

The Company identifies the performance obligations in the contract with customers, allocates the transaction price to the performance obligations in the contracts and recognizes revenue when the Company 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 on the consideration of varying contractual terms affecting the recognition of a provision.

Leasing

2019

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

a. The Company 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 Company 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 Company, as a lessee, has accounted for applying recognition exemption, the sublease is classified as an operating lease.

   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 lease. Initial direct costs incurred in obtaining operating lease are added to the carrying amount of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

b. The Company as lessee

   The Company 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 Company 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 Company 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 Company 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 balance sheets.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the periods in which they are incurred.

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

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

Borrowing Costs

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

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

Employee Benefits

a. Short-term employee benefits

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

b. Retirement benefits

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

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

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

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

Taxation

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

a. Current tax

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

b. Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and it is remeasured at the end of each reporting period and recognized to the extent that it has become probable that there will be future taxable profit.

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

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

a. Valuation of inventory

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

b. Impairment of financial assets

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

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash and deposits in banks	$ 3,924,966	$ 8,284,525
Repurchase agreements collateralized by bonds	1,500,000	1,100,000
	$ 5,424,966	$ 9,384,525

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

	December 31	
	2019	**2018**
Time deposits	$ 126,395	$ 123,776

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2019	**2018**
Financial assets at FVTPL - current		
Derivative financial assets (not under hedge accounting)		
Foreign exchange swap contracts	$ 11,461	$ 196
Forward exchange contracts	57,964	7,330
	$ 69,425	$ 7,526

At the end of the reporting period, outstanding forward exchange contracts not under hedge accounting were as follows:

	Currencies	Maturity Date	Contract Amount (In Thousands)
December 31, 2019			
Sell forward exchange contracts	USD to NTD	2020.01.03-2020.02.27	USD142,000/NTD4,302,439
Sell forward exchange contracts	RMB to NTD	2020.01.10-2020.02.21	RMB75,000/NTD322,743
Foreign exchange swap contracts	USD to NTD	2020.01.09	USD23,280/NTD708,638
Foreign exchange swap contracts	RMB to NTD	2020.02.21	RMB5,100/NTD21,879
December 31, 2018			
Sell forward exchange contracts	USD to NTD	2019.01.04-2019.03.08	USD110,000/NTD3,380,571
Buy forward exchange contracts	NTD to USD	2019.01.11-2019.01.25	NTD613,385/USD20,000
Foreign exchange swap contracts	USD to NTD	2019.02.15	USD5,150/NTD157,858

The Company entered into derivative financial instruments contracts to manage exposures to exchange rate fluctuations of foreign-currency-denominated assets and liabilities. The derivative financial instruments contracts entered into by the Company did not meet the criteria for hedge accounting; therefore, the Company did not apply hedge accounting treatment.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI:

	December 31, 2019	December 31, 2018
Domestic listed and emerging stocks		
Walsin Lihwa Corporation	$ 3,357,200	$ 3,350,000
Walsin Technology Corporation	2,342,228	1,509,218
Hannstar Display Corporation	890,443	774,873
Walton Advanced Engineering Inc.	583,230	540,677
Domestic unlisted stocks	17,476	23,657
	$ 7,190,577	$ 6,198,425
Current	$ 7,173,101	$ 6,174,768
Non-current	17,476	23,657
	$ 7,190,577	$ 6,198,425

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

9. ACCOUNTS RECEIVABLE

	December 31	
	2019	2018
Accounts receivable		
At amortized cost		
Gross carrying amount	$ 3,022,289	$ 4,018,246
Less: Allowance for impairment loss	(82,000)	(100,000)
	$ 2,940,289	$ 3,918,246

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

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

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

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

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

December 31, 2019

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	$ 2,606,288	$ 385,072	$ 11,941	$ 144	$ 18,844	$ 3,022,289
Loss allowance (Lifetime ECL)	(54,232)	(7,701)	(1,194)	(29)	(18,844)	(82,000)
Amortized cost	$ 2,552,056	$ 377,371	$ 10,747	$ 115	$ -	$ 2,940,289

December 31, 2018

	Not Overdue	Overdue under 30 Days	Overdue 31-90 Days	Overdue 91-180 Days	Over 180 Days	Total
Expected credit loss rate	2%	2%	10%	20%	100%	
Gross carrying amount	$ 3,606,142	$ 390,593	$ 2,635	$ 32	$ 18,844	$ 4,018,246
Loss allowance (Lifetime ECL)	(73,075)	(7,812)	(263)	(6)	(18,844)	(100,000)
Amortized cost	$ 3,533,067	$ 382,781	$ 2,372	$ 26	$ -	$ 3,918,246

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

	2019	2018
Balance at January 1	$ 100,000	$ 97,000
Add: Provision recognized on accounts receivable	-	3,000
Less: Reversal of provision recognized on accounts receivable	(18,000)	-
Balance at December 31	$ 82,000	$ 100,000

10. INVENTORIES

	December 31	
	2019	2018
Finished goods	$ 1,953,329	$ 1,686,541
Work-in-process	6,200,256	6,987,250
Raw materials and supplies	596,486	653,743
Inventories in transit	-	3,112
	$ 8,750,071	$ 9,330,646

a. Operating costs for the years ended December 31, 2019 and 2018 included inventory write-downs for the decline in market value, obsolescence and scrap of inventories of $1,087,821 thousand and $69,522 thousand, respectively.

b. Unallocated fixed manufacturing costs recognized as operating costs in the years ended December 31, 2019 and 2018 amounted to $1,223,784 thousand and $329,373 thousand, respectively.

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	December 31	
	2019	2018
Investments in subsidiaries	$ 7,382,245	$ 4,827,987
Investments in associates	4,548,939	3,585,328
	$ 11,931,184	$ 8,413,315

a. Investments in subsidiaries

	December 31			
	2019		2018	
Name of Subsidiaries	**Carrying Value**	**Ownership Percentage**	**Carrying Value**	**Ownership Percentage**
Listed companies				
Nuvoton Technology Corporation (“NTC”)	$ 4,528,887	62%	$ 2,256,830	61%
Unlisted companies				
Winbond Int’l Corporation (“WIC”)	1,625,896	100%	1,628,543	100%
Winbond Electronics (H.K.) Limited (“WEHK”)	421,958	100%	314,666	100%
Landmark Group Holdings Ltd. (“Landmark”)	409,747	100%	382,317	100%
Great Target Development Ltd. (“GTD”)	147,019	100%	-	-
Callisto Holding Limited (“Callisto”)	142,793	100%	156,614	100%
Winbond Technology Ltd. (“WTL”)	70,113	100%	55,387	100%
Winbond Electronics Germany GmbH (“WEG”)	28,551	100%	-	-
Pine Capital Investment Limited (“PCI”)	7,281	100%	6,314	100%
Techdesign Corporation (“TDC”)	-	-	27,316	100%
Mobile Magic Design Corporation (“MMDC”)	-	-	-	100%
	$ 7,382,245		$ 4,827,987	

Refer to Table 6 for information of above subsidiaries’ company name, main business and products, and registered location.

