Stock Code:3105

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN SEMICONDUCTORS CORP.

Parent-Company-Only Financial Statements

With Independent Auditors' Report
For the Years Ended December 31, 2018 and 2017

Address: No.69, Keji 7th Rd., Hwaya Technology Park, Guishan Dist., Taoyuan City, Taiwan

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The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

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Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp.:

Opinion

We have audited the financial statements of WIN Semiconductors Corp.("the Company"), which comprise the balance sheets as of December 31, 2018 and 2017, the statements of comprehensive income, changes in equity and cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended December 31, 2018 and 2017 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 Certification of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 of the current period. 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. In our judgment, the key audit matters we communicated in the auditors' report was as follows:

Evaluation of inventory

Please refer to Note 4(g) "Inventories" for accounting policies, Note 5 for accounting assumptions, judgments and estimation uncertainty of inventories, and Note 6(e) for the amount of loss on valuation of inventories of the parent-company-only financial statements.

Due to the high industry demand and rapid fluctuation of the price of precious metals, the Company stored a significant volume of the said material, which resulted in slow turnover of inventories. Therefore, the Company cannot obtain sufficient information on inventories that were sold or used on the reporting date. Since the technology changes rapidly, the inventory may be out of date or may not conform to market demand, resulting in a risk wherein the carrying amount of inventories may exceed its net realizable value. Consequently, the evaluation of inventory is identified as the key matter in our audit.

How the matter was addressed in our audit

Our principal audit procedures included: Testing the accuracy of the estimations of inventories at the lower of cost and net realizable value. Referring to the recent selling price and considering the amount of written-off inventories in the subsequent events to evaluate the appropriateness of the amount of loss on valuation of inventories or obsolescence. Analyzing the historical accuracy of judgments, including inspecting the amount of loss on valuation of inventories or obsolescence recognized in prior year and with reference to actual disposal to assess rationality of the judgments of the current period. Moreover, comparing with the provision for inventories valuation and obsolescence made in the current year to evaluate the appropriateness of the assumptions.

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 also 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 the Audit Committee) are responsible for overseeing the Company's financial reporting process.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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 investment in other entities accounted for using the equity method to express an opinion on this 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, 2018 and are therefore the key audit matters. We describe these matters in our auditor's 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 Ya-Ling Chen and Mei-Yen Chen.

KPMG

Taipei, Taiwan (The Republic of China)
March 21, 2019

Notes to Readers

The accompanying parent-company-only financial statements are intended only to present the financial position, financial performance and cash flows in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers". The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language independent auditors' report and financial statements, the Chinese version shall prevail.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.

Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets:				
1100	Cash and cash equivalents (note 6(a))	$ 3,474,932	10	6,692,816	18
1110	Current financial assets at fair value through profit or loss (note 6(b))	17,475	-	1,131,696	3
1125	Current available-for-sale financial assets (note 6(b))	-	-	1,661,562	5
1170	Accounts receivable, net (notes 3(a), 6(c) and 6(s))	553,914	1	454,663	1
1180	Accounts receivable due from related parties, net (notes 3(a), 6(c), 6(s) and 7)	942,499	3	1,285,142	4
1310	Inventories (note 6(e))	3,876,539	11	3,735,524	10
1470	Other current assets (notes 6(d) and 6(j))	264,180	1	368,740	1
	Total current assets	9,129,539	26	15,330,143	42
	Non-current assets:				
1510	Non-current financial assets at fair value through profit or loss (note 6(b))	722,405	2	-	-
1517	Non-current financial assets at fair value through other comprehensive income (note 6(b))	1,682,788	5	-	-
1523	Non-current available-for-sale financial assets (note 6(b))	-	-	1,149,835	3
1535	Non-current financial assets at amortized cost (note 6(b))	29,900	-	-	-
1546	Non-current investments in debt instrument without active market (note 6(b))	-	-	62,200	-
1550	Investments accounted for using equity method (note 6(f))	4,379,635	13	2,660,032	7
1600	Property, plant and equipment (notes 6(g) and 8)	14,784,516	42	14,163,365	39
1760	Investment property (notes 6(h) and 8)	1,421,528	4	1,441,902	4
1780	Intangible assets (note 6(i))	94,261	-	81,879	-
1840	Deferred tax assets (note 6(o))	135,802	-	77,200	-
1915	Prepayments for business facilities	2,618,079	8	1,640,615	5
1990	Other non-current assets (notes 6(j) and 8)	50,198	-	52,271	-
	Total non-current assets	25,919,112	74	21,329,299	58
	Total assets	$ 35,048,651	100	36,659,442	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2170	Accounts payable	1,079,252	3	1,682,749	5
2200	Other payables	2,351,057	7	2,722,598	7
2320	Long-term liabilities, current portion (notes 6(l) and 8)	-	-	352,056	1
2399	Other current liabilities (notes 3(a), 6(s) and 7)	217,950	1	211,649	1
	Total current liabilities	3,648,259	11	4,969,052	14
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(l) and 8)	5,802,600	17	5,905,480	16
2570	Deferred tax liabilities (note 6(o))	-	-	33,489	-
2600	Other non-current liabilities (note 6(n))	218,085	-	182,206	-
	Total non-current liabilities	6,020,685	17	6,121,175	16
	Total liabilities	9,668,944	28	11,090,227	30
	Equity (notes 3(a), 6(b), 6(n), 6(o), 6(p) and 6(q)):				
3110	Ordinary shares	4,238,144	12	4,226,664	11
3200	Capital surplus	9,199,357	26	9,052,896	25
3300	Retained earnings	11,178,324	32	10,821,687	30
3400	Other equity interests	763,882	2	1,467,968	4
	Total equity	25,379,707	72	25,569,215	70
	Total liabilities and equity	$ 35,048,651	100	36,659,442	100

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Except for Earnings Per Common Share)

		2018		2017	
		Amount	%	Amount	%
4000	**Operating revenue (notes 6(s) and 7)**	$ 16,757,646	100	16,477,395	100
5000	**Operating costs (notes 6(e), (g), (i), (m), (n), (q), (t), 7 and 12)**	(11,453,327)	(68)	(10,367,930)	(63)
	Gross profit form operating	5,304,319	32	6,109,465	37
	Operating expenses (notes 6(g), (h), (i), (m), (n), (q), (t), 7 and 12):				
6100	Selling expenses	(131,388)	(1)	(109,666)	(1)
6200	Administrative expenses	(802,989)	(5)	(734,840)	(4)
6300	Research and development expenses	(916,432)	(5)	(674,475)	(4)
	Total operating expenses	(1,850,809)	(11)	(1,518,981)	(9)
	Net operating income	3,453,510	21	4,590,484	28
	Non-operating income and expenses (notes 6(c), 6(f), 6(m) and 6(u)):				
7010	Other income	208,523	1	181,820	1
7020	Other gains and losses	377,909	2	(30,475)	-
7050	Finance costs	(22,452)	-	(54,946)	-
7070	Shares of losses of subsidiaries, associates and joint ventures accounted for using equity method	(224,879)	(1)	(109,323)	(1)
	Total non-operating income and expenses	339,101	2	(12,924)	-
7900	**Profit before tax**	3,792,611	23	4,577,560	28
7950	**Total tax expense (note 6(o))**	(668,157)	(4)	(813,360)	(5)
	Profit	3,124,454	19	3,764,200	23
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss (notes 6(n), 6(o) and 6(p))**				
8311	Remeasurements of defined benefit plans	(34,051)	-	201	-
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	(371,497)	(2)	-	-
8330	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	19,453	-	-	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	7,730	-	(34)	-
	Total components of other comprehensive income (losses) that will not be reclassified to profit or loss	(378,365)	(2)	167	-
8360	**Components of other comprehensive income that will be reclassified to profit or loss (notes 6(f) and 6(p))**				
8361	Exchange differences on translation of foreign financial statements	120,184	1	(136,844)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	617,146	4
8380	Shares of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will be reclassified to profit or loss	(54,755)	(1)	225,769	1
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income that will be reclassified to profit or loss	65,429	-	706,071	4
8300	**Other comprehensive income, net**	(312,936)	(2)	706,238	4
8500	**Total comprehensive income**	$ 2,811,518	17	4,470,438	27
	Earnings per common share (expressed in dollars) (note 6(r))				
9750	Basic earnings per share	$ 7.39		9.34	
9850	Diluted earnings per share	$ 7.35		9.30	

See accompanying notes to financial statements.

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WIN Semiconductors Corp.

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

			Retained earnings			Other equity interest						
	Ordinary share	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Other unearned compensation for restricted shares of employees	Total other equity interest	Treasury shares	Total equity
Balance at January 1, 2017	$ 4,076,664	3,758,737	1,068,117	8,308,684	9,376,801	1,719	-	760,178	-	761,897	(347,660)	17,626,439
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	311,277	(311,277)	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	(1,811,999)	(1,811,999)	-	-	-	-	-	-	(1,811,999)
	-	-	311,277	(2,123,276)	(1,811,999)	-	-	-	-	-	-	(1,811,999)
Profit for the year ended December 31, 2017	-	-	-	3,764,200	3,764,200	-	-	-	-	-	-	3,764,200
Other comprehensive income for the year ended December 31, 2017	-	-	-	167	167	(101,927)	-	807,998	-	706,071	-	706,238
Total comprehensive income for the year ended December 31, 2017	-	-	-	3,764,367	3,764,367	(101,927)	-	807,998	-	706,071	-	4,470,438
Issue of shares	200,000	5,340,000	-	-	-	-	-	-	-	-	-	5,540,000
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(96,317)	(96,317)
Retirement of treasury shares	(50,000)	(45,841)	-	(348,136)	(348,136)	-	-	-	-	-	443,977	-
Changes in ownership interests in subsidiaries	-	-	-	(159,346)	(159,346)	-	-	-	-	-	-	(159,346)
Balance at December 31, 2017	4,226,664	9,052,896	1,379,394	9,442,293	10,821,687	(100,208)	-	1,568,176	-	1,467,968	-	25,569,215
Effects of retrospective application and retrospective restatement	-	-	-	166,337	166,337	-	1,401,839	(1,568,176)	-	(166,337)	-	-
Equity at beginning of period after adjustments	4,226,664	9,052,896	1,379,394	9,608,630	10,988,024	(100,208)	1,401,839	-	-	1,301,631	-	25,569,215
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	376,420	(376,420)	-	-	-	-	-	-	-	-
Cash dividends of preference share	-	-	-	(2,958,665)	(2,958,665)	-	-	-	-	-	-	(2,958,665)
	-	-	376,420	(3,335,085)	(2,958,665)	-	-	-	-	-	-	(2,958,665)
Profit for the year ended December 31, 2018	-	-	-	3,124,454	3,124,454	-	-	-	-	-	-	3,124,454
Other comprehensive income for the year ended December 31, 2018	-	-	-	(26,321)	(26,321)	65,429	(352,044)	-	-	(286,615)	-	(312,936)
Total comprehensive income for the year ended December 31, 2018	-	-	-	3,098,133	3,098,133	65,429	(352,044)	-	-	(286,615)	-	2,811,518
Disposal of investments accounted for using equity method	-	(19,746)	-	-	-	(1,165)	-	-	-	(1,165)	-	(20,911)
Adjustment to share of changes in equities of subsidiaries	-	2,330	-	-	-	(256)	-	-	-	(256)	-	2,074
Changes in ownership interests in subsidiaries	-	-	-	(40,573)	(40,573)	-	-	-	-	-	-	(40,573)
Issuance of restricted shares of employees	11,480	163,877	-	-	-	-	-	-	(175,357)	(175,357)	-	-
Compensation cost arising from restricted shares of employees	-	-	-	-	-	-	-	-	17,049	17,049	-	17,049
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	-	-	91,405	91,405	-	(91,405)	-	-	(91,405)	-	-
Balance at December 31, 2018	$ 4,238,144	9,199,357	1,755,814	9,422,510	11,178,324	(36,200)	958,390	-	(158,308)	763,882	-	25,379,707