1) The fair value of investment in subsidiaries for which there are published price quotations, based on closing price of those investments at the balance sheet date, are summarized as follows:

	December 31	
Name of Subsidiary	**2019**	**2018**
NTC	$ 8,274,750	$ 5,026,817

2) On July 25, 2019, NTC’s board of directors resolved to issue 80,000 thousand ordinary shares with a par value of NT$10 to fund working capital. The Company subscribed 50,380 thousand shares of the ordinary shares of NTC at $45 per share and directly owned 62% of interest.

3) In March 2019, the board of directors of Landmark resolved the capital reductions for the repayment of shares in the amount of $17,371 thousand.

4) In July 2019, the Company purchased 100% ownership interest of GTD for investing activities in India. The Company has provided the financial information of the subsidiaries acquired in the consolidated financial statements. The parent company only financial statements do not provide such information.

5) Callisto was incorporated in May 2018, and the Company has injected capital in Callisto in August 2018.

6) A capital was injected in WEG, which was incorporated in November 2019.

7) In December 2018, the board of directors of PCI resolved capital reductions for the repayment of shares in the amount of $267,065 thousand.

8) TDC filed for liquidation in June 2019 and the date of dissolution was on June 10, 2019. The liquidation procedures were not completed as of December 31, 2019.

9) On July 2019, MMDC's board of directors resolved to conduct a short-form merger with the Company on the effective date of October 1, 2019. The Company is the surviving company after the short-form merger. Refer to Note 23 for information on the assets acquired and liabilities assumed at the date of combination.

10) In 2019 and 2018, the Company recognized shares of subsidiaries' profit in the amounts of $567,545 thousand and $601,811 thousand, respectively.

b. Investments in associates

1) Aggregate information of associates that are not individually material

	December 31	
	2019	**2018**
Associates that are not individually material		
Chin Xin Investment Co., Ltd.	$ 4,548,224	$ 3,584,605
Hwa Bao Botanic Conservation Corp.	715	723
	$ 4,548,939	$ 3,585,328

The Company subscribed the ordinary shares of Hwa Bao Botanic Conservation Corp. (Hwa Bao) in $750 thousand and owned 15% of ownership interest directly in July 2018. As of December 31, 2019, the main shareholders of Hwa Bao was Chin Xin Investment Co., Ltd., and its ownership interest were 70%. The Company accounted for the equity investment in Hwa Bao using equity method for its consolidated ownership interest of Hwa Bao was 41%.

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

2) Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Company's share of:		
Profit from continuing operations for the year	$ 241,034	$ 228,981
Other comprehensive income (loss)	777,428	(1,157,275)
Total comprehensive income	$ 1,018,462	$ (928,294)

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

12. PROPERTY, PLANT AND EQUIPMENT

	December 31	
	2019	2018
Land	$ 977,945	$ 1,544,450
Buildings	11,115,211	9,822,098
Machinery and equipment	35,456,547	37,154,939
Other equipment	569,620	553,105
Construction in progress and prepayments for purchase of equipment	7,572,082	2,503,038
	$ 55,691,405	$ 51,577,630

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Cost						
Balance at January 1, 2019	$ 1,544,450	$ 22,873,232	$ 110,465,977	$ 3,416,727	$ 2,503,038	$ 140,803,424
Additions	-	441,747	4,785,488	402,044	7,807,173	13,436,452
Disposals	-	-	(328,413)	(692)	-	(329,121)
Reclassified	-	2,632,316	341,043	(235,230)	(2,738,129)	-
Transfers to non-current assets classified as held for sale	(495,641)	(294,298)	-	(16,582)	-	(806,521)
Transfers to investment property	(70,864)	(225,723)	-	-	-	(296,587)
Transfers to other non-current assets	-	(28,660)	-	-	-	(28,660)
Balance at December 31, 2019	$ 977,945	$ 25,398,614	$ 115,264,079	$ 3,566,267	$ 7,572,082	$ 152,778,987
Accumulated depreciation and impairment						
Balance at January 1, 2019	$ -	$ 13,051,134	$ 73,311,038	$ 2,863,622	$ -	$ 89,225,794
Depreciation expense	-	1,261,744	6,820,907	146,066	-	8,228,717
Disposals	-	-	(324,413)	(692)	-	(325,105)
Transfers to non-current assets classified as held for sale	-	(29,475)	-	(12,349)	-	(41,824)
Balance at December 31, 2019	$ -	$ 14,283,403	$ 79,807,532	$ 2,996,647	$ -	$ 97,087,582
Cost						
Balance at January 1, 2018	$ 1,544,450	$ 21,901,502	$ 96,572,096	$ 3,731,698	$ 1,383,662	$ 125,133,408
Additions	-	561,826	12,371,256	849,561	2,112,911	15,895,554
Disposals	-	-	(224,614)	(924)	-	(225,538)
Reclassified	-	409,904	1,747,239	(1,163,608)	(993,535)	-
Balance at December 31, 2018	$ 1,544,450	$ 22,873,232	$ 110,465,977	$ 3,416,727	$ 2,503,038	$ 140,803,424

(Continued)

	Land	Buildings	Machinery and Equipment	Other Equipment	Construction in Progress and Prepayments on Purchase of Equipment	Total
Accumulated depreciation and impairment						
Balance at January 1, 2018	$ -	$ 11,862,914	$ 67,566,205	$ 2,735,278	$ -	$ 82,164,397
Depreciation expense	-	1,188,220	5,968,428	129,268	-	7,285,916
Disposals	-	-	(223,595)	(924)	-	(224,519)
Balance at December 31, 2018	$ -	$ 13,051,134	$ 73,311,038	$ 2,863,622	$ -	$ 89,225,794

(Concluded)

a. As of December 31, 2019 and 2018, the carrying amounts of $21,230,163 thousand and $21,008,324 thousand of land, buildings and 12-inch fab facilities were pledged to secure long-term borrowings and corporate bonds.

b. Information about capitalized interest

	For the Year Ended December 31	
	2019	2018
Capitalized interest amounts	$ 148,751	$ 74,013
Capitalized interest rate	1.79%-1.81%	1.79%

13. LEASE ARRANGEMENTS

2019

a. Right-of-use assets

	December 31, 2019
Carrying amounts	
Land	$ 1,688,309
Buildings	16,288
Other equipment	11,695
	$ 1,716,292

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 5,616
Depreciation charge for right-of-use assets	
Land	$ 81,461
Buildings	12,705
Other equipment	4,574
	$ 98,740

b. Lease liabilities

	December 31, 2019
Carrying amounts	
Current	$ 74,527
Non-current	$ 1,660,704

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Land	2.47%
Buildings	1.34%-1.6%
Other equipment	1.34%-1.6%

For the year ended December 31, 2019, the interest expense under lease liabilities amounted to $42,709 thousand.

c. Material lease-in activities and terms

The Company leased lands from Science Park Administration, and the lease term will expire in 2023 and 2037, respectively, which can be extended after the expiration of the lease periods.

d. Other lease information

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 9,736
Expenses relating to variable lease payments not included in the measurement of lease liabilities	$ 19,663
Total cash outflow for leases	$ 151,241

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

2018

Lease expense

	For the Year Ended December 31, 2018
Lease expense	$ 141,747

14. INVESTMENT PROPERTIES

	December 31, 2019
Investment properties, net	$ 295,251

The Company has been subleasing its offices located in Hsinchu to its subsidiary, NTC, since November 2019, which was classified as operating lease with lease terms of 5 years and with an extension option. As of December 31, 2019, the fair value of such investment properties was approximately NT$297,000 thousand, which used as reference the neighboring area transactions.