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 3,792,611	4;577,560
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	3,120,537	2,487,549
Amortization expense	53,836	41,826
Net losses on financial assets or liabilities at fair value through profit or loss	32,387	34,775
Interest expense	22,452	54,946
Interest income	(40,999)	(18,285)
Dividend income	(79,329)	(70,680)
Compensation cost arising from share-based payments	17,049	-
Shares of losses of subsidiaries, associates and joint ventures accounted for using equity method	224,879	109,323
(Gains) losses on disposal of property, plant and equipment	(2,403)	1,809
Gains on disposal of investments	(237,129)	(160,043)
Total adjustments to reconcile profit (loss)	3,111,280	2,481,220
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in accounts receivable	(99,251)	78,009
Decrease (increase) in accounts receivable due from related parties	342,643	(763,185)
Increase in inventories	(148,308)	(1,019,023)
Decrease (increase) in other current assets	97,199	(75,862)
Total changes in operating assets	192,283	(1,780,061)
Changes in operating liabilities:		
Increase (decrease) in accounts payable	(603,497)	741,214
Increase in other payables	137,468	384,189
Increase in other current liabilities	6,301	4,577
Increase in other non-current liabilities	1,827	1,361
Total changes in operating liabilities	(457,901)	1,131,341
Total changes in operating assets and liabilities	(265,618)	(648,720)
Cash inflow generated from operations	6,638,273	6,410,060
Income taxes paid	(878,240)	(764,527)
Net cash flows from operating activities	5,760,033	5,645,533
Cash flows from (used in) investing activities:		
Acquisition of financial assets at fair value through other comprehensive income	(84,704)	-
Proceeds from disposal of financial assets at fair value through other comprehensive income	228,838	-
Proceeds from disposal of non-current financial assets at amortized cost	32,300	-
Acquisition of financial assets at fair value through profit or loss	(477,593)	(1,165,963)
Proceeds from disposal of financial assets at fair value through profit or loss	1,451,464	74,230
Acquisition of non-current available-for-sale financial assets	-	(229,014)
Proceeds from disposal of current available-for-sale financial assets	-	181,000
Proceeds from disposal of non-current available-for-sale financial assets	-	150,745
Acquisition of investments accounted for using equity method	(1,705,270)	(1,204,000)
Proceeds from disposal of investments accounted for using equity method	21,925	-
Proceeds from capital reduction of investments accounted for using equity method	-	39,833
Proceed from disposal of non-current investments in debt instrument without active markets	-	30,400
Acquisition of property, plant and equipment	(2,712,970)	(2,201,117)
Proceeds from disposal of property, plant and equipment	3,367	3,929
Acquisition of intangible assets	(43,538)	(46,839)
Acquisition of investment properties	-	(1,258)
Increase in other non-current assets	-	(1,484)
Decrease in other non-current assets	2,073	-
Increase in prepayments for business facilities	(2,378,658)	(1,299,606)
Interest received	42,151	18,487
Dividends received	79,329	70,680
Net cash flows used in investing activities	(5,541,286)	(5,579,977)
Cash flows from (used in) financing activities:		
Proceeds from long-term debt	4,891,000	5,963,500
Repayments of long-term debt	(5,346,025)	(4,320,979)
Decrease in other non-current liabilities	-	(9,812)
Cash dividends paid	(2,958,665)	(1,811,999)
Proceeds from issuing shares	-	5,540,000
Payments to acquire treasury shares	-	(114,515)
Interest paid	(22,941)	(53,096)
Net cash flows from (used in) financing activities	(3,436,631)	5,193,099
Net increase (decrease) in cash and cash equivalents	(3,217,884)	5,258,655
Cash and cash equivalents at beginning of period	6,692,816	1,434,161
Cash and cash equivalents at end of period	$ 3,474,932	6,692,816

See accompanying notes to financial statements.

(English Translation of Financial Statements and Report Originally Issued in Chinese)

WIN Semiconductors Corp.

Notes to the Parent-Company-Only Financial Statements

For the years ended December 31, 2018 and 2017

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

(1) Company history:

Win Semiconductors Corp. (the "Company") was incorporated on October 16, 1999 as a company limited by shares and registered under the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is No. 69, Keji 7th Rd., Hwaya Technology Park, Guishan Dist., Taoyuan City, Taiwan. The Company engages in the researching, developing, manufacturing, and selling of GaAs wafers.

(2) Approval date and procedures of the financial statements:

The parent-company-only financial statements was authorized for issued by the Board of Directors as of March 21, 2019.

(3) New standards, amendments and interpretations adopted:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendment to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows-Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes-Recognition of Deferred Tax Assets for Unrealised Losses"	January 1, 2017
Amendment to IAS 40 "Transfers of Investment Property"	January 1, 2018

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New, Revised or Amended Standards and Interpretations	Effective date per IASB
Annual Improvement to IFRS Standards 2014-2016 Cycle:	
Amendment to IFRS 12	January 1, 2017
Amendment to IFRS 1 and Amendment to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect, it need not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon the initially application of this standard as an adjustment to the opening balance of retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods. Based on the Company's assessment, since the timing of the delivery of goods upon arrival to a customer and the related risks and rewards of ownership transfer are broadly similar, the Company expect no significant influences on its profit or loss and cash flows.

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2) Impacts on financial statements

The following table summarize the impacts of adopting IFRS15 on the Company' s financial statements:

	December 31, 2018			January 1, 2018		
Impacted items on the balance sheet	**Balance prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**	**Balance prior to the adoption of IFRS 15**	**Impact of changes in accounting policies**	**Balance upon adoption of IFRS 15**
Accounts receivable, net (including related parties)	$ 1,462,263	34,150	1,496,413	1,739,805	42,558	1,782,363
Impact on assets		34,150			42,558	
Current refund liabilities (including related parties) (Note)	$ -	34,150	34,150	-	42,558	42,558
Deferred revenue (Note)	87,057	(87,057)	-	91,259	(91,259)	-
Current contract liabilities (Note)	-	87,057	87,057	-	91,259	91,259
Impact on liabilities		34,150			42,558	

(Note) Recognized under other current liabilities.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 " Financial Instruments: Recognition and Measurement" which contains classification and measurement of financial instruments, impairment and hedge accounting. Additionally, the Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the Standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to note 4(f).

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The adoption of IFRS 9 did not have any a significant impact on the Company' s accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ' incurred loss' model in IAS 39 with the ' expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

· Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in retained earnings and other equity as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

· The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

— The determination of the business model within which a financial asset is held.

— The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

— The designation of certain investments in equity instruments not held for trading as at FVOCI.

· If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Company assumed that the credit risk on its asset will not increase significantly since its initial recognition.

4) Classification of financial assets on the date of initial application of IFRS 9

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

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	IAS39			IFRS9		
	Measurement categories		Carrying Amount	Measurement categories		Carrying Amount
Financial Assets						
Cash and cash equivalents	Loans and receivables (Note 6)	$	6,692,816	Amortized cost	$	6,692,816
Debt instruments	Fair value through profit or loss		1,100,025	Fair value through profit or loss		1,100,025
	Available-for-sale (Note 1)		612,978	Fair value through profit or loss		612,978
	Investments in debt instrument without active market (Note 2)		62,200	Amortized cost		62,200
Equity instruments	Fair value through profit or loss (Note 3)		31,671	Fair value through profit or loss		31,671
	Available-for-sale (Note 4)		2,198,419	Fair value through other comprehensive income		2,198,419
Trade and other receivables-net	Loans and receivables (included related parities) (Note 6)		1,955,758	Amortized cost		1,955,758
Other financial assets (Refundable deposits)	Loans and receivables (Note 6)		24,516	Amortized cost		24,516

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

		2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Adjustment in Retained Earnings	2018.1.1 Adjustment in Other Equity
Fair value through profit or loss							
Fair value through profit or loss	$	1,131,696	-	-	1,131,696	-	-
Debt instruments-from available-for-sale (Note 1)		-	612,978	-	612,978	19,854	(19,854)
Total	$	1,131,696	612,978	-	1,744,674	19,854	(19,854)
Fair value through other comprehensive income							
Available-for-sale (including measured at cost)	$	2,811,397	(2,811,397)	-	-	-	-
Available-for-sale (including measured at cost) to FVOCI (Note 4)		-	2,198,419	-	2,198,419	143,848	(143,848)
Total	$	2,811,397	(612,978)	-	2,198,419	143,848	(143,848)
Investments accounted for using the equity method (Note 5)	$	2,660,032	-	-	2,660,032	2,635	(2,635)

Note 1: The debt instruments are categorized as available-for-sale under IAS 39 and should not be used for other purpose such as receiving the contract's cash flow. Therefore, these assets have been classified as financial assets at FVTPL under IFRS 9. When application of IFRS 9's classification requirements on January 1, 2018 resulting in an increase and decrease of $19,854 thousand in retained earnings and other equity interest, respectively.

Note 2: Debt instruments that were previously classified as investment in debt instrument without active market are now classified at amortized cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

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Note 3: Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

Note 4: These equity securities (including financial assets measured at cost) represent investments that the Company intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income. No impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. When application of IFRS 9's classification requirements on January 1, 2018 resulting in an increase and decrease of $143,848 thousand in retained earnings and other equity interest, respectively.

Note 5: With the adoption of IFRS 9 by accounted for using in equity method, which result in an increase and decrease of $2,635 thousand in retained earnings and other equity interest, respectively.

Note 6: Cash and cash equivalents, notes and accounts receivable (including related parties), other receivables and other financial assets that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

(iii) Amendment to IAS 7 "Disclosure Initiative"

The amendment requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(y).

(b) The impact of IFRS endorsed by the FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendment to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019

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Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

- IFRS 16 "Leases"

  IFRS 16 replaces the existing leases guidance, including IAS 17 " Leases" , IFRIC 4 " Determining whether an Arrangement contains a Lease", SIC-15 " Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

  IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

  1) Determining whether an arrangement contains a lease

     On transition to IFRS 16, the Company will choose to apply the definition of a lease to all its contracts whether a contract is, or contains, a lease.

  2) Transition

     As a lessee, the Company can apply the standard using either of the following:

     • retrospective approach; or

     • modified retrospective approach with optional practical expedients.

     The Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

     The Company will apply the following practical expedients:

     • apply a single discount rate to a portfolio of leases with similar characteristics.

     • adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.

     • apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.

     • exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.

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- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the right-of-use assets and the lease liabilities for the operating leases of its staff dormitories and parking lot. The Company estimated that the right-of-use assets and the lease liabilities to increase by $78,239 thousand and $78,201 thousand, respectively, and prepaid rent expenses decrease by $38 thousand.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company is evaluating the impact of its initial adoption of the abovementioned standards or interpretations on its financial position and financial performance. The results thereof will be disclosed when the Company completes its evaluation.

(4) Summary of significant accounting policies:

The parent-company-only financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language parent-company-only financial statements, the Chinese version shall prevail.

The significant accountings policies have been applied consistently to all periods presented in these parent-company-only financial statements.

The significant accounting policies presented in the parent-company-only financial statements are summarized as follows:

(a) Statement of compliance

These parent-company-only financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers. "

(b) Basis of preparation

(i) Basis of measurement

The parent-company-only financial statements have been prepared on the historical cost basis except for the following material items in the balance sheets:

1) Financial assets measured at fair value through profit or loss

2) Available-for-sale financial assets and fair value through other comprehensive income are measured at fair value;

3) The net defined benefit liabilities are recognized as the present value of the defined benefit obligation, and the effect of the plan assets ceiling disclosure in note 4(q) less plan assets.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the Company operates. The parent-company-only financial statements are presented in New Taiwan Dollars, which is the Company' s functional currency. All financial information presented in New Taiwan Dollars has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and the payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the reporting date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate of the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from retranslation are recognized in profit or loss, except for the following differences which are recognized in other comprehensive income that arises from the retranslation:

- Fair value through other comprehensive income (available-for-sale) equity investment;

- financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the reporting currency of the Company' s parent-company-only financial statements at the exchange rates of the reporting date. The income and expenses of foreign operations, are translated to the reporting currency of the Company' s parent-company-only financial statements at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes of only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely predicted in the foreseeable future, the foreign currency gains and losses arising from such items are considered to a part of investment in the foreign operation and are recognized in other comprehensive income.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current when:

(i) It expects to realize the asset, or intends to sell or consume it in its normal operating cycle;

(ii) It holds the asset primarily for the purpose of trading;

(iii) It expects to realize the asset within twelve months after the reporting period; or

(iv) If the asset is cash and cash equivalent (unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period).

An entity shall classify all other assets as non-current.

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An entity shall classify a liability as current when:

(i) It expects to settle the liability in its normal operating cycle;

(ii) It holds the liability primarily for the purpose of trading;

(iii) The liability is due to be settled within twelve months after the reporting period; or

(iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issuance of equity instruments that do not affect its classification.

(e) Cash and cash equivalents

Cash comprised of cash on hand and cash in bank. Cash equivalents consist of highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Time deposits, which meet the above criteria and for the purpose of fulfilling short-term commitments instead of the purpose of investing activities or others, are categorized as cash equivalents.

(f) Financial instruments

(i) Financial assets (policy applicable from January 1, 2018)

The Company classifies its financial assets into the following categories: measured at amortized cost, financial asset at fair value through other comprehensive income (FVOCI) and financial asset at fair value through profit or loss (FVTPL). Regular way purchase or sales of financial assets shall be recognized and derecognized, as applicable, using trade day.

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL：

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment' s fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of debt investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of equity investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

(Continued)

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

4) Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, ' principal' is defined as the fair value of the financial assets on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers :

- contingent events that would change the amount or timing of cash flows ;
- terms that may adjust the contractual coupon rate, including variable rate features ;
- prepayment and extension features ; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

5) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, financial assets at amortized costs, accounts receivable, other receivable, guarantee deposit paid and other financial assets), and contract assets.

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL :

- debt securities that are determined to have low credit risk at the reporting date ; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

(Continued)

Loss allowance for trade receivables and contract assets are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company' s historical experience and informed credit assessment as well as forward-looking information.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ' investment grade which is considered to be BBB- or higher per Standard & Poor's, Baa3 or higher per Moody's or twA or higher per Taiwan Ratings'.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is ' credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

An impairment loss in respect of financial assets measured at amortized cost are deducted from its carrying amount. Change in the amount of loss allowance is recognized in profit or loss.

The Company shall directly reduce the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a debt instrument in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in "other equity – unrealized gains or losses on fair value through other comprehensive income (loss)" in profit or loss is included in other gains or losses.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss, and presented in the line item of non-operating income and expenses. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

(ii) Financial assets (policy applicable before January 1, 2018)

The Company classifies financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. A regular way purchase or sale of financial assets shall be recognized and derecognized as applicable using trade date accounting.

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1) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short term. This type of financial asset is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, (which takes into account any dividend and interest income), are recognized in profit or loss, and it is included in other gains and losses, and other income, respectively.

2) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated available-for-sale or are not classified in any of the other categories of financial assets. Available-for-sale financial assets are recognized initially at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, interest income calculated using the effective interest method, dividend income, and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and are presented in the fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and it is included in other gains and losses.

3) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprise trade receivables, other receivables, and non-current debt instrument investment without active market. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses, other than insignificant interest on short-term receivables. Interest income is recognized in profit or loss, and it is included in other income.

4) Impairment of financial assets

A financial asset is impaired if, and only if, there is any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset stand that loss event has an impact on the estimated future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the entity on terms that the entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

(Continued)

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries, and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

An impairment loss in respect of a financial asset is reduced from the carrying amount, except for trade receivables in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off from the allowance account. Any subsequent recovery of receivable written off is recorded in the allowance account. Changes in the amount of the allowance accounts are recognized in profit or loss.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss.

If, in a subsequent period, the amount of the impairment loss of a financial assets measured at amortized cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the decrease in impairment loss is reversed through profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost before the impairment was recognized at the reversal date.

Impairment losses recognized on available-for-sale equity security are not reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

Impairment losses and recoveries in respect of accounts receivable are recognized in operating expenses. Impairment losses and recoveries in respect of the financial assets other than accounts receivables are recognized in profit or loss, and it is included in other gains and losses.

5) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity interest— unrealized gains (losses) on available-for-sale financial assets is recognized in profit or loss, and included in other gains and losses.

The Company allocates between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the transfer.

The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income shall be recognized in profit or loss, and is included in other gains and losses.

A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts.

(iii) Financial liabilities

1) Financial liabilities at fair value through profit or loss

A financial liability is classified in this category if it is classified as held for trading or is designated as at fair value through profit or loss. This type of financial liability is measured at fair value at the time of initial recognition, and attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, which takes into account any interest expense, are recognized in profit or loss, and are included in other gains and losses, and finance costs, respectively.

2) Other financial liabilities

Financial liabilities comprise of short and long borrowings, and trade and other payables, are not classified as held-for-trading, or designated as at fair value through profit or loss shall be measured at fair value, plus, any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is included in finance costs.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or expires. The difference between the carrying amount of a financial liability removed and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss, and is included in other gains and losses.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(iv) Derivative financial instruments, including hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss, and are included in other gains and losses.

When a derivative is designated as a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, or joint control over their financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill which arises from the acquisition less any accumulated impairment losses.

The parent-company-only financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(Continued)

When the Company subscribes to additional shares in an 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 net assets of the associate. The Company records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus. Moreover, a difference shall be debited to retained earnings when the balance of capital surplus resulting from investments accounted for using equity method is not sufficient to be written off. If the Company's ownership interest is reduced due to the additional subscription to the shares of associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate shall be reclassified to profit or loss on the same basis as would be required if the associate or jointly controlled entity had directly disposed of the related assets or liabilities.

(i) Investment in subsidiaries

When preparing the parent-company-only financial statements, the investments in subsidiaries, which are controlled by the Company, are accounted for using the equity method. Under the equity method, the profit or loss for the period and other comprehensive income presented in the parent-company-only financial statements should be the same as the allocations of profit or loss for the period and of other comprehensive income attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis; and the owners' equity presented in the parent-company-only financial statements should be the same as the equity attributable to the owners of the parent presented in the financial statements prepared on a consolidated basis. The Company also recognized its shares in the changes in its equity of subsidiaries.

Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity.

(j) Investment property

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost both on initial recognition and at subsequent period. Cost includes expenditure that is directly attributable to the acquisition of the investment property.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. The cost consists of any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost are eligible for capitalization.

(Continued)

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Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of the significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized in profit or loss, under net other income and expenses.

(ii) Reclassification to investment property

The property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance is expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount and it shall be allocated on a straight-line basis over its useful life. The items of property, plant and equipment with the same useful life may be grouped in determining the depreciation charge. The remainder of the items may be depreciated separately. The depreciation charge for each period shall be recognized in profit or loss.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

1) Buildings and structures： 3 to 25 years

2) Machinery and equipment： 2 to 10 years

3) Factory and equipment： 2 to 10 years

4) Other equipment： 2 to 5 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the change is accounted for as a change in an accounting estimate.

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(l) Leases

(i) Lesser

Lease income from operating lease is recognized in income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as the lease income. Incentives granted to the lessee to enter into the operating lease are spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Contingent rents are recognized as income in the period when the lease adjustments are confirmed.

(ii) Lessee

Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value with the present of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Company' s statement of financial position.

Payments made under operating lease, excluding insurance and maintenance expenses, are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent rent is recognized as expense in the periods in which they are incurred.

(m) Intangible assets

Subsequent to the initial recognition, an intangible asset is measured at cost, less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Amortizable amount is the cost of an asset less its residual values. Intangible assets are amortized from the date that they are available for use by using straight-line method, the estimated useful lives for the current and comparative periods are as follows:

(i) Technical know-how: 12 years

(ii) Computer software and information systems: 1 to 5 years

(iii) Others: 1.5 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as a change in accounting estimate.

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WIN Semiconductors Corp.
Notes to the Parent-Company-Only Financial Statements

(n) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, deferred tax assets and assets arising from employee benefits are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for the individual asset or the cash-generating unit is the higher of its fair value less costs to sell and its value in use. When evaluating value in use, the pre-tax discount rate is used to estimate the future cash flows. The discount rate should reflect the evaluation of specific risk resulting from the impact of the current market on the time value of money and on the asset or cash-generating unit . If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount.

The reduction is an impairment loss which shall be recognized immediately in profit or loss.

The Company should assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset shall be increased to its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount net of depreciation or amortization that would have been determined if no impairment loss had been recognized.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use are required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units or groups of cash-generating units that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units or group of units.

If the carrying amount of the cash-generating units exceeds the recoverable amount of the unit, the entity shall recognize the impairment loss and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(o) Treasury stock

Repurchased shares are recognized under treasury shares (a contra-equity account) based on their repurchase price (including all directly accountable costs). Gains on disposal of treasury shares should be recognized under "capital reserve — treasury share transactions". Losses on disposal of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. The carrying amount of treasury shares should be calculated using the weighted average of different types of repurchase.

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During the cancellation of treasury shares, "capital reserve — share premiums" and "share capital" should be debited proportionately. Gains on cancellation of treasury shares should be recognized under existing capital reserves arising from similar types of treasury shares; losses on cancellation of treasury shares should be offset against existing capital reserves arising from similar types of treasury shares. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings.

(p) Revenue

(i) Revenue from contracts with customers (policy applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below:

1) Sale of goods

The Company recognizes revenue when control of the products has been transferred, when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

The Company often offers volume discounts to its customers based on aggregate sales of electronic components over a 12 months period. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales of electronic components are made with a credit term of 30 to 60 days, which is consistent with the market practice.

A receivable is recognized when the goods are delivered, as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

2) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

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(ii) Revenue (policy applicable before January 1, 2018)

1) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

(iii) Rent income

Lease income from investment property is recognized in income on a straight-line basis over the lease term. An incentive granted to the lessee is to be recognized as part of the lease income and it is spread over the lease term on a straight-line basis so that the lease income received is reduced accordingly.

Income from sublease is recognized in profit or loss, and is included in other gains and losses.

(q) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company' s net obligation in respect of the defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; That benefit is discounted to determine its present value. The fair value of the plan assets is deducted. The discount rate is the yield at the reporting date on market yields of government bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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If the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss immediately.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding amounts included in the net interest on the net defined benefit liability (asset)), and (3) any change in the effect of the asset ceiling (if any, excluding amounts included in the net interest on the defined benefit liability (asset)), are recognized in other comprehensive income. The Company reclassifies the amounts recognized in other comprehensive income to retained earnings.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognized when the curtailment or settlement occurs. The gain or loss on curtailment arises from any change in the fair value of plan assets and, any change in the present value of the defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed when the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(r) Share-based payment

The grant-date fair value of share-based payment awards granted to employee is recognized as employee expenses, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of award that meet the related service and non-market performance conditions at the vesting date.

For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between the expected and the actual outcomes.

The grant date of the share-based payment is the date the Company inform their employees about the exercise price and shares.

(s) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations, or are recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax deduction receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to prior years.

(Continued)

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Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

(ii) the taxing of deferred tax assets and liabilities fulfill one of the below scenarios:

1) levied by the same taxing authority; or

2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized. Such unused tax losses, unused tax credits, and deductible temporary differences shall also be re-evaluated every year on the financial reporting date, and adjusted based on the probability that future taxable profit will be available against which the unused tax losses, unused tax credits, and deductible temporary differences can be utilized.

(t) Earnings per share

The Company discloses the Company's basic and diluted earnings per share attributable to ordinary equity holders of the Company. The calculation of basic earnings per share is based on the profit attributable to the ordinary shareholder of the Company divided by weighted-average number of ordinary shares outstanding. The calculation of diluted earnings per share is based on the profit attributable to ordinary shareholders of the Company, divided by weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, such as employee remuneration.

(u) Operating segment

The Company discloses its segment reporting in the consolidated financial statements. Therefore, the Company does not disclose segment information in the parent-company-only financial statements.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The preparation of the parent-company-only financial statements in conformity with " Regulations Governing the Preparation of Financial Reports by Securities Issuers" requires the management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Information about critical judgments in applying the accounting policies that do not have significant effects on the amounts recognized in the parent-company-only financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment with the next financial year is as follows:

- Valuation of inventories:

  As inventories are stated at the lower of cost or net realizable value, the Company estimates the net realizable value of inventories for obsolescence and unmarketable items at the end of the reporting period and then writes down the cost of inventories to net realizable value. The valuation of inventories is mainly determined based on assumptions as to future demand within a specific time horizon. Due to the rapid industrial transformation, there may be significant changes in the net realizable value of inventories. The further description of the valuation of inventories, please refer to note 6(e).

The accounting policy and disclosure of the Company include that measuring the financial assets and financial liabilities at fair value. The Company uses external information to make the evaluation result agreed to market status and to confirm the data resource is independent reliable and consistent with other resource. The Company regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results are reasonable. The Company regularly evaluates investment property using the evaluation methods and related parametric assumptions announced by FSC.

When measuring the fair value of an asset or a liability, the Company usually uses market observable data. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

—Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

—Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

—Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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Notes to the Parent-Company-Only Financial Statements

Further information about the assumptions made in measuring fair values is included in the following notes:

(a) Note 6(h)-Investment property.

(b) Note 6(v)-Financial instruments.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 164	163
Cash in bank	3,474,768	3,092,653
Time deposits	-	3,600,000
	$ 3,474,932	6,692,816

Refer to note 6(v) for the fair value sensitivity analysis and currency risk of the financial assets and liabilities of the Company.

(b) Financial instruments

(i) Financial assets at fair value through profit or loss (FVTPL):

	December 31, 2018	December 31, 2017
Mandatorily measured at FVTPL:		
Stocks listed on domestic markets	$ 17,475	-
Private fund (Note)	722,405	-
Financial assets held-for-trading:		
Stocks listed on domestic markets	-	31,671
Money market funds, equity funds and bond funds	-	1,100,025
Total	$ 739,880	1,131,696
Current	$ 17,475	1,131,696
Non-current	722,405	-
	$ 739,880	1,131,696

Note: As of December 31, 2018, part of the private fund is during the lock-up period.

Refer to note 6(u) for the gains or losses on disposal of investment and the amount of re-measurement at fair value recognized in profit or loss.

(Continued)

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(ii) Non-current financial assets at fair value through other comprehensive income (FVOCI):

		December 31, 2018
Stocks listed on domestic markets	$	1,205,785
Non-public stocks		477,003
	$	1,682,788

The Company decided to hold these equity instruments, which are not held for trading, at fair value through other comprehensive income. These investments were recognized as available-for-sale financial assets on December 31, 2017.

The Company considered the change in the proportion of investment portfolio, therefore, disposed partial of its equity investments designated at fair value through other comprehensive income amounting to $228,838 thousand in 2018. Upon derecognition the gain of disposal accumulated in other equity, amounting to $91,405 thousand was transferred to retained earnings.

(iii) Current available-for-sale financial assets:

		December 31, 2017
Stocks listed on domestic markets	$	1,661,562

These investments were measured at fair value through other comprehensive income on December 31, 2018. Please refer to note 6(b)ii.

(iv) Non-current available-for-sale financial assets:

		December 31, 2017
Non-public stocks	$	536,857
Private fund (Note)		612,978
	$	1,149,835

Note: As of December 31, 2017, part of the private fund is during the lock-up period.

Refer to note 6(u) for the gain or losses on disposal of investments.

Except for the private fund that was measured at fair value through profit or loss, other investments were measured at fair value through other comprehensive income on December 31, 2018. Please refer to note 6(b)ii.