	Investment Properties
Cost	
Balance at January 1, 2019	$ -
Reclassified from property, plant and equipment	296,587
Balance at December 31, 2019	$ 296,587
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ -
Depreciation expense	1,336
Balance at December 31, 2019	$ 1,336

15. INTANGIBLE ASSETS

	December 31	
	2019	2018
Deferred technical assets, net	$ 123,949	$ 104,925

	Deferred Technical Assets
Cost	
Balance at January 1, 2019	$ 17,844,211
Additions	29,424
Balance at December 31, 2019	$ 17,873,635
Accumulated amortization and impairment	
Balance at January 1, 2019	$ 17,739,286
Amortization expense	10,400
Balance at December 31, 2019	$ 17,749,686

(Continued)

	Deferred Technical Assets
Cost	
Balance at January 1, 2018	$ 17,844,211
Balance at December 31, 2018	$ 17,844,211
Accumulated amortization and impairment	
Balance at January 1, 2018	$ 17,728,886
Amortization expense	10,400
Balance at December 31, 2018	$ 17,739,286

(Concluded)

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

16. BORROWINGS

a. Short-term borrowings

	December 31			
	2019		2018	
	Interest Rate %	Amount	Interest Rate %	Amount
Bank lines of credit	1.00	$ 1,000,000	-	$ -

b. Long-term borrowings

	Period	Interest Rate	December 31 2019	December 31 2018
Secured borrowings				
CTBC Bank Co., Ltd. syndicated loan (IV)	2014.07.07-2019.11.27	1.87%-2.23%	$ -	$ 2,600,000
Bank of Taiwan secured medium-term loan	2014.12.29-2021.12.29	1.40%-1.70%	247,040	370,560
Bank of Taiwan syndicated loan (IV)	2016.08.15-2021.12.29	1.79%-1.81%	9,000,000	5,800,000
Bank of Taiwan syndicated loan (V)	2019.01.14-2026.09.19	1.89%	4,250,000	-
			13,497,040	8,770,560
Less: Current portion			(4,123,520)	(4,563,520)
Less: Syndication agreement management fee			(143,047)	(27,767)
			$ 9,230,473	$ 4,179,273

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.

d) On August 26, 2019, the loan be repaid in advance.

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) Bank of Taiwan Syndicated Loan (V)

a) On January 14, 2019, the Company entered into a syndicated loan, with a group of financial institutions, to procure equipment for fab. The credit line amounted to $42 billion. The principal will be repaid every six months from September 19, 2022 until maturity.

b) Refer to Note 12 for collateral on bank borrowings.

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

17. BONDS PAYABLE

	December 31	
	2019	**2018**
Domestic secured bonds	$ 10,000,000	$ 10,000,000
Less: Discounts on bonds payable	(68,254)	(80,221)
	$ 9,931,746	$ 9,919,779

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

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

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

18. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

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

b. Defined benefit plan

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

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

	December 31	
	2019	2018
Present value of the defined benefit obligation	$ 1,543,793	$ 1,278,847
Fair value of the plan assets	(591,018)	(520,415)
Net defined benefit liabilities, non-current	$ 952,775	$ 758,432

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

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2019	$ 1,278,847	$ (520,415)	$ 758,432
Service cost			
Current service cost	23,984	-	23,984
Net interest expense (income)	16,345	(6,652)	9,693
Recognized in profit or loss	40,329	(6,652)	33,677
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(18,781)	(18,781)
- changes in demographic assumptions	(4,608)	-	(4,608)
- changes in financial assumptions	79,485	-	79,485
- experience adjustments	17,928	-	17,928
Recognized in other comprehensive income	92,805	(18,781)	74,024
Contributions from the employer	-	(17,023)	(17,023)
Benefits paid	(27,598)	27,598	-
Transfer from pension liabilities from subsidiaries	159,410	(55,745)	103,665
Balance at December 31, 2019	$ 1,543,793	$ (591,018)	$ 952,775
Balance at January 1, 2018	$ 1,148,246	$ (495,793)	$ 652,453
Service cost			
Current service cost	19,516	-	19,516
Net interest expense (income)	16,763	(7,095)	9,668
Recognized in profit or loss	36,279	(7,095)	29,184
Remeasurement			
Actuarial (gain) loss			
- realized rate greater than the discounted rate	-	(12,847)	(12,847)
- changes in demographic assumptions	18,837	-	18,837
- changes in financial assumptions	33,393	-	33,393
- experience adjustments	45,697	-	45,697
Recognized in other comprehensive income	97,927	(12,847)	85,080
Contributions from the employer	-	(15,907)	(15,907)
Benefits paid	(11,227)	11,227	-
Transfer from pension liabilities from subsidiaries	8,060	-	8,060
Account paid	(438)	-	(438)
Balance at December 31, 2018	$ 1,278,847	$ (520,415)	$ 758,432

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

	For the Year Ended December 31	
	2019	2018
Operating cost	$ 14,566	$ 14,691
Selling expenses	2,120	2,115
General and administrative expenses	5,120	3,751
Research and development expenses	11,871	8,627
	$ 33,677	$ 29,184

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

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

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

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

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

	December 31	
	2019	2018
Discount rate	0.75%	1.25%
Expected rate of salary increase	1.00%-3.00%	3.00%

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

	December 31	
	2019	2018
Discount rate		
0.5% increase	$ (79,485)	$ (65,542)
0.5% decrease	$ 85,621	$ 70,752
Expected rate of salary increase		
0.5% increase	$ 83,449	$ 69,170
0.5% decrease	$ (78,341)	$ (64,785)

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

	December 31	
	2019	**2018**
The expected contribution to the plan for the next year	$ 20,356	$ 16,744
The average duration of defined benefit obligation	10.70 years	10.70 years

19. EQUITY

a. Share capital

	December 31	
	2019	**2018**
Number of shares authorized (in thousands)	6,700,000	6,700,000
Shares authorized	$ 67,000,000	$ 67,000,000
Number of shares issued and fully paid (in thousands)	3,980,000	3,980,000
Shares issued	$ 39,800,002	$ 39,800,002