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(v) Non-current financial assets at amortized cost:

	Issue period	Nominal rate (%)	December 31, 2018
Preferred stock B	2012.11.23~2019.11.22	-	$ 29,900

The Company has assessed that its financial asset is held to collect contractual cash flows, which consist solely of payments of principal and interest on principal amount outstanding. The Company has designated these investments at the date of initial application as measured at amortized cost. As of December 31, 2017, these investments were classified as non-current investments in debt instrument without an active market. Please refer to note 6(b) vi.

(vi) Non-current investments in debt instrument without active market:

	Issue period	Nominal rate (%)	December 31, 2017
Preferred stock B	2012.11.23~2019.11.22	-	$ 62,200

(vii) Sensitivity analysis in the equity price risk:

If the equity price changes, the impact to comprehensive income, using the sensitivity analysis based on the same variables except for the price index for both period, will be as follows:

	2018		2017	
Prices of securities at the reporting date	After-tax other comprehensive income	After-tax profit (loss)	After-tax other comprehensive income	After-tax profit (loss)
Increasing 3%	$ 50,484	524	84,342	33,951
Decreasing 3%	$ (50,484)	(524)	(84,342)	(33,951)

(viii) As of December 31, 2018 and 2017 the financial assets were not pledged. For information on the Company's currency risk and credit risk was disclosed in note 6(v).

(c) Accounts receivable, net

	December 31, 2018	December 31, 2017
Accounts receivable	$ 553,914	454,663
Accounts receivable due from related parties	942,499	1,285,142
	$ 1,496,413	1,739,805

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The Company applies the simplified approach to provide for its loss allowance used for expected credit losses, which permit the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and days past due, as well as incorporate forward looking information.

The loss allowance provision as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average expected loss rate	Lifetime expected credit loss allowance
Not past due	$ 1,480,539	0%	-
Past due 1~60 days	15,822	0%	-
Past due 61~120 days	52	0%	-
Past due 121~180 days	-	21.28%~32.14%	-
Past due more than 181 days	-	100%	-
	$ 1,496,413		-

As of December 31, 2017, the Company applies incurred loss model to consider the loss allowance provision of accounts receivable. As of December 31, 2017, the aging analysis of accounts receivable, which were past due but not impaired, were as follows:

	December 31, 2017
Past due 1~60 days	$ 19,382
Past due 61~180 days	89
Past due more than 181 days	-
	$ 19,471

The movements of allowance for doubtful accounts were as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Beginning balance	$ -	962	-
Impairment loss reversed	-	(962)	-
Ending balance	$ -	-	-

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On December 31, 2017, the Company's policy of allowance for receivables is as follows:

Assessment method:

(i) At the balance sheet date, the Company evaluates the probability of collection regarding the receivable in accordance with each customer.

(ii) The Company may recognize 100% allowance of doubtful accounts based on the expectancy of bad debt by assessing the financial and operating conditions of each customer.

Impairment loss recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Company also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

The Company establishes a policy of allowance for doubtful accounts based on historical trends of the probability of default and the timing of recoveries and the amount of loss incurred. The policy is mainly based on the characteristic of industry and the conservative of business cove.

The Company believed that no impairment allowance was necessary with respect to the past due receivables that were collectable.

As of December 31, 2018 and 2017, the accounts receivable were not pledged.

(d) Other receivables

	December 31, 2018	December 31, 2017
Others (recognized as other current assets)	$ 124,767	173,395
Less: allowance for doubtful accounts	-	-
	$ 124,767	173,395

As of December 31, 2018 and 2017, other receivables were not past due nor impaired.

For information on the Company's credit risk was disclosed in note 6(v).

(e) Inventories

	December 31, 2018	December 31, 2017
Raw materials, supplies and spare parts	$ 2,619,165	2,312,397
Work in process	786,495	1,222,053
Finished goods	470,879	201,074
	$ 3,876,539	3,735,524

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Except cost of goods sold and inventories recognized as expenses, the remaining gains or losses which were recognized as operating cost or deduction of operating cost were as follows:

	2018	2017
Loss on valuation of inventories and obsolescence (reversal of inventories write-downs)	$ 39,142	(29,288)
Unallocated overheads	$ 15,156	-
Revenue from sale of scraps	$ (13,524)	(12,534)

As of December 31, 2018 and 2017, the inventories were not pledged.

(f) Investments accounted for using equity method

The components of investments accounted for using the equity method at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 4,379,635	2,590,439
Associates	-	69,593
	$ 4,379,635	2,660,032

(i) Subsidiaries

For the related information, please refer to consolidated financial statements for the year ended December 31, 2018.

(ii) Associates

Summary of financial information for the individually insignificant investments in associates accounted for using the equity method were as follows. The aforementioned financial information was included in the parent-company-only financial statements of the Company.

	December 31, 2017
Total equity of the individually insignificant investments in associates	$ 69,593

	2017
Attributable to the Company:	
Net loss	$ (132,822)
Other comprehensive income	850
Total comprehensive loss	$ (131,972)

(iii) As of December 31, 2018 and 2017, the investments accounted for using equity method were not pledged.

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(g) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Company for the years ended December 31, 2018 and 2017 were as follows:

	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Cost :							
Balance as of January 1, 2018	$ 2,546,534	2,111,113	17,761,484	4,218,562	321,148	446,835	27,405,676
Additions	-	5,297	1,548,836	81,185	150,577	777,166	2,563,061
Reclassification (Note 1)	-	15,969	1,196,358	33,775	135	(83,183)	1,163,054
Disposals	-	(124)	(404,647)	(130,883)	(75,983)	-	(611,637)
Balance as of December 31, 2018	$ 2,546,534	2,132,255	20,102,031	4,202,639	395,877	1,140,818	30,520,154
Balance as of January 1, 2017	$ 2,546,534	2,119,081	15,178,622	4,003,294	249,043	270,597	24,367,171
Additions	-	10,678	1,847,437	95,057	99,811	281,625	2,334,608
Reclassification (Note 2)	-	(18,646)	1,116,888	126,832	400	(105,387)	1,120,087
Disposals	-	-	(381,463)	(6,621)	(28,106)	-	(416,190)
Balance as of December 31, 2017	$ 2,546,534	2,111,113	17,761,484	4,218,562	321,148	446,835	27,405,676
Accumulated depreciation :							
Balance as of January 1, 2018	$ -	581,296	10,555,424	1,945,080	160,511	-	13,242,311
Depreciation	-	101,119	2,456,526	413,280	129,238	-	3,100,163
Disposals	-	(124)	(399,846)	(130,883)	(75,983)	-	(606,836)
Balance as of December 31, 2018	$ -	682,291	12,612,104	2,227,477	213,766	-	15,735,638
Balance as of January 1, 2017	$ -	482,641	9,058,821	1,552,253	91,654	-	11,185,369
Depreciation	-	98,655	1,874,258	399,117	95,364	-	2,467,394
Disposals	-	-	(377,655)	(6,290)	(26,507)	-	(410,452)
Balance as of December 31, 2017	$ -	581,296	10,555,424	1,945,080	160,511	-	13,242,311
Carrying value :							
Balance as of December 31, 2018	$ 2,546,534	1,449,964	7,489,927	1,975,162	182,111	1,140,818	14,784,516
Balance as of January 1, 2017	$ 2,546,534	1,636,440	6,119,801	2,451,041	157,389	270,597	13,181,802
Balance as of December 31, 2017	$ 2,546,534	1,529,817	7,206,060	2,273,482	160,637	446,835	14,163,365

Note 1: Inventories, prepayments for business facilities, and other prepaid expenses were reclassified as property, plant and equipment.

Note 2: Inventories and prepayments for business facilities were reclassified as property, plant and equipment. Besides, property, plant and equipment were adjusted by using the construction refund.

(i) Pledge to secure:

As of December 31, 2018 and 2017, property, plant and equipment were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(ii) For the years ended December 31, 2018 and 2017, capitalized interest expenses amounted to \$44,164 thousand and \$21,357 thousand, respectively. The annual interest rates at which these interest expenses were capitalized ranged from 1.14%~1.34% and 1.15%~1.56%, respectively.

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(h) Investment property

The movements in investment property for the years ended December 31, 2018 and 2017 were as follows:

		Land	Buildings and structures	Total
Cost：				
Balance as of January 1, 2018	$	963,127	529,952	1,493,079
Additions		-	-	-
Balance as of December 31, 2018	$	963,127	529,952	1,493,079
Balance as of January 1, 2017	$	963,127	536,008	1,499,135
Additions		-	1,258	1,258
Reclassification (Note)		-	(7,314)	(7,314)
Balance as of December 31, 2017	$	963,127	529,952	1,493,079
Accumulated depreciation：				
Balance as of January 1, 2018	$	-	51,177	51,177
Depreciation		-	20,374	20,374
Balance as of December 31, 2018	$	-	71,551	71,551
Balance as of January 1, 2017	$	-	31,022	31,022
Depreciation		-	20,155	20,155
Balance as of December 31, 2017	$	-	51,177	51,177
Carrying value：				
Balance as of December 31, 2018	$	963,127	458,401	1,421,528
Balance as of January 1, 2017	$	963,127	504,986	1,468,113
Balance as of December 31, 2017	$	963,127	478,775	1,441,902
Fair value：				
Balance as of December 31, 2018			$	1,632,183
Balance as of December 31, 2017			$	1,576,821

Note: Investment property were adjusted by using the construction refund.

When measuring the fair value of its investment property, the Company considered the present value of net cash flows to be generated from leasing the property. The expected net cash flows were discounted using the yield to reflect its specified inherit risk on the net cash flows. The inputs to the valuation technique used for measuring fair value were categorized as a Level 2 fair value.

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The yield applied to the net annual rentals to determine fair value of property for which current prices in an active market were unavailable, was as follows:

Location	For the year ended December 31, 2018
Hsinchu	0.24%
Taoyuan	1.41%

As of December 31, 2018 and 2017, investment property were subject to a registered debenture to secured bank loans, the collateral for these long-term borrowings was disclosed in note 8.

(i) Intangible assets

(i) The movements in intangible assets for the years ended December 31, 2018 and 2017 were as follows:

		Technical know-how	Computer software and information systems	Others	Total
Cost:					
Balance as of January 1, 2018	$	46,005	111,822	5,614	163,441
Additions		-	52,454	3,853	56,307
Reclassification (Note)		-	9,911	-	9,911
Disposals		-	(33,399)	(4,944)	(38,343)
Balance as of December 31, 2018	$	46,005	140,788	4,523	191,316
Balance as of January 1, 2017	$	46,005	82,536	5,612	134,153
Additions		-	46,177	4,106	50,283
Reclassification (Note)		-	70	-	70
Disposals		-	(16,961)	(4,104)	(21,065)
Balance as of December 31, 2017	$	46,005	111,822	5,614	163,441
Amortization:					
Balance as of January 1, 2018	$	27,475	51,178	2,909	81,562
Amortization		3,834	45,826	4,176	53,836
Disposals		-	(33,399)	(4,944)	(38,343)
Balance as of December 31, 2018	$	31,309	63,605	2,141	97,055
Balance as of January 1, 2017	$	23,642	34,930	2,229	60,801
Amortization		3,833	33,209	4,784	41,826
Disposals		-	(16,961)	(4,104)	(21,065)
Balance as of December 31, 2017	$	27,475	51,178	2,909	81,562
Carrying value:					
Balance as of December 31, 2018	$	14,696	77,183	2,382	94,261
Balance as of January 1, 2017	$	22,363	47,606	3,383	73,352
Balance as of December 31, 2017	$	18,530	60,644	2,705	81,879

Note: Other current assets were reclassified as intangible assets.

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(ii) Amortization expense recognized in profit or loss

For the years ended December 31, 2018 and 2017, the amortization expenses of intangible assets were as follows:

	2018	2017
Operating costs	$ 13,945	10,980
Operating expenses	39,891	30,846
	$ 53,836	41,826

(iii) As of December 31, 2018 and 2017, the intangible assets were not pledged.

(j) Other current assets and other non-current assets

	December 31, 2018	December 31, 2017
Other receivables from metal recycling	$ 108,738	159,618
Tax refund receivables	70,401	123,766
Prepayments for purchase and prepaid expenses	68,953	71,507
Restricted assets	24,700	25,655
Refundable deposits	23,399	24,516
Other receivables	16,029	13,777
Others	2,158	2,172
	$ 314,378	421,011

(k) Short-term borrowings

	December 31, 2018	December 31, 2017
Unsecured short-term borrowings	$ -	-
Unused bank credit lines for short-term borrowings	$ 2,190,784	2,361,382
Unused bank credit lines for short-term and long-term borrowings	$ 3,068,629	510,778
Annual interest rate	-	1.997%~2.00%

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(l) Long-term borrowings

	December 31, 2018	December 31, 2017
Unsecured long-term borrowings (Settled in NTD)	$ 4,230,000	5,578,000
Secured long-term borrowings (Settled in NTD)	1,572,600	679,536
Less：long-term liabilities, current portion	-	(352,056)
Total	$ 5,802,600	5,905,480
Unused bank credit lines for long-term borrowings	$ 5,779,000	2,093,000
Annual interest rate	1.08%~1.40%	1.23%~1.60%
Expiry date	2020/3/31~2025/8/16	2019/2/1~2020/8/31

As of December 31, 2018, the remaining balances of the borrowing due were as follows:

Year due	Amount
January 1, 2020~December 31, 2020	$ 1,558,800
January 1, 2021~December 31, 2021	2,495,600
January 1, 2022 and after	1,748,200
	$ 5,802,600

(i) The unused bank credit lines for short-term and long-term borrowings at the reporting date were disclosed in note 6(k).