As of December 31, 2019 and 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

	December 31	
	2019	**2018**
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Arising from issuance of share capital	$ 4,787,673	$ 4,787,673
Arising from treasury share transactions	2,342,036	2,342,036
Arising from conversion of bonds	136,352	136,352
May only be used to offset a deficit		
Arising from changes in percentage of ownership interest in subsidiaries	1,998	6,042
Arising from share of changes in capital surplus of associates	29,137	29,137
Cash capital increase reserved for employee share options	208,451	208,451
Others	30,749	30,749
	$ 7,536,396	$ 7,540,440

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

c. Retained earnings and dividend policy

The shareholders held their regular meeting on June 14, 2019 and resolved the amendments to the Company’s Articles of Incorporation. The amendments of the Company’s dividend distribution policy as follows:

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 Company purchases its stock for transferring such treasury shares, issues employee options, provides pre-emptive right for employees' subscription upon issuing new shares, issues new restricted employee shares, and distributes employee remuneration, to employees of the Company’s controlling or subordinated companies who meet certain criteria, which shall be determined and resolved by the board of directors.

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 bonuses and dividends to shareholders.

The board of directors shall be authorized to distribute the profit, the legal reserve and the capital reserve mentioned in the preceding paragraph in cash upon resolution by a majority vote at a board meeting attended by two-thirds or more of the directors, and shall report the same to the shareholders’ meeting.

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 30% 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.

The Company may distribute its profit or make up its losses at the end of each half of a fiscal year. The business report, the financial statements, and the proposal for distribution of earnings or making up loss shall be prepared by and then resolved by the board of directors. The Company, in distributing its profit according to the preceding paragraph, shall estimate and reserve employee and director remuneration and any taxes payable as well as cover any losses and set aside the legal reserve in accordance with the law; however, provided that the legal reserve amounts to the total paid-in capital, the legal reserve need not be set aside. Where the Company distributes the profit in cash, such distribution shall be resolved by the board of directors, but where the profit is distributed in the form of newly issued shares, such distribution shall be resolved by the shareholders' meeting.

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

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

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

The appropriations of earnings for 2018 and 2017 were approved in the shareholders' meetings on June 14, 2019 and June 11, 2018, respectively, as follows:

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

d. Other equity items

1) Exchange differences on translation of foreign financial statements

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ (50,780)	$ (120,988)
Exchange differences arising on translating the financial statements of foreign operations	(10,985)	(1,486)
Share of exchange difference of subsidiaries and associates accounted for using the equity method	(57,481)	71,694
Balance at December 31	$ (119,246)	$ (50,780)

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

2) Unrealized gains (losses) on financial assets at FVTOCI

	For the Year Ended December 31	
	2019	2018
Balance at January 1	$ 3,533,423	$ 5,065,763
Unrealized gains (losses) on revaluation of financial assets at FVTOCI	700,754	(301,203)
Share of unrealized gains (losses) on revaluation of financial assets at FVTOCI of associates accounted for using equity method	787,181	(1,288,815)
Disposal of investments in equity instruments designated at FVTOCI	(11,430)	57,678
Balance at December 31	$ 5,009,928	$ 3,533,423

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

20. EMPLOYEE BENEFITS EXPENSE, DEPRECIATION, AND AMORTIZATION

	For the Year Ended December 31, 2019			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	$ 1,783,158	$ 2,212,453	$ -	$ 3,995,611
Insurance	$ 141,361	$ 149,617	$ -	$ 290,978
Board compensation	$ -	$ 20,424	$ -	$ 20,424
Post-employment benefits				
Pension	$ 100,474	$ 105,482	$ -	$ 205,956
Depreciation	$ 7,724,047	$ 603,410	$ 1,495	$ 8,328,952
Amortization	$ -	$ 10,400	$ 19,720	$ 30,120

	For the Year Ended December 31, 2018			
	Classified as Operating Costs	Classified as Operating Expenses	Classified as Non-operating Income and Losses	Total
Short-term employee benefits				
Salary	$ 2,338,387	$ 2,554,625	$ -	$ 4,893,012
Insurance	$ 140,989	$ 120,334	$ -	$ 261,323
Board compensation	$ -	$ 88,185	$ -	$ 88,185
Post-employment benefits				
Pension	$ 99,648	$ 82,641	$ -	$ 182,289
Depreciation	$ 6,654,240	$ 631,676	$ -	$ 7,285,916
Amortization	$ -	$ 10,400	$ 14,020	$ 24,420

There were 2,984 and 2,795 employees in the Company 7 and 8 of the directors do not doubled as employee as of December 31, 2019 and 2018, respectively.

As of December 31, 2019 and 2018, the average employee benefits and average salaries and wages were $1,516 thousand, $1,342 thousand, $1,946 thousand and $1,756 thousand, respectively. The average salaries and wages decrease 24%.

In accordance with the Company Act and the Articles of Incorporation, it stipulates distribution of the compensation of employees and remuneration of directors at the rates no more than 1% and no less than 1%, respectively, of net profit before income tax, remuneration to directors and compensation of employees. The calculation for the rate mentioned above also include the Company's remuneration of supervisors before establishment of the Audit Committee. For the years ended December 31, 2019 and 2018, the employees' compensation and remuneration of directors were as follows:

	For the Year Ended December 31			
	2019		**2018**	
	Amounts	**Accrual Rate**	**Amounts**	**Accrual Rate**
Employees' compensation	$ 28,038	2%	$ 163,650	2%
Remuneration of directors	$ 14,019	1%	$ 81,825	1%

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

The compensation to employees and remuneration to the directors of 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 amounts of the compensation of employees and remuneration of directors resolved by the Company's board of directors, and the amounts recognized in the financial statements for the years ended December 31, 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.

21. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

The major components of income tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current income tax expense		
In respect of the current year	$ -	$ -
Additional income tax expense on unappropriated earnings	88,192	68,146
Adjustment for prior years' tax	20,273	6,371
Deferred income tax		
In respect of the current year	(5,000)	607,827
Effect of tax rate changes	-	(191,824)
Income tax expense recognized in profit or loss	$ 103,465	$ 490,520

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

	For the Year Ended December 31	
	2019	2018
Income tax expense from continuing operations at the statutory rate	$ 272,000	$ 1,587,000
Tax effect of adjustment items		
Permanent difference	(243,000)	(209,000)
Others	-	(3,997)
Current income tax expense	29,000	1,374,003
Effect of tax rate changes	-	(191,824)
Unrecognized loss carryforwards and deductible temporary differences	(34,000)	(766,176)
Additional income tax expense on unappropriated earnings	88,192	68,146
Adjustment for prior years' income tax expense	20,273	6,371
Tax expense recognized in profit or loss	$ 103,465	$ 490,520

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 was reduced from 10% to 5%.