(ii) The collateral for these long-term borrowings was disclosed in note 8.

(m) Operating lease

(i) Lease-lessor

The Company leased its investment property under operating lease, which was disclosed in note 6(h).

For the years ended December 31, 2018 and 2017, the rental income recognized in other income amounting to $79,426 thousand and $84,383 thousand, respectively.

(ii) Lease-lessee

The Company leases a number of parking lots etc. under operating lease. The leases typically run for a period of 1 to 5 years.

For the years ended December 31, 2018 and 2017, the rent expenses amounted to $35,340 thousand and $31,076 thousand, respectively, which were recorded as operating costs and operating expenses.

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(n) Employee benefits

(i) Defined benefit plans

Reconciliation of defined benefit obligation at present value and plan asset at fair value were as follows:

		December 31, 2018	December 31, 2017
Present value of the defined benefit obligations	$	141,119	102,900
Fair value of plan assets		(42,653)	(40,312)
Net defined benefit liabilities (Note)	$	98,466	62,588

(Note) Recognized liabilities for defined benefit obligations were recognized as other non-current liabilities.

The Company makes defined benefit plan contributions to the pension fund account in the Bank of Taiwan that provides pensions for employees upon retirement. Plans (covered by the Labor Standards Law) entitle a retired employee to receive an annual payment based on years of service and average salary prior to six months of retirement.

1) Composition of plan assets

The Company set aside pension funds in accordance with the legislation from the Ministry of Labor and managed by the Bureau of Labor Founds. The annual budget for the allocation of the minimum income cannot be lower than the income calculated based on the interest rate of the banks' two-year time deposit in accordance with the legislation "Management and Utilization of the Labor Pension Funds".

The Company's labor pension reserve account balance in the Bank of Taiwan amounted to $42,653 thousand as of December 31, 2018. The utilization of the labor pension fund assets includes the asset allocation and the yield of the fund. Please refer to the website of Bureau of Labor Founds, Ministry of Labor.

2) The movements in present value of the defined benefit obligations

For the years ended December 31, 2018 and 2017, movements in the present value of the defined benefit obligations for the Company were as follows:

		2018	2017
Defined benefit obligations as of January 1	$	102,900	100,272
Current service costs and interest cost		3,205	2,980
Remeasurements of the net defined benefit liability (asset):			
—Actuarial (gains) losses arising from financial assumption		26,107	(3,234)
—Experience adjustments		8,907	2,882
Defined benefit obligations as of December 31	$	141,119	102,900

(Continued)

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3) The movements in fair value of the defined benefit plan assets

For the years ended December 31, 2018 and 2017, movements in the fair value of the plan assets were as follows:

		2018	2017
Fair value of plan assets as of January 1	$	40,312	38,844
Interest revenue		647	533
Remeasurements of the net defined benefit liability (asset):			
—Return on plan assets (excluding the interest revenue)		963	(151)
Amounts contributed to plan		731	1,086
Fair value of plan assets as of December 31	$	42,653	40,312

4) The movement in effect of plan asset ceiling

For the years ended December 31, 2018 and 2017, there were no changes in the effect of plan asset ceiling.

5) The expenses recognized in profit or losses

For the years ended December 31, 2018 and 2017, the expenses recognized in profit or losses for the Company were as follows:

		2018	2017
Current service costs	$	1,579	1,633
Net interest expense of net defined benefit liabilities (assets)		979	814
	$	2,558	2,447

		2018	2017
Administrative expenses	$	2,558	2,447

6) The remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income

For the years ended December 31, 2018 and 2017, the remeasurements of the net defined benefit liabilities (assets) recognized in other comprehensive income were as follows:

		2018	2017
Balance as of January1	$	30,666	30,867
Recognized in the current period		34,051	(201)
Balance as of December 31	$	64,717	30,666

(Continued)

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7) Actuarial assumptions

At the end of the reporting date, the principal actuarial assumptions were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.375 %	1.625 %
Future salary rate increases	4.500 %	3.000 %

The Company expects to make contributions of $235 thousand to the defined benefit plans in the next year starting from December 31, 2018. The weighted average duration of the defined benefit plans is 16.94 years.

8) Sensitivity analysis

As of December 31, 2018 and 2017, the changes in main actuarial assumptions might have an impact on the present value of the defined benefit obligation as follows:

		Influences of defined benefit obligations	
		Increase by 0.25%	Decrease by 0.25%
Balance as of December 31, 2018			
Discount rate	$	(4,288)	4,475
Future salary rate increases		4,264	(4,124)
Balance as of December 31, 2017			
Discount rate	$	(3,079)	3,234
Future salary rate increases		3,131	(3,005)

There is no change in other assumptions when performing the above-mentioned sensitivity analysis. In practice, assumptions may be interactive with each other. The method used on sensitivity analysis is consistent with the calculation on the net pension liabilities.

There is no change in the method and assumptions used in the preparation of sensitivity analysis for 2018 and 2017.

(ii) Defined contribution plans

The Company set aside 6% of the contribution rate of the employee's monthly wages to the Labor Pension personal account of the Bureau of Labor Insurance in accordance with the provisions of the Labor Pension Act. The Company set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Company set aside $91,638 thousand and $75,340 thousand of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017, respectively.

(Continued)

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(o) Income tax

The amendments to the "Income Tax Act"was passed by the office of the President of the Republic of China (Taiwan) on February 7, 2018, and the corporate income tax rate has increased from 17% to 20% from FY 2018.

(i) Income tax expense

The amount of income tax expense for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Current tax expense		
Current period (benefits)	$ 764,543	815,559
Adjustment for prior periods	(12,025)	(80)
Subtotal	752,518	815,479
Deferred tax expense (benefits)		
Origination and reversal of temporary differences	(77,567)	(2,119)
Adjustment in tax rate	(6,794)	-
Subtotal	(84,361)	(2,119)
Income tax expense	$ 668,157	813,360

The amount of income tax (expense) benefit recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Components of other comprehensive income that will not be classified to profit or loss:		
The remeasurements of defined benefit plans	$ 7,730	(34)

Reconciliation of income tax expenses (benefit) and profit before tax were as follows:

	2018	2017
Profit before tax	$ 3,792,611	4,577,560
Estimated income tax calculated using the Company's domestic tax rate	$ 758,522	778,185
Adjustment in tax rate	(6,794)	-
Tax-exempt income	(16,469)	(39,486)
Investment tax credits	(61,550)	(48,441)
Change in provision in prior periods	(12,025)	(80)
10% surtax on unappropriated earnings	42,928	97,848
Others	(36,455)	25,334
	$ 668,157	813,360

(Continued)

(ii) Deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for the years ended December 31, 2018 and 2017 were as follows:

	Allowance for obsolete inventories	Difference in depreciation expense between financial and tax method	Others	Total
Deferred tax assets:				
Balance as of January 1, 2018	$ 22,992	23,256	30,952	77,200
Recognized in profit or loss	9,482	35,705	5,685	50,872
Recognized in other comprehensive income	-	-	7,730	7,730
Balance as of December 31, 2018	$ 32,474	58,961	44,367	135,802
Balance as of January 1, 2017	$ 32,951	13,949	28,454	75,354
Recognized in profit or loss	(9,959)	9,307	2,532	1,880
Recognized in other comprehensive income	-	-	(34)	(34)
Balance as of December 31, 2017	$ 22,992	23,256	30,952	77,200

	Unrealized investment income recognized under equity method	Unrealized exchange rate	Total
Deferred tax liabilities:			
Balance as of January 1, 2018	$ 33,489	-	33,489
Recognized in profit or loss	(33,489)	-	(33,489)
Balance as of December 31, 2018	$ -	-	-
Balance as of January 1, 2017	$ 31,718	2,010	33,728
Recognized in profit or loss	1,771	(2,010)	(239)
Balance as of December 31, 2017	$ 33,489	-	33,489

(iii) Examination and approval

The Company's corporate income tax returns for all the years through 2016 were assessed and approved by the tax authorities National Taxation Bureau of the Northern Area, Ministry of Finance.

(p) Capital and other equity

(i) Ordinary share

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 1,000,000 thousand shares of ordinary share, with $10 dollars par value per share, of which 423,814 thousand shares, and 422,666 thousand shares, respectively, were issued and outstanding. The Company has reserved $1,000,000 thousand for employee stock options.

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Reconciliations of shares outstanding for the years ended December 31, 2018 and 2017:

	Ordinary share (in thousands)	
	2018	**2017**
Balance as of January 1	422,666	407,666
Issue of shares	-	20,000
Retirement of treasury share	-	(5,000)
Restricted shares of stock issued for employees	1,148	-
Balance as of December 31	423,814	422,666

A resolution was passed during the general meeting of shareholders held on June 16, 2017 for the issuance of ordinary shares for cash within a year under private placement, a resolution was passed during the board meeting held on December 8, 2017 for the issuance of 20,000 thousands ordinary shares, with subscription price $277 per share, amounting to $5,540,000 thousand, with December 22, 2017 as the record date of capital increase. The relevant statutory registration procedures have since been completed.

The aforementioned private placement of ordinary shares and the transfer of any subsequently obtained bonus shares would be subject to section 43-8 requirements under the Securities and Exchange Act. The Company can only apply for these shares to be traded publicly after a three-year period has elapsed from the delivery date of the private placement securities, and after applying for a public offering with the Financial Supervisory Commission.

On June 15, 2018, the shareholders' meeting approved a resolution to issue 1,700 thousand new restricted employee shares, at $10 dollars par value per share, amounting to $17,000 thousand, to fulltime regular employees who meet specific requirements. The above transaction had been approved by the Financial Supervisory Commission. In accordance with the resolution of Board of Directors meeting held on September 14, 2018, the Company issued 1,148 thousand shares, at $10 dollars par value per share, amounting to $11,480 thousand. The aforementioned stock issuance had been registered with the government authorities.

As of December 31, 2017, the Company issued 11,121 thousand units of Global Depositary Receipts (GDRs), representing 55,605 thousand ordinary shares of stock of the Company. The Company derminated the GDR program in 2018.

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(ii) Capital surplus

The details of capital surplus at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Additional paid-in capital	$ 9,031,035	9,031,035
Changes in equity of subsidiaries, associates and joint ventures accounted for using equity method	3,747	21,163
Employee stock options	698	698
Restricted shares of stock issued for employees	163,877	-
	$ 9,199,357	9,052,896

In accordance with amended Company Act, realized capital reserves can only be reclassified as share capital or be distributed as cash dividends after offsetting against losses. The aforementioned capital reserves include share premiums and donation gains. In accordance with the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the actual amount of capital reserves to be reclassified under share capital shall not exceed 10% of the actual share capital amount.

(iii) Retained earnings

The Company's Articles of Incorporation stipulate that 10% of the balance of annual income or earnings after deducting accumulated deficit, if any, must be set aside as a legal reserve and a special capital reserve is likewise appropriated or the annual income or earnings are retained in accordance with the relevant laws or regulations or as requested by the authorities. Otherwise, the distribution of remaining balance of the earnings should be further proposed by the Board of Directors and resolved by the shareholders' meeting. And the cash dividends should not lower than 10% of the total stockholders' dividends.

As the Company is a technology and capital-intensive enterprise and is in its growth phase, it has adopted a more prudent approach in appropriating its remaining earnings as its dividend policy in order to sustain its long-term capital needs and thereby maintain continuous development and steady growth.

1) Legal reserve

According to the amended Company Act which was announced in January 2012, 10% of net income should be set aside as statutory earnings reserve, until it equals the share capital. If the Company experienced profit for the year, the meeting of shareholders shall decide on the distribution of the legal reserve either by new shares or by cash of up to 25% of the actual share capital.

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2) Special reverse

In accordance with Permit No. 1010012865 issued by the FSC on April 6, 2012, a portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the total net reduction of current period of other shareholders' equity resulting from the IFRS first-time adoption. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (and does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the IFRS first time adoption. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Appropriations of earnings

The appropriations of earning for 2017 and 2016 had been approved in shareholders' meetings held on June 15, 2018 and June 16, 2017, respectively. The appropriations and dividends were as follows:

	2017	2016
Cash dividends	$ 2,958,665	1,811,999

The above-mentioned appropriations of earning for 2017 and 2016 were consistent with the resolutions of the meeting of the Board of Directors.

The related information mentioned above can be found on websites such as the Market Observation Post System.

(iv) Treasury shares

In 2017, in accordance with the requirements under section 28-2 of the Securities and Exchange Act, the Company repurchased 1,080 thousand shares, as treasury shares in order to protect the Company's integrity and shareholders' equity. As of December 31, 2017, all of the shares had been cancelled. There was no transaction in 2018.

In accordance with Securities and Exchange Act requirements as stated above, the number of shares repurchased should not exceed 10 percent of the number of common shares issued. Also, the total amount of the repurchased shares should not exceed the sum of retained earnings, paid-in capital in excess of par value and other realized capital surplus. The shares and dollar amount that may be repurchased do not exceed the upper limit, which were calculated based on the audited or reviewed financial reports by a certified accountant, for the latest accounting period prior to a resolution of a meeting of the Board of Directors.

In accordance with the requirements of Securities and Exchange Act, treasury shares held by the Company should not be pledged, and do not hold any shareholder rights before their transfer.

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(v) Other equity interest, net of tax

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Other unearned compensation for restricted shares of employees
Balance as of January 1, 2018	$ (100,208)	-	1,568,176	-
Effects of retrospective application and retrospective restatement	-	1,401,839	(1,568,176)	-
Balances at the beginning after adjusted	(100,208)	1,401,839	-	-
Foreign currency differences (net of tax)—				
Subsidiaries	65,429	-	-	-
Foreign currency differences on subsidiaries accounted for using equity method	(256)	-	-	-
Disposal of investments accounted for using equity method	(1,165)	-	-	-
Unrealized gains (losses) on equity instruments at fair value through other comprehensive income (net of tax):				
—The company	-	(371,497)	-	-
—Subsidiaries	-	19,453	-	-
Disposal of investments in equity instruments at fair value through other comprehensive income (net of tax)	-	(91,405)	-	-
Unearned compensation for restricted shares of employees	-	-	-	(158,308)
Balance as of December 31, 2018	$ (36,200)	958,390	-	(158,308)

	Exchange differences on translation of foreign financial statements	Unrealized gains (losses) on available-for-sale financial assets
Balance as of January 1, 2017	$ 1,719	760,178
Foreign currency differences (net of tax):		
Subsidiaries	(102,777)	-
Associates	850	-
Changes in fair value of available-for-sale financial assets (net of tax):		
The Company	-	775,201
Subsidiaries	-	190,852
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	(158,055)
Balance as of December 31, 2017	$ (100,208)	1,568,176

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(q) Share-based payment

The Company insurance restricted shares of stock for employee

On June 15, 2018, the shareholders' meeting approved a resolution to issue 1,700 thousand new restricted employee shares to fulltime regular employees who meet specific requirements. The above transaction had been approved by the Financial Supervisory Commission. The Company decide that the grant date was set on August 22, 2018 and in accordance with the resolution of Board of Directors meeting held on September 14, 2018, the Company issued 1,148 thousand shares (the date of capital increase was set on September 14, 2018), with the fair value on grant date amounting to $175,357 thousand.

As of December 31, 2018, there were 1,148 thousand outstanding shares.

Those employees with the restricted stock awards(RSA) are entitled to purchase shares without cost under the conditions that these employees will continue to provide service to the Company for at least 3 years (from the grant date), and meet certain requirement. Based on the Company' s requirements, the restricted employee shares should be fully vested in the third year after the grant date. These shares shall not be sold, pledged, transferred, gifted, or disposed by any other means to third parties during the custody period. The voting rights of these shareholders need not be executed by the custodian, and will act based on law and regulations. The cash and stock dividends distributed during the custody period will be granted to the employees. If the shares remain unvested after the vesting period, the Company will redeem all the unvested shares, and cancel the shares thereafter.

For the year ended December 31, 2018, the Company recognized the compensation cost of $17,049 thousand for the aforementioned RSA. There was no transaction for the year ended December 31, 2017.

(r) Earnings per share ("EPS")

For the years ended December 31, 2018 and 2017, the Company's earnings per share were calculated as follows:

	2018	2017
Basic earnings per share：		
Profit belonging to common shareholders	$ 3,124,454	3,764,200
Weighted average number of outstanding shares of common stock (in thousands)	422,666	403,214
Basic earnings per share (in dollars)	$ 7.39	9.34

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	2018	2017
Diluted earnings per share：		
Profit belonging to common shareholders	$ 3,124,454	3,764,200
Weighted average number of outstanding shares of common stock (in thousands)	422,666	403,214
Effect of potentially dilutive common stock		
Employee remuneration (in thousands)	2,381	1,510
Weighted average number of common stock (diluted) (in thousands)	425,047	404,724
Diluted earnings per share (in dollars)	$ 7.35	9.30

For the year ended December 31, 2018, the new restricted employee shares have anti-diluted effect, therefore, the new restricted employee shares were not included in the calculation of effect on potentially diluted common stock.

(s) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018 Segment-foundry
Primary geographical markets:	
Asia	$ 6,401,799
Americas	8,200,326
Taiwan	2,109,738
Europe	45,783
	$ 16,757,646
Main product / services lines:	
Foundry	$ 16,757,192
Other	454
	$ 16,757,646

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(ii) Balance of contracts

	December 31, 2018	January 1, 2018
Accounts receivable	$ 553,914	495,064
Accounts receivable due from related parties	942,499	1,287,299
Less: allowance doubtful for accounts	-	-
	$ 1,496,413	1,782,363
Contract liabilities (Note)	$ 87,057	91,259

(Note) Contract liabilities are included in other current liabilities.

For details of accounts receivable and allowance for impairment, please refer to note 6(c).

The major change in the balance of contract liabilities is the difference between the time frame in the performance obligation to be satisfied and the payment to be received. The amount of revenue recognized for the year ended December 31, 2018 that was included in the contract liabilities balance at the beginning of the period was $81,236 thousand.

(t) Employees', directors' and supervisors' remuneration

According to the Company' s Article of Incorporation, if there is any net profit after closing of a fiscal year, it shall be allocated according to the following principles:

(i) Employee remuneration: not less than 5% but no more than 10% and shall be determined and pursuant to Employee Bonus Procedure of the Company. In addition, employee's profit sharing remuneration shall be distributed in the form of shares or cash. Stock-type employee remuneration may be distributed to qualified employees of affiliates of the Company.

(ii) Remuneration of Directors and Supervisors: no more than 3%.

However, if there are any accumulated losses of the Company, the Company shall pre-reserve the amount to offset the loss. The distribution of employees' profit sharing bonus and remuneration of Directors and Supervisors shall follow the special resolution by Board of Directors, and report it to the shareholders' meeting.

For the years ended December 31, 2018 and 2017, the Company estimated its employees' and directors' and supervisors' remuneration as follows:

	2018	2017
Employee remuneration	$ 255,600	308,400
Directors' remuneration	74,200	89,500
	$ 329,800	397,900

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The amount of employee remuneration, and directors' and supervisors' remuneration were estimated based on profit before tax, net of the amount of the remuneration, and multiplied by the rule of Company's Article of Incorporation. The above remuneration were included in the operating costs and operating expenses of the years ended December 31, 2018 and 2017. There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognized in the Company's parent-company-only financial statements of the years ended December 31, 2018 and 2017.

The related information mentioned above can be found on websites such as the Market Observation Post System.

(u) Non-operating income and expenses

(i) Other income

The details of other incomes for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Interest income:			
Interest income from bank deposits	$	40,183	17,129
Interest income from financial assets at amortized cost		697	-
Interest income from investment in debt instrument without active market		-	1,143
Other interest income		119	13
Total interest income		40,999	18,285
Rent income		88,195	92,855
Dividend income		79,329	70,680
Total other income	$	**208,523**	**181,820**

(ii) Other gains and losses

The details of other gains and losses for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Gain (losses) on disposal of property, plant and equipment	$	2,403	(1,809)
Gains on disposals of investments		237,129	160,043
Foreign exchange gains (losses)		146,240	(167,901)
Losses on financial assets or liabilities at fair value through profit or loss		(32,387)	(34,775)
Other		24,524	13,967
Total other gains and losses	$	**377,909**	**(30,475)**

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(iii) Finance costs

The details of finance costs for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Interest expense	$	22,199	54,687
Other finance costs		253	259
Total finance costs	$	22,452	54,946

(v) Financial instruments

(i) Credit risk

1) Exposure of credit risk

The maximum exposure to credit risk is mainly from carrying amount of financial assets.

2) Disclosures about concentrations of risk

As of December 31, 2018 and 2017, the Company's accounts receivable (included the related parties) were concentrated on 3 and 2 customers, whose accounts represented 87% and 83% of the total accounts receivable, respectively. In order to reduce the credit risk on these accounts receivable, the Company continues to evaluate the financial status of these customers and request for collaterals when necessary. The Company evaluates the possible collectability of accounts receivable periodically and accrues allowance for doubtful accounts, if necessary. Therefore, bad debt expense has always been under management's expectation.

3) Receivables and debt securities

For information on credit risk regarding accounts receivable, please refers to note 6(c). Other financial assets measured at amortized cost include other receivables and financial assets measured at amortized cost (which were classified as investments in debt instrument without active market as of December 31, 2017.) For related investment and impairment, please refer to notes 6(b) and 6(d).

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(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

		Carrying amount	Contractual cash flows	1 year	1-2 years	2-5 years	Over 5 years
As of December 31, 2018							
Non-derivative financial liabilities							
Secured bank loans	$	1,572,600	1,661,678	21,294	124,638	997,014	518,732
Unsecured bank loans		4,230,000	4,350,337	48,837	1,494,684	2,560,556	246,260
Accounts payable		1,079,252	1,079,252	1,079,252	-	-	-
Other payables		809,187	809,187	809,187	-	-	-
Guarantee deposits received		119,619	119,619	188	9,431	110,000	-
	$	7,810,658	8,020,073	1,958,758	1,628,753	3,667,570	764,992
As of December 31, 2017							
Non-derivative financial liabilities							
Secured bank loans	$	679,536	689,099	308,797	304,758	75,544	-
Unsecured bank loans		5,578,000	5,725,263	119,553	1,921,648	3,684,062	-
Accounts payable		1,682,749	1,682,749	1,682,749	-	-	-
Other payables		1,215,113	1,215,113	1,215,113	-	-	-
Guarantee deposits received		119,619	119,619	188	-	9,431	110,000
	$	9,275,017	9,431,843	3,326,400	2,226,406	3,769,037	110,000

The Company did not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Exposure to currency risk

The Company's significant exposure to foreign currency risk were as follows:

		December 31, 2018				December 31, 2017			
		Foreign currency	Exchange rate		NT$	Foreign currency	Exchange rate		NT$
Financial assets									
Monetary items									
USD	$	160,637	30.72		4,934,770	133,142	29.76		3,962,306
EUR		169	35.20		5,965	527	35.57		18,760
JPY		552	0.2782		154	392,579	0.2642		103,719
GBP		2	38.88		76	3	40.11		118
				$	4,940,965			$	4,084,903
Non-monetary items									
USD	$	131,580	30.72	$	4,042,058	86,889	29.76	$	2,524,603
Financial liabilities									
Monetary items									
USD	$	16,791	30.72		515,833	36,299	29.76		1,080,259
EUR		464	35.20		16,339	648	35.57		23,039
JPY		328,936	0.2782		91,510	604,535	0.2642		159,718
				$	623,682			$	1,263,016

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2) Sensitivity analysis

The Company' s exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable (included the related parties), other receivables, financial assets at fair value through profit or loss (which were classified as available-for-sale financial assets on December 31, 2017.), accounts payable and other payables that are denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, JPY and the GBP etc. for the years ended December 31, 2018 and 2017 would have increased (decreased) the net profit after tax by $180,506 thousand and $117,108 thousand, respectively, and other comprehensive income by $0 thousand and $16,773 thousand, respectively. The analysis assumes that all other variables remain constant.

3) Foreign exchange gain and loss on monetary items

Since the Company has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2018 and 2017, foreign exchange gains (losses) (including realized and unrealized portions) amounted to $146,240 thousand and $(167,901) thousand, respectively.

(iv) Interest rate risk

Please refer to the attached note for the liquidity risk and the Company's interest rate exposure to its financial liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates on the non-derivatives financial instruments on the reporting date. For variable rate instruments, the sensitivity analysis assumes the variable rate liabilities are outstanding for the whole year on the reporting date.

If the interest rate increases (decreases) by 0.5%, the Company' s net profit after tax would have increased (decreased) by $11,299 thousand and $12,933 thousand for the years ended December 31, 2018 and 2017, all other variable factors that remain constant. This is mainly due to the Company's borrowing in floating rates.

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(v) Fair value

1) Accounting classifications and fair values

The fair value of financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income (available for-sale financial assets) are measured on a recurring basis. The carrying amount and fair value of the Company's financial assets and liabilities, including the information on fair value hierarchy were as follows; however, except as described in the following paragraphs, for financial instruments not measured at fair value whose carrying amount is reasonably close to the fair value, and for equity investments that has no quoted prices in the active markets and whose fair value cannot be reliably measured, disclosure of fair value information is not required:

	December 31, 2018				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 17,475	17,475	-	-	17,475
Private fund	722,405	-	-	722,405	722,405
Subtotal	$ 739,880	17,475	-	722,405	739,880
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic markets	$ 1,205,785	1,205,785	-	-	1,205,785
Non-public stocks	477,003	-	-	477,003	477,003
Subtotal	$ 1,682,788	1,205,785	-	477,003	1,682,788
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	$ 3,474,932	-	-	-	-
Financial assets measured at amortized cost (Note)	29,900	-	-	-	-
Accounts receivable (including related parties) (Note)	1,496,413	-	-	-	-
Other receivables (Note)	124,767	-	-	-	-
Subtotal	$ 5,126,012	-	-	-	-
Financial liabilities measured at amortized cost					
Bank loans (Note)	$ 5,802,600	-	-	-	-
Accounts payable (Note)	1,079,252	-	-	-	-
Other payables (Note)	809,187	-	-	-	-
Guarantee deposits received (Note)	119,619	-	-	-	-
Subtotal	$ 7,810,658	-	-	-	-

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	December 31, 2017				
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 31,671	31,671	-	-	31,671
Funds and investment	1,100,025	1,100,025	-	-	1,100,025
Subtotal	$ 1,131,696	1,131,696	-	-	1,131,696
Available-for-sale financial assets					
Stocks listed on domestic markets	$ 1,661,562	1,661,562	-	-	1,661,562
Non-public stocks	536,857	-	536,857	-	536,857
Private fund	612,978	-	612,978	-	612,978
Subtotal	$ 2,811,397	1,661,562	1,149,835	-	2,811,397
Loans and receivables					
Cash and cash equivalents (Note)	$ 6,692,816	-	-	-	-
Investments in debt instrument without active market (Note)	62,200	-	-	-	-
Accounts receivable (including related parties) (Note)	1,739,805	-	-	-	-
Other receivables (Note)	173,395	-	-	-	-
Subtotal	$ 8,668,216	-	-	-	-
Financial liabilities measured at amortized cost					
Bank loans (Note)	$ 6,257,536	-	-	-	-
Accounts payable (Note)	1,682,749	-	-	-	-
Other payables (Note)	1,215,113	-	-	-	-
Guarantee deposits received (Note)	119,619	-	-	-	-
Subtotal	$ 9,275,017	-	-	-	-

Note: The information on fair value is not disclosed since the carrying amount is a reasonable approximation of fair value.