In July 2019, the President of the ROC announced the amendments to the Statute for Industrial Innovation, which stipulate that the amounts of unappropriated earnings in 2018 and thereafter that are reinvested in the construction or purchase of certain assets or technologies are allowed as deduction when computing the income tax on unappropriated earnings.

b. Current tax assets and liabilities

	December 31	
	2019	2018
Current income tax assets		
Tax refund receivable (recorded as “other receivables”)	$ 5,807	$ 10,727
Current income tax liabilities		
Income tax payable	$ 86,193	$ 73,504

c. Deferred tax assets

As of December 31, 2019 and 2018, deferred tax assets were as follows:

	December 31	
	2019	2018
Deferred tax assets		
Operating loss carryforwards	$ 51,000	$ 463,000
Temporary differences		
Allowance for loss on inventories	332,000	148,000
Others	269,000	56,000
	$ 652,000	$ 667,000

d. Operating loss carryforwards

Operating loss carryforwards as of December 31, 2019 comprised:

Operating Loss Carryforwards	Expiry Year
$ 51,000	2022

e. Information about investment credits

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

f. Tax return assessments

The tax returns through 2017 have been assessed by the tax authorities.

22. EARNINGS PER SHARE

	For the Year Ended December 31					
	2019			2018		
	Amounts (Numerator) Net profit	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) Net profit	Amounts (Numerator) Net profit	Shares (Denominator) (In Thousands)	Earnings Per Share (NT$) Net profit
Basic earnings per share						
Net income attributed to ordinary shareholders	$ 1,256,387	3,980,000	$ 0.32	$ 7,446,496	3,980,000	$ 1.87
Effect of dilutive potential ordinary shares						
Employees' compensation	-	1,434		-	12,078	
Diluted earnings per share						
Net income attributed to ordinary shareholders	$ 1,256,387	3,981,434	$ 0.32	$ 7,446,496	3,992,078	$ 1.87

If the Company offered to settle the compensation or bonuses paid to employees by cash or shares, the Company assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share (EPS), if the shares have a dilutive effect. Such dilutive effect of the potential shares is included in the computation of diluted EPS until the number of shares to be distributed to employees is resolved in the following year.

23. BUSINESS COMBINATIONS

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
GTD	Investment holding	July 4, 2019	100	$ 155,367 US$ 5,000

In July 2019, the Company purchase 100% ownership interest of GTD in order to indirectly hold GTD's subsidiary in India, GLMTD Technology Private Limited, with a 99.99% ownership interest.

b. Subsidiaries combinations

Subsidiary	Main Business	Date of Combination
MMDC	Design, development and marketing of Pseudo SRAM	October 1, 2019

On July 25, 2019, MMDC's board of directors resolved to conduct a short-form merger with the Company on the effective date of October 1, 2019. The Company is the surviving company after the short-form merger.

Assets acquired and liabilities assumed at the date of combination:

	Amounts
Assets	
Cash and cash equivalents	$ 26,375
Other	67,627
Liabilities	
Net defined benefit liabilities, current	(103,665)
Other	(15,834)
	$ (25,497)

24. CAPITAL MANAGEMENT

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

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 balance sheets

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

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

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

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

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

Fair value hierarchy as at December 31, 2019

Financial liabilities	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bonds payable	$ 9,931,746	$ -	$ 9,931,746	$ -	$ 9,931,746

Fair value hierarchy as at December 31, 2018

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

4) Fair value of financial instruments that are measured at fair value on a recurring basis

Fair value hierarchy as at December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 69,425	$ -	$ 69,425
Financial assets at FVTOCI				
Equity securities				
Domestic listed and emerging securities	$ 7,173,101	$ -	$ -	$ 7,173,101
Domestic unlisted securities	-	17,240	236	17,476
	$ 7,173,101	$ 17,240	$ 236	$ 7,190,577

Fair value hierarchy as at December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets (not under hedge accounting)	$ -	$ 7,526	$ -	$ 7,526
Financial assets at FVTOCI				
Equity securities				
Domestic listed and emerging securities	$ 6,174,768	$ -	$ -	$ 6,174,768
Domestic unlisted securities	-	17,510	6,147	23,657
	$ 6,174,768	$ 17,510	$ 6,147	$ 6,198,425

b. Categories of financial instruments

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

	December 31			
	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Measured at amortized cost				
Cash and cash equivalents	$ 5,424,966	$ 5,424,966	$ 9,384,525	$ 9,384,525
Accounts receivable (included related parties)	4,417,602	4,417,602	5,131,459	5,131,459
Other receivables	221,601	221,601	469,494	469,494
Refundable deposits (recorded in other non-current assets)	291,751	291,751	168,535	168,535
Financial assets at fair value through profit or loss	69,425	69,425	7,526	7,526
Financial assets at fair value through other comprehensive income (current and non-current)	7,190,577	7,190,577	6,198,425	6,198,425
Financial liabilities				
Measured at amortized cost				
Short-term borrowings	1,000,000	1,000,000	-	-
Notes and accounts payable (included related parties)	4,581,394	4,581,394	4,070,733	4,070,733
Payable on equipment and other payables	5,330,615	5,330,615	5,874,005	5,874,005
Bonds payable	9,931,746	9,931,746	9,919,779	9,919,779
Long-term borrowings (included current portion)	13,497,040	13,497,040	8,770,560	8,770,560
Guarantee deposits (recorded in other non-current liabilities)	1,810	1,810	40	40

c. Financial risk management objectives and policies

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

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

1) Market risk

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

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

a) Foreign currency risk

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

The sensitivity analysis included only outstanding foreign currency denominated monetary items at the end of the reporting period and an increase in net income and equity if New Taiwan dollars strengthen by 1% against foreign currencies. For a 1% weakening of New Taiwan dollars against US dollars, there would be an increase in net income in the amounts of $18,934 thousand and $29,834 thousand for the years ended December 31, 2019 and 2018.

b) Interest rate risk

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

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

	December 31	
	2019	**2018**
Cash flow interest rate risk		
Financial liabilities	$ 13,497,040	$ 8,770,560

The sensitivity analyses below were determined based on the Company's exposure to interest rates for fair value of variable-rate derivatives instruments at the end of the reporting period. If interest rates had been higher by one percentage point, the Company's cash flows for the years ended December 31, 2019 and 2018 would increase by $134,970 thousand and $87,706 thousand, respectively.