2) Valuation techniques of financial instrument not valued at fair value

The valuation techniques of the Company's financial instruments not valued at fair value by using the methods and assumptions are as follows:

- Financial asset measured at amortized cost (investments in debt instrument without active market) and financial liability measured at amortized cost

  If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

3) Valuation techniques of financial instruments valued at fair value

a) Non-derivative instruments

The fair value of financial assets and liabilities traded in an active market is based on the quoted market prices. The quotation, which is published by the main exchange center or that which was deemed to be a public bond by the Treasury Bureau of Central Bank, is included in the fair value of the listed securities instruments and the debt instruments in active markets with open bid.

A financial instrument is regarded as the quoted price in an active market if the quoted prices are readily and regularly available from an exchange, dealer broker, industry group, pricing service or regulatory agency; and if those prices represent the actual and regularly occurring market transactions on an arm' s length basis. Otherwise, the market is deemed to be inactive. Normally, a market is considered to be inactive when:

- the bid-ask spread is increasing; or
- the bid-ask spread varies significantly; or
- there has been a significant decline in trading volume.

When the financial instrument of the Company is traded in an active market, its fair value is illustrated by the category and nature as follows:

- Financial assets and liabilities with standard terms and conditions and traded in an active market, for example, investment in stock of listed companies: the fair value is based on the market quoted price.
- Close-end funds with standard terms and conditions, such as money market funds, and bond funds; investors can require the investment trust company to redeem the fund at any time. The fair value is based on the net value of the fund.

Except for the above-mentioned financial instruments traded in an active market, the fair value is based on the valuation techniques or the quotation from the counterparty. The fair value refers to the current fair value of the other financial instruments with similar conditions and characteristics, using a discounted cash flow analysis or other valuation techniques, such as calculations of using models (for example, applicable yield curve from Taipei Exchange, or average quoted price on interest rate of commercial paper from Reuters), based on the information acquired from the market at the balance sheet date.

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When the financial instrument of the Company is not traded in an active market, its fair value is illustrated by the category and nature as follows:

- The fair value is determined based on the ratio of the quoted market price of the comparative listed company and its book value per share. Also, the fair value is discounted for its lack of liquidity in the market.

- The fair value is determined by using the asset based approach, whose assumptions are based on the market approach, income approach, cost approach or other valuation methods according to the nature of the assets or liabilities of the subject companies.

b) Derivative instruments

The fair value is determined by using the models that are acceptable to the market participants, for example, discounted cash flow analyses or option pricing models. Forward exchange contracts are measured using quoted forward exchange rates. The fair value of structured interest derivative financial instruments is determined by using the proper option pricing models, such as Black-Scholes model, or other valuation technique, such as Monte Carlo simulation.

4) Transfer between level 2 and level 1

For the years ended December 31, 2018 and 2017, there was no change on the fair value hierarchy of level 2 and level 1 financial asset.

5) Movement of level 3

	Fair value through profit or loss	Fair value through other comprehensive income
	Private fund	**Unquoted equity instruments**
January 1, 2018	$ 612,978	536,857
Total gains or losses:		
Recognized in profit and loss	(18,166)	-
Recognized in other comprehensive income	-	(59,854)
Purchased	127,593	-
December 31, 2018	$ 722,405	477,003

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The preceding gains and losses were recognized as other gains and losses and unrealized gains (losses) on valuation of financial assets at fair value through other comprehensive income. As of December 31, 2018, the related information of the assets which were still held by the Company were as follows:

		2018
Total gains or losses		
Profit or loss (recognized as other gains and losses)	$	(18,166)
Other comprehensive income (recognized as unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income)		(59,854)

6) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

The Company' s financial instruments that use Level 3 inputs to measure fair value include " financial assets at fair value through profit or loss – private funds" and " financial assets at fair value through other comprehensive income – equity investments".

Most of the fair value measurements categorized within Level 3 use the single and significant unobservable input. Equity investments without an active market contains multiple significant unobservable inputs. The significant unobservable inputs of the equity investments are independent from each other, as a result, there is no relevance between them.

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income – equity investments without an active market	• Comparable listed companies approach	• Price-book ratio (as of December 31, 2018 was 1.34~2.64) • Market liquidity discount rate (as of December 31, 2018 was 80%)	• The higher the price-book ratio, the higher the fair value • The higher the market liquidity discount rate, the lower the fair value
	• Net asset value method	• Net asset value	Not applicable
Financial assets at fair value through profit or loss – private fund	Net asset value method	Net asset value	Not applicable

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7) Sensitivity analysis of reasonably possible alternative assumptions for fair value measurements in Level 3 of the fair value hierarchy

The fair value measurements of the Company' s financial instruments are reasonable. However, changes in the use of valuation models or valuation variables may affect the estimations. For fair value measurements in Level 3, a fluctuation in the valuation variable by 5% would have the following effect:

	Inputs	Increase or decrease	Effects of changes in fair value on profit or loss		Effects of changes in fair value on other comprehensive income	
			Favorable	Unfavorable	Favorable	Unfavorable
December 31, 2018						
Financial assets at fair value through profit or loss						
Private fund	Net asset value	5%	$ 36,120	(36,120)	-	-
Financial assets at fair value through other comprehensive income						
Equity investments without an active market	Price-book ratio	5%	-	-	16,291	(16,291)
〃	Market liquidity discount rate	5%	-	-	16,291	(16,291)
〃	Net asset value	5%	-	-	7,559	(7,559)

The favorable and unfavorable effects represent the changes in fair value, and fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the inter-relationships with another input.

There were no financial assets with fair value hierarchy level 3 for the year ended December 31, 2017.

(w) Management of financial risk

(i) The Company is exposed to the extent of the risks arising from financial instruments as below：

1) Credit risk

2) Liquidity risk

3) Market risk

Detailed information about exposure risk arising from the aforementioned risk was listed below. The Company's objective, policies and process for managing risks and methods used to measure the risk arising from financial instruments.

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(ii) Risk management framework

The Board of Directors is responsible for overseeing the Company' s risk management framework. The Company' s internal auditor is responsible to identify and analyze the risks faced by the Company. The management of each division sets appropriate risk limits and controls, and monitor risks that follow the adherence to limits. The Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company' s Audit Committee oversees how management monitors compliance with the Company' s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by the internal auditor. The internal auditor undertakes both regular and ad hoc reviews of risk management controls and the procedures, and the result of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet it contractual obligations that arises principally from the Company's accounts receivable, investments in securities and investments in bond.

1) Accounts receivable

According to the credit policy, the Company analyze each new customer individually for their credit worthiness before granting the new customer standard payment terms and delivery terms. The Company's review includes external ratings of customers' financial information and bank references. Credit lines are established for each customer and reviewed periodically.

2) Investments

The credit risk exposure in the bank deposits, fixed income investments and equity instruments are measured and monitored by the Company' s finance department. Since the Company' s transactions resulted from the external parties with good credit standing and investment grade above financial institutions, publicly traded stock companies and unlisted companies with good reputation, there are no incompliance issues and therefore no significant credit risk.

3) Guarantees

As of December 31, 2018 and 2017, the Company did not provide guarantee.

(Continued)

(iv) Liquidity risk

Liquidity risk is a risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company's financial department monitors cash flow requirements and optimizing its cash return on investments. The Company aims to maintain the level of its cash and cash equivalents at an amount in excess of expected cash flows on financial liabilities (other than trade payables) over the succeeding one year. The Company also monitors the level of expected cash outflows on account and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. As of December 31, 2018, the Company has unused bank credit lines for short-term borrowings, long-term bank borrowings, and the unused bank credit lines for short-term borrowings and long-term borrowings amounted to $2,190,784 thousand, $5,779,000 thousand and $3,068,629 thousand, respectively.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, which will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company's entities, primarily the New Taiwan Dollars (NTD) and US Dollars (USD).

The policy of response to currency risk：

1) The Company reserves the foreign currency position arising from sales appropriately to remit the foreign currency expenditures and then meets the natural hedge.

2) The Company uses foreign currency borrowings and forward exchange contracts to hedge the remaining nature of currency risk arising from the netting of foreign currency accounts receivable and accounts payable.

3) The Company manages the currency risk and then determines the timing of exchanging the foreign currency through collecting the foreign currency information. It also stays in contact with the foreign currency department to control the foreign currency trend and market information.

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(x) Capital management

The Board of Directors' policy is to maintain a strong capital base to maintain the confidence of investors, creditors and market, and to sustain future development of the business. For the goal of business sustainability, the Company monitors the expansion plan as well as the level of dividends to ordinary shareholders.

For the years ended December 31, 2018 and 2017, the Company's return on common equity was 12.27% and 17.43%, respectively. The Company's debt ratio at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Debt ratio	27.59 %	30.25 %

As of December 31, 2018, there were no changes in the Company's approach to capital management.

(y) Financing activity

Reconciliation of liabilities arising from financing activities were as follows:

		Cash flows			Non-cash changes	
	January 1, 2018	Proceeds from long-term debt	Repayments of long-term debt	Others	Amortization of arranger fee of syndicated loan	December 31, 2018
Long-term borrowings	$ 6,257,536	4,891,000	(5,346,025)	-	89	5,802,600

(7) Related-party transactions:

(a) Relationship with the parent company and its subsidiaries:

The following are entities that have transactions with the Company during the periods covered in financial statments and its subidiaries.

Name of related party	Relationship with the Company	Remark
WIN SEMI. USA, INC.	The Subsidiary	
WIN Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	"	
WIN Venture Capital Corp.	"	
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	"	(Note 1)
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	"	
Jiangsu Merit/ CM Agriculture Development Co., Ltd.	"	
Jiangsu Merit/Cofcojoycome Agriculture Development Co., Ltd.	"	
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	"	

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Name of related party	Relationship with the Company	Remark
Formosa Fortune Group Co., Ltd. (abbrev. Fortune BVI)	The Subsidiary	(Note 2)
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	"	
Phalanx Biotech Group, Inc. (abbrev. PBL)	"	(Note 3)
PhalanxBio, Inc.	"	(Note 3)
Phalanx Biotech Limited	"	(Note 3)
Onearray Biotech (Kunshan) Co., Ltd.	"	(Note 3)
Jiangsu CM/ Merit Agriculture Development Co., Ltd.	Associate	(Note 4)

(Note 1) Chainwin Agriculture and Animal Technolgy (Cayman Islands) Ltd. renamed Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. in June 2018.

(Note 2) Fortune BVI has been liquidated on November 30, 2018

(Note 3) The Company subscribed its new shares contribution and became the largest shareholder of PBL and obtained control over it on July 12, 2018; hence, PBL became a subsidiary of the Company since then. Please refer to the consolidated financial statements for the year ended December 31, 2018.

(Note 4) Jiangsu CM / Merit Agriculture Development Co., Ltd. has been no longer listed in the subsidiaries of the Company since June, 2017. Please refer to the consolidated financial statements for the year ended December 31, 2018.

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant transaction with related-parties for the years ended December 31, 2018 and 2017 were as follow:

	2018	2017
Subsidiary－WIN Cayman	$ 8,264,249	7,198,799

The prices for sales from related parties are not materially different from those of third-party customers. Receivables from related parties were not secured with collateral and did not require provisions for bad debt expenses.

(ii) Receivable from related parties

At the reporting date, the balance of accounts receivable resulting from the sales were as follow:

Account	Categories	December 31, 2018	December 31, 2017
Accounts receivable	Subsidiary－WIN Cayman	$ 942,499	1,285,142

(iii) As of December 31, 2018, the current refund liabilities due from subsdiary was amounting to $4,518 thousand which was recognized as other-current liabilities.

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(c) Transactions with key management personnel

For the years ended December 31, 2018 and 2017, key management personnel compensation were comprised as below:

	2018	2017
Short-term employee benefits	$ 360,922	351,465
Post-employment benefits	802	766
	$ 361,724	352,231

(8) Pledged assets:

The carrying amount of pledged assets were as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Other non-current assets	Gas deposits	$ 4,700	4,700
Other non-current assets	Customs guarantee	20,000	20,955
Property, plant and equipment	Long-term borrowings	2,759,181	2,858,234
Investment property	Long-term borrowings	351,631	1,441,902
Total		$ 3,135,512	4,325,791

(9) Commitments and contingencies:

(a) Contingencies: None.