2) Credit risk

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

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

3) Liquidity risk

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

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

	December 31, 2019			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	$ 9,912,009	$ 1,810	$ -	$ 9,913,819
Lease liabilities	115,353	115,030	1,983,279	2,213,662
Variable interest rate liabilities	4,123,520	5,123,520	4,250,000	13,497,040
Fixed interest rate liabilities	1,000,000	-	10,000,000	11,000,000
	$ 15,150,882	$ 5,240,360	$ 16,233,279	$ 36,624,521

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	$ 230,383	$ 319,471	$ 521,091	$ 521,091	$ 621,626

	December 31, 2018			
	Within 1 Year	1-2 Years	Over 2 Years	Total
Non-interest bearing	$ 9,944,738	$ 40	$ -	$ 9,944,778
Variable interest rate liabilities	4,563,520	1,883,520	2,323,520	8,770,560
Fixed interest rate liabilities	-	-	10,000,000	10,000,000
	$ 14,508,258	$ 1,883,560	$ 12,323,520	$ 28,715,338

26. RELATED PARTY TRANSACTIONS

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

Related Party	Relationship with the Company
Walsin Lihwa Corporation	Investor that exercises significant influence over the Company
WEHK	Subsidiary
PCI	Subsidiary
MMDC	Subsidiary (October 1, 2019 as the date of short-form merger date with the Company)
WTL	Subsidiary
TDC	Subsidiary (June 10, 2019 as the date of liquidation)
Callisto	Subsidiary
Winbond Electronics (Suzhou) Limited ("WECN")	Subsidiary
Winbond Electronics Corporation America ("WECA")	Subsidiary

(Continued)

Related Party	Relationship with the Company
Winbond Electronics Corporation Japan ("WECJ")	Subsidiary
GTD	Subsidiary
NTC	Subsidiary
Chin Xin Investment Co., Ltd.	Associate
Hwa Bao Botanic Conservation Corp.	Associate
Walton Advanced Engineering Inc.	Related party in substance
Walton Advanced Engineering (Suzhou) Inc.	Related party in substance
HannStar Display Corporation	Related party in substance
Walsin Technology Corporation	Related party in substance
Harbinger III Venture Capital Corp.	Related party in substance

(Concluded)

b. Operating activities

	For the Year Ended December 31	
	2019	2018
1) Operating revenue		
Subsidiaries		
WEHK	$ 8,417,086	$ 7,485,855
WECJ	4,607,248	4,864,471
Others	2,191,261	2,480,734
	$ 15,215,595	$ 14,831,060
2) Manufacturing expenses		
Related party in substance		
Walton Advanced Engineering Inc.	$ 2,957,727	$ 2,678,821
Others	562,033	566,350
	$ 3,519,760	$ 3,245,171
3) Selling expenses		
Subsidiaries		
WECA	$ 184,945	$ 182,790
Others	4,424	4,507
	$ 189,369	$ 187,297
4) General and administrative expenses		
Investor that exercises significant influence over the Company	$ 11,467	$ 10,078
Subsidiaries	4,223	-
Related party in substance	38	29
	$ 15,728	$ 10,107

(Continued)

	For the Year Ended December 31	
	2019	2018
5) Research and development expenses		
Subsidiaries	$ 1,142,886	$ 1,135,332
6) Dividend income		
Investor that exercises significant influence over the Company		
Walsin Lihwa Corporation	$ 252,000	$ 200,000
Related party in substance		
Walsin Technology Corporation	160,051	39,384
HannStar Display Corporation	33,020	50,034
Walton Advanced Engineering Inc.	15,019	42,553
Others	1,184	10,213
	$ 461,274	$ 342,184
7) Other income		
Associate	$ 72	$ -
Subsidiaries		
NTC	7,408	7,818
Others	297	396
Related party in substance	14,968	2,690
	$ 22,745	$ 10,904

(Concluded)

	December 31	
	2019	2018
8) Accounts receivable due from related parties		
Subsidiaries		
WEHK	$ 984,183	$ 846,501
WECJ	425,678	267,477
Others	67,452	99,235
	$ 1,477,313	$ 1,213,213
9) Accounts payable to related parties		
Related party in substance		
Walton Advanced Engineering Inc.	$ 773,107	$ 473,453
Others	138,422	156,228
	$ 911,529	$ 629,681

(Continued)

	December 31	
	2019	2018
10) Other receivables and other current assets		
Subsidiaries		
PCI	$ -	$ 277,470
Others	18,710	3,071
Investor that exercises significant influence over the Company	-	209
	$ 18,710	$ 280,750
11) Other payables		
Subsidiaries	$ 240,135	$ 245,495
Related party in substance	34,908	35,745
Investor that exercises significant influence over the Company	1,117	1,862
	$ 276,160	$ 283,102
12) Refundable deposits paid (recorded as "other non-current assets")		
Subsidiaries	$ 545	$ 545
Investor that exercises significant influence over the Company	203	203
	$ 748	$ 748
13) Refundable deposits received (recorded as "other non-current liabilities")		
Subsidiaries	$ 1,780	$ -
14) Acquisitions of property, plant and equipment		
Subsidiaries	$ 1,670	$ -

(Concluded)

The Company's transactions with the related party were conducted under normal terms.

c. Lease arrangements

	December 31, 2019
Lease liabilities	
Subsidiaries	$ 11,254
Investor that exercises significant influence over the Company	5,161
	$ 16,415

	For the Year Ended December 31, 2019
Interest expense	
Subsidiaries	$ 204
Investor that exercises significant influence over the Company	99
	$ 303

d. Subleasing

Refer to Note 14.

e. Compensation of key management personnel

	For the Year Ended December 31	
	2019	2018
Short-term employment benefits	$ 140,654	$ 237,990
Post-employment benefits	685	21,485
	$ 141,339	$ 259,475

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

27. PLEDGED AND COLLATERALIZED ASSETS

Refer to Notes 6 and 12 to the financial statements.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

a. Amounts available under unused letters of credit as of December 31, 2019 and 2018 were approximately US$6,592 thousand and US$14,708 thousand, JPY436,580 thousand and JPY2,483,939 thousand, and EUR0 thousand and EUR122 thousand, respectively.

b. Signed construction contract

	Total Contract Price	Payment as of December 31, 2019
TASA Construction Corporation	$ 8,530,699	$ 6,103,853

29. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The following information was aggregated by the foreign currencies other than functional currencies of the Company entities and the exchange rates between foreign currencies and respective functional currencies were disclosed. The significant assets and liabilities denominated in foreign currencies were as follows:

	December 31					
	2019			2018		
	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate	New Taiwan Dollars (In Thousands)
Financial assets						
Monetary items						
USD	$ 169,151	29.98	$ 5,071,147	$ 193,353	30.715	$ 5,938,826
EUR	564	33.59	18,957	1,392	35.20	49,006
JPY	1,600,445	0.276	441,723	1,780,210	0.2782	495,254
RMB	73,383	4.305	315,915	14,162	4.472	63,334
Non-monetary items						
USD	18,837	29.98	564,741	15,840	30.715	486,529
ILS	8,091	8.6652	70,113	6,796	8.1494	55,387
EUR	850	33.59	28,552	-	-	-
Financial liabilities						
Monetary items						
USD	105,995	29.98	3,177,737	96,221	30.715	2,955,419
EUR	2,526	33.59	84,854	3,358	35.20	118,201
JPY	1,574,340	0.276	434,518	3,120,742	0.2782	868,190
ILS	6,291	8.6652	54,516	2,295	8.1494	18,702

The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31	
Foreign Currencies	**2019**	**2018**
USD	$ (116,593)	$ 279,526

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	Table 2
5)	Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital	Table 3
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 4
8)	Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital	Table 5
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 6

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 7
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 7

31. SEGMENT INFORMATION

The Company has provided the financial information of the operating segments in the consolidated financial statements. These parent company only financial statements do not provide such information.

TABLE 1

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES HELD
DECEMBER 31, 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	December 31, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
Winbond Electronics Corp. (WEC)	Shares							
	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	218,000,000	$ 3,357,200	7	$ 3,357,200	
	Hannstar Display Corporation	The investee's chairman are relatives within the second degree of relationship of WEC's chairman.	〃	110,067,210	890,443	4	890,443	
	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	583,230	10	583,230	
	Walsin Technology Corporation	The investee's chairmans are relatives within the second degree of relationship of WEC's chairman.	〃	9,800,117	2,342,228	2	2,342,228	
	Shares							
	His Chu Golf Country Club	None	Non-current financial assets at fair value through other comprehensive income	3	9,120	-	9,120	
	Linkou Golf Course	〃	〃	1	8,120	-	8,120	
	Smart Catch International Co., Ltd.	〃	〃	4,000,000	-	16	-	
	Harbinger III Venture Capital Corp.	WEC as the investee's supervisor	〃	5,440	236	5	236	
WECA	Shares							
	Everspin Technologies, Inc.	None	Current financial assets at fair value through other comprehensive income	332,834	USD 1,751	2	USD 1,751	
	Funds							
	JVP VIII, L.P.	None	Non-current financial assets at fair value through other comprehensive income	-	USD 4,356	7	USD 4,356	
WECJ	Shares							
	Nihon Computer Co., Ltd.	None	Non-current financial assets at fair value through other comprehensive income	10	JPY -	1	-	
GLMTD	Shares							
	TEGNA Electronics Private Limited	The held company as the investee's director	Non-current financial assets at fair value through other comprehensive income	3,001,000	INR 30,010	10	INR 30,010	

(Continued)

Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Shares/Units	Carrying Amount	Percentage of Ownership (%)	Fair Value	
NTC	Shares							
	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	1,350,000	$ 16,605	5	$ 16,605	
	United Industrial Gases Co., Ltd.	The held company as the investee's director	〃	8,800,000	440,000	4	440,000	
	Brightek Optoelectronic Co., Ltd.	None	〃	34,680	485	-	485	
	Autotalks Ltd. - Preferred E. Share	None	〃	3,932,816	599,600	8	599,600	
SYI	Shares							
	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	60,720	5	60,720	

Note: Refer to Tables 6 and 7 for information of investment in subsidiaries, investments in associates and investment in Mainland China.

(Concluded)

WINBOND ELECTRONICS CORPORATION

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Purpose of Transaction	Nature of Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Amount (Note 3)	Gain (Loss) on Disposal	Shares/Units	Amount
WEC	Shares													
	NTC	Investments accounted for using equity method	Subscription of shares	Related party	126,620,087	$ 2,256,830	50,379,913	$ 2,588,607 (Note 1)	-	$ -	$ (316,550) (Note 2)	$ -	177,000,000	$ 4,528,887
NTC	Shares													
	Autotalks Ltd. - Preferred E. Share	Non-current financial assets at fair value through other comprehensive income	Subscription of shares issued by Autotalks Ltd.	Non-related party	-	-	3,932,816	630,000	-	-	-	-	3,932,816	599,600 (Note 3)

Note 1: Include adjustment for equity method.

Note 2: Cash dividends.

Note 3: Include adjustments for change in value of financial assets at fair value through other comprehensive income.

WINBOND ELECTRONICS CORPORATION

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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	2019.01.04 - 2019.12.23	$ 4,872,879	Monthly settlement by the construction progress and acceptance	TASA Construction Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None
	Buildings	2019.01.15 - 2019.11.21	553,992	Monthly settlement by the construction progress and acceptance	Continental Engineering Corporation	None	N/A	N/A	N/A	N/A	Price comparison and price negotiation	Business purpose	None

WINBOND ELECTRONICS CORPORATION

TOTAL PURCHASES FROM OR SALES TO RELATED PARTIES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 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	$ 8,417,086	22	Net 90 days from invoice date	N/A	N/A	$ 984,183	22	
	WECJ	Indirect subsidiary with 100% ownership	Sales	4,607,248	12	Net 90 days from invoice date	N/A	N/A	425,678	10	
	WECN	Indirect subsidiary with 100% ownership	Sales	1,381,178	4	Net 90 days from invoice date	N/A	N/A	42,550	1	
	WECA	Indirect subsidiary with 100% ownership	Sales	677,958	2	Net 90 days from invoice date	N/A	N/A	-	-	
	NTC	Direct subsidiary with 62% ownership	Sales	132,125	-	Net 30 days from invoice date	N/A	N/A	24,726	1	
WEHK	WEC	Parent company	Purchases	USD 272,650	100	Net 90 days from invoice date	N/A	N/A	USD (32,776)	(100)	
WECJ	WEC	Parent company	Purchases	JPY 16,425,963	98	Net 90 days from invoice date	N/A	N/A	JPY (1,555,555)	(95)	
WECN	WEC	Parent company	Purchases	RMB 309,793	100	Net 90 days from invoice date	N/A	N/A	RMB (9,884)	(100)	
WECA	WEC	Parent company	Purchases	USD 22,292	100	Net 90 days from invoice date	N/A	N/A	-	-	
NTC	WEC	Parent company	Purchases	131,874	4	Net 30 days from invoice date	N/A	N/A	(24,535)	(2)	
	NTHK	Subsidiary	Sales	3,792,364	37	Net 90 days from invoice date	N/A	N/A	56,121	7	
	NTCA	Subsidiary	Sales	101,972	1	Net 90 days from invoice date	N/A	N/A	17,640	2	
	Nyquest Technology Co., Ltd.	Indirect 5% ownership through NTC's subsidiary	Sales	246,292	2	Net 45 days from invoice date	N/A	N/A	45,883	5	
NTHK	NTC	Parent company	Purchases	USD 122,713	100	Net 90 days from invoice date	N/A	N/A	USD (1,872)	(100)	
NTCA	NTC	Parent company	Purchases	USD 3,277	100	Net 90 days from invoice date	N/A	N/A	USD (588)	(100)	

TABLE 5

WINBOND ELECTRONICS CORPORATION

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 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	Direct subsidiary with 100% ownership	$ 984,183	9.20	$ -	-	$ 410,422	$ -
	WECJ	Indirect subsidiary with 100% ownership	425,678	13.29	-	-	-	-

WINBOND ELECTRONICS CORPORATION

NAMES, LOCATIONS, AND RELATED INFORMATION OF INVESTEES OVER WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE (EXCLUDING INFORMATION ON INVESTMENT IN MAINLAND CHINA)
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars and Foreign Currencies)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 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	$ 2,994,644	$ 727,548	177,000,000	62	$ 4,528,887	$ 558,459	$ 349,373	
	Winbond Int'l Corporation	British Virgin Islands	Investment holding	2,992,157	2,992,157	95,410,000	100	1,625,896	49,421	49,421	
	Landmark Group Holdings Ltd.	British Virgin Islands	Investment holding	168,755	186,126	5,343,000	100	409,747	48,422	48,422	
	Mobile Magic Design Corporation	Taiwan	Design, development and marketing of Pseudo SRAM	-	50,000	-	-	-	7,848	7,848	(Note 1)
	Winbond Electronics (HK) Limited	Hong Kong	Sales of semiconductor and investment holding	278,158	278,158	71,150,000	100	421,958	106,518	106,528	
	Pine Capital Investment Limited	Hong Kong	Investment holding	2,967	2,967	780,000	100	7,281	967	967	
	Winbond Technology Ltd.	Israel	Design and service of semiconductor	21,242	21,242	100,000	100	70,113	16,739	16,739	
	Chin Xin Investment Co., Ltd.	Taiwan	Investment holding	1,874,825	1,874,825	182,840,999	38	4,548,224	639,834	241,042	
	Hwa Bao Botanic Conservation Corp.	Taiwan	Agriculture and forestry botanic conservation	750	750	75,000	15	715	(56)	(8)	
	Techdesign Corporation	Taiwan	Electronic commerce and product marketing	-	50,000	-	-	-	(1,530)	(1,285)	(Note 2)
	Callisto Holding Limited	Hong Kong	Electronic commerce and investment holding	156,292	156,292	40,000,000	100	142,793	(10,586)	(10,586)	
	Great Target Development Ltd.	Seychelles	Investment Holding	155,367	-	4,460,000	100	147,019	250	118	(Note 3)
	Winbond Electronics Germany GmbH	Germany	Sales and service of semiconductor	28,679	-	850,000	100	28,551	-	-	(Note 4)
Winbond Int'l Corporation	Winbond Electronics Corporation America	United States of America	Design, sales and after-sales service of semiconductor	1,683,207	1,683,207	3,067	100	1,432,562	49,528	49,528	
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	421,938	48,109	48,109	
	Peaceful River Corp.	British Virgin Islands	Investment holding	20,044	21,789	5,660,000	100	(13,195)	2,204	2,204	(Note 5)
Callisto Holding Limited	Callisto Technology Limited	Hong Kong	Electronic commerce and investment holding	30,895 USD 1,000	-	1,000,000	100	30,130 USD 1,005	165 USD 5	165 USD 5	(Note 6)
Great Target Development Ltd.	GLMTD Technology Private Limited	India	Sales and service of semiconductor	135,415	-	27,998,400	99.99	117,284	285	285	(Note 3)
Nuvoton Technology Corporation	Nuvoton Electronics Technology (H.K.) Limited	Hong Kong	Sales of semiconductor	427,092	427,092	107,400,000	100	459,960	21,929	21,929	
	Pigeon Creek Holding Co., Ltd.	British Virgin Islands	Investment holding	-	439,651	-	-	-	-	-	(Note 7)
	Marketplace Management Limited	British Virgin Islands	Investment holding	273,418	271,798	8,842,789	100	77,837	951	951	
	Nuvoton Investment Holding Ltd.	British Virgin Islands	Investment holding	590,953	574,296	17,960,000	100	277,739	38,840	38,840	
	Song Yong Investment Corporation	Taiwan	Investment holding	38,500	38,500	3,850,000	100	78,834	3,632	3,632	
	Nuvoton Technology India Private Limited	India	Design, sales and after-sales service of semiconductor	30,211	30,211	600,000	100	22,228	1,411	1,411	
	Nuvoton Technology Corp. America	United States of America	Design, sales and after-sales service of semiconductor	190,862	190,862	60,500	100	186,060	(1,287)	(1,287)	(Note 8)
Marketplace Management Limited	Goldbond LLC	United States of America	Investment holding	1,472,903	1,472,124	-	100	77,533	1,267	1,267	
Nuvoton Investment Holding Ltd.	Nuvoton Technology Israel Ltd.	Israel	Design and service of semiconductor	46,905	46,905	1,000	100	278,765	41,401	41,401	

Note 1: MMDC conducted a short-form merger with the Company on the effective date on October 1, 2019. The Company is the surviving company after the short-form merger.
Note 2: TDC filed for liquidation in June 2019 and the date of dissolution was set on June 10, 2019. The liquidation and legal procedures were not completed as of December 31, 2019.
Note 3: The Company purchased GTD in July 2019 and indirectly held GLMTD with 99.99% ownership.
Note 4: A capital was injected in WEG, which was incorporated in November 2019.
Note 5: PRC has a negative net carrying amount as of December 31, 2019, which is reclassified to other non-current liabilities.
Note 6: CTL was incorporated in October 2018, and Callisto has injected a capital in CTL in April 2019.
Note 7: PCH completed the liquidation and legal procedures in January 2019.
Note 8: Since PCH completed the liquidation, NTC directly owned 100% of interest in NTCA.
Note 9: Refer to Table 7 for information on investment in mainland China.

WINBOND ELECTRONICS CORPORATION

INFORMATION ON INVESTMENT IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 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 - Outward	Remittance of Funds - Inward	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Note 1)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
WEC	Winbond Electronics (Suzhou) Limited	Design, development and marketing of VLSI integrated ICs	$ 276,435 USD 9,000	Through investing in WEHK in the third area, which then invested in the investee in mainland China indirectly	$ 276,435 USD 9,000	$ -	$ -	$ 276,435 USD 9,000	$ 21,618	100	$ 21,618	$ 292,909	$ 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 MML in the third area in British Virgin Islands, which then invested in the investee in mainland China indirectly	68,036 USD 2,000	-	-	68,036 USD 2,000	1,623	62	999	48,554	-
	Winbond Electronics (Nanjing) Ltd.	Computer software service (except I.C. design)	16,429 USD 500	Through investing in MML 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	(1)	62	(1)	(1,053) (Note 2)	-
	Nuvoton Electronics Technology (Shenzhen) Limited	Computer software service (except I.C. design), wholesale business for computer, supplement and software	197,670 USD 6,000	Through investing in NTHK in the third area, which then invested in the investee in mainland China indirectly	197,670 USD 6,000	-	-	197,670 USD 6,000	6,354	62	3,911	127,386	-

Note 1: Investment profit or loss for the year ended December 31, 2019 was recognized under the basis of the financial statements audited by the Company's auditor.

Note 2: WENJ has a negative net book value as of December 31, 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 December 31, 2019	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA (Note 3)
WEC	$ 276,435 (USD9,000)	$ 276,435 (USD9,000)	$ 36,612,373
NTC	282,135 (USD8,500)	282,135 (USD8,500)	4,435,219

Note 3: Upper limit on the amount of 60% of the investee's net book value.

3. Refer to Table 4 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.