(b) Commitment:

(i) The unrecognized commitment of acquisition of plant expansion and machinery equipment were as follows:

	December 31, 2018	December 31, 2017
The unrecognized amount	$ 3,058,418	5,479,023

	December 31, 2018	December 31, 2017
(ii) The unused letters of credit	$ 70,543	54,918

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(10) Losses due to major disasters: None.

(11) Subsequent events:

On January 11, 2019, the Board of Directors of the Company' s subsidiary, Win Cayman, resolved to subscribe the new shares contributed by its subsidiary, Chainwin Cayman, for 22,000 thousand shares (upper limit), with par value of USD $2 per share, amounting to USD $44,000 thousand (upper limit) in cash.

(12) Other:

The followings were the summary statements of employee benefits, depreciation and amortization expenses by function for the years ended December 31, 2018 and 2017:

	2018			2017		
	Classified as operating costs	Classified as operating expenses	Total	Classified as operating costs	Classified as operating expenses	Total
Employee benefits						
Salaries	1,978,986	730,772	2,709,758	1,782,998	656,191	2,439,189
Labor and health insurance	165,937	35,410	201,347	132,187	32,643	164,830
Pension	74,196	20,000	94,196	60,571	17,216	77,787
Director remuneration	-	74,510	74,510	-	89,810	89,810
Others	59,913	9,860	69,773	52,038	9,205	61,243
Depreciation	2,903,187	217,350	3,120,537	2,320,541	167,008	2,487,549
Amortization	13,945	39,891	53,836	10,980	30,846	41,826

As of December 31, 2018 and 2017, the Company had 2,769 and 2,540 employees, respectively. There are 5 non-employee directors for both years.

Win Semiconductors Corp.

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(13) Other disclosures:

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

(In thousands of dollars)

Number (Note 1)	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period (Note 2)	Ending balance (Note 2)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (Note 3)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral Item	Collateral Value	Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM/ Merit Agriculture Development Co. ,Ltd.	Other receivables	Yes	184,320 (USD 6,000)	-	-	4.35%	2	-	Working Capital	-	None	-	Net equity 20%= 594,266	Net equity 40%= 1,188,532

Note 1: Company numbering as follow:

Issuer—0

Investee starts from 1

Note 2: The credit amount to lending.

Note 3: Purposes of lending were as follows:

1.Business relationship

2.Short-term financing

Note 4: The loan limit provided by Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. to a particular single party and to other parties should not exceed 20% and 40%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

(ii) Guarantees and endorsements for other parties:

(In thousands dollars)

Number (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company (Note 2)	Limitation on amount of guarantees and endorsements for a specific enterprise (Note 3)	Highest balance for guarantees and endorsements during the period	Balance of guarantees and endorsements as of reporting date	Actual usage amount	Property pledged for guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum amount for guarantees and endorsements (Note 3)	Parent company endorsements/ guarantees to third parties on behalf of subsidiary	Subsidiary endorsements/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of companies in Mainland China
1	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM / Merit Agriculture Development Co., Ltd.	6	891,399 (USD 29,017)	225,792 (USD 7,350)	225,792 (USD 7,350)	153,418 (USD 4,994)	-	7.60 %	Net equity 50% =1,485,665	-	-	Y

Note 1: Company numbering as follows:

Issuer—0

Investee starts from 1

Note 2: Relationship with the Company

1. Ordinary business relationship.

2. An entity, directly and indirectly, owned more than 50% voting shares of a guarantor.

3. A guarantor, directly and indirectly, owned more than 50% voting shares of an entity.

4. An entity, directly and indirectly, owned more than 90% voting shares of a guarantor.

5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.

6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

7. Peer engaged in the escrow of the sales contract on pre-sale house under the Consumer Protection Act.

Note 3: The guarantees and endorsements limit provided by Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. to a particular single party and to other parties should not exceed 30% and 50%, respectively, of its equity based on the most recent audited or reviewed financial statement by a certified accountant.

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(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

(In thousands dollars)

Name of holder	Category and name of security	Relationship with company	Account title	Ending balance: Shares/Units (in thousands)	Ending balance: Carrying value	Ending balance: Percentage of ownership (%)	Ending balance: Fair value	Remark
The Company	Green Seal Holding Limited/Stock	None	Current financial assets at fair value through profit or loss	490	17,475	0.30	17,475	
WIN Venture Capital Corp.	Sercomm Corporation / Stock	〃	〃	1,238	79,480	0.50	79,480	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	132	1,656	-	1,656	
〃	Capital Money Market Fund	〃	〃	289	4,652	-	4,652	
					85,788		85,788	
The Company	MagiCapital Fund II L.P.	〃	Non-current financial assets at fair value through profit or loss	-	183,842	5.81	183,842	
〃	CDIB Capital Growth Partners L. P.	〃	〃	-	57,076	3.30	57,076	
〃	Fuh Hwa Tung-ta Fund	〃	〃	15,725	299,271	-	299,271	
〃	Fuh Hwa Oriental Fund	〃	〃	15,000	48,240	-	48,240	
〃	Fuh Hwa Smart Energy Fund	〃	〃	12,000	93,600	-	93,600	
〃	LeaSun Winion LP	〃	〃	-	30,390	14.25	30,390	
〃	NFC Fund II LP	〃	〃	-	9,986	19.41	9,986	
					722,405		722,405	
〃	Inventec Solar Energy Corporation / Stock	〃	Non-current financial assets at fair value through other comprehensive income	34,000	118,508	10.51	118,508	
〃	MagiCap Venture Capital Co., Ltd/ Preferred Stock A	〃	〃	1,000	93,780	4.58	93,780	
〃	CDIB Capital Creative Industries Limited / Stock	〃	〃	5,000	106,761	3.33	106,761	
〃	New Future Capital Co., Ltd./ Stock	〃	〃	10,000	100,554	15.87	100,554	
〃	Grand Fortune Venture Corp. / Stock	〃	〃	5,000	57,400	6.87	57,400	
〃	ITEQ CORPORATION / Stock	〃	〃	24,116	1,205,785	7.96	1,205,785	
					1,682,788		1,682,788	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./ Stock	Subsidiary's main client	〃	75	585,861	0.02	585,861	
〃	Anokiwave Inc. / Series B Preferred Stock	Subsidiary's client	〃	1,264	63,829	7.93	63,829	
					649,690		649,690	
WIN Venture Capital Corp.	Nisho Image Technology Inc. / Stock	The Company's client	〃	3,300	-	8.09	-	
〃	MOAI Electronics Corporation/Stock	None	〃	300	-	0.92	-	
〃	Merit Biotech INC./Stock	〃	〃	1,320	-	2.93	-	(Note 1)
					-		-	
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Cayman Islands Co., Ltd.	〃	〃	12	23,654	4.78	23,654	
The Company	MagiCap Venture Capital Co., Ltd. / Preferred Stock B	〃	Non-current financial assets at amortized cost	2,990	29,900	13.70	(Note 2)	

Note 1: The Board of Directors of Merit Biotech INC. had resolved to dissolve and liquidate the company. As of December 31, 2018, the company is still within the period of liquidation.

Note 2: The Company intends to hold its asset to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. Therefore, the investment was classified as non-current financial asset at amortized cost.

(Continued)

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(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In thousands dollars)

Name of company	Category and name of security	Account name	Name of counter-party	Relationship with the company	Beginning Balance		Purchases		Sales				Ending Balance	
					Shares (in thousands)	Amount	Shares (in thousands)	Amount	Shares (in thousands)	Price	Cost	Gain (loss) on disposal	Shares (in thousands)	Amount
The Company	Win Semiconductors Cayman Islands Co., Ltd./ Stock	Investments accounted for using equity method	-	Subsidiary	62,000	1,922,136	52,000	1,581,520	-	-	-	-	114,000	3,848,230 (Note)
〃	Capital Money Market Fund	Current financial assets at fair value through profit or loss	-	-	12,469	200,000	9,342	150,000	21,811	350,293	350,000	293	-	-
〃	Union Money Market Fund	〃	-	-	15,234	200,000	15,204	200,000	30,438	400,105	400,000	105	-	-
〃	Allianz Global Investors Taiwan Money Market Fund	〃	-	-	24,086	300,000	-	-	24,086	300,715	300,000	715	-	-
Win Semiconductors Cayman Islands Co., Ltd.	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. / Stock	Investments accounted for using equity method	-	Investment through subsidiary	32,610	2,009,792	25,944	1,575,097	-	-	-	-	58,554	3,075,499 (Note)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Jiangsu CM/Merit Agriculture Development Co., Ltd.	Investments accounted for using equity method	-	Investment through associates	-	214,272	-	349,970	-	-	-	-	-	433,761 (Note)
〃	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	〃	-	Investment through subsidiary	-	321,285	-	643,600	-	-	-	-	-	965,551 (Note)
〃	Jiangsu Merit/CM Agriculture Development Co., Ltd.	〃	-	〃	-	62,496	-	360,141	-	-	-	-	-	414,902 (Note)

Note: The amount of ending balance was calculated using equity method.

(v) Acquisition of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

Name of company	Name of property	Transaction date	Transaction amount	Status of payment	Counter-party	Relationship with the Company	If the counter-party is a related party, disclose the previous transfer information				References for determining price	Purpose of acquisition	Others
							Owner	Relationship with the Company	Date of transfer	Amount			
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Factory building	2018/10/25	617,213	As of December 31, 2018, the price paid $168,588 thousand.	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotitation	Operating purpose	None
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Factory building	2018/11/20	772,168	As of December 31, 2018, the price paid $172,741 thousand.	Jiangsu Nantong Sanjian Construction Group Co., Ltd.	-	N/A	N/A	N/A	N/A	Price comparison and price negotitation	Operating purpose	None

(vi) Disposal of individual real estate with amount exceeding the lower of NT$300 million or 20% of the capital stock: None.

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(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands dollars)

Name of company	Related party	Nature of relationship	Transaction details				Transactions with terms different from others		Notes/Accounts receivable (payable)		Remark
			Purchase/Sale	Amount	Percentage of total purchases/sales	Payment terms	Unit price	Payment terms	Ending balance	Percentage of total notes/accounts receivable (payable)	
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	Sales	(8,264,249)	49 %	1~2 Month	-	-	942,499	63%	
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	8,264,249	100 %	1~2 Month	-	-	(938,048)	100%	

(viii) Receivables from related parties with amounts exceeding the lower of NT$100 million or 20% of the capital stock:

(In thousands dollars)

Name of company	Counter-party	Nature of relationship	Ending balance	Turnover rate	Overdue		Amounts received in subsequent period	Allowance for bad debts
					Amount	Action taken		
The Company	Win Semiconductors Cayman Islands Co., Ltd.	Subsidiary	942,499	7.42	-	-	942,499	-

(ix) Trading in derivative instruments: None.

(b) Information on investments:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

(In thousands of dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits (losses) of investee	Remark
				December 31, 2018	December 31, 2017	Shares (in thousands)	Percentage of ownership	Carrying value			
The Company	WIN SEMI USA, INC	California USA	Marketing	8,203	8,203	1,000	100.00 %	11,374	4,533	4,533	
〃	Win Semiconductors Cayman Islands Co., Ltd	Cayman Islands	Selling of GaAs wafers	3,503,656	1,922,136	114,000	100.00 %	3,848,230	(200,462)	(200,462)	
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	-	640,197	11,768	34.52 %	-	-	-	
〃	WIN Venture Capital Corp	Taiwan	Investment activities	250,000	250,000	25,000	100.00 %	172,815	12,978	12,978	
〃	Phalanx Biotech Group, Inc	Taiwan	Researching, manufacturing and selling of high density gene chips and testing service	304,150	180,400	24,650	39.89 %	347,216	(117,589)	(41,928)	
〃	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00 %	-	(200,591)	-	
WIN Venture Capital Corp	Phalanx Biotech Group, Inc	Taiwan	Researching, manufacturing and selling of high density gene chips and testing service	39,600	39,600	3,600	5.82 %	50,709	(117,589)	(7,333)	
〃	Winresp INC	Taiwan	Developing and selling of water treatment system and wholesaling of medical appliances	40,000	-	2,500	18.52 %	36,227	1,436	(4,408)	
Win Semiconductors Cayman Islands Co., Ltd.	Rainbow Star Group Limited	British Virgin Islands	Investment activities	62,920	62,920	38	49.30 %	62,820	(2,513)	(1,239)	
〃	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd	Cayman Islands	Investment activities	3,584,889	2,009,792	58,554	94.71 %	3,075,499	(257,508)	(237,736)	
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Co., Ltd	British Virgin Islands	Investment activities	-	38,573	-	-	-	156	156	(Note)
Phalanx Biotech Group, Inc	Phalanx Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00 %	(23,953)	(6,906)	(6,906)	
〃	PhalanxBio, Inc.	USA	Selling of high density gene chip and test service	208,110	208,110	2,550	100.00 %	(1,293)	(3,139)	(3,139)	

Note: Formosa Fortune Group Co., Ltd. has been liquidated on November 30, 2018.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses) (Note 3)	Carrying value as of December 31, 2018 (Note 4)	Accumulated remittance of earnings in current period	Remark
					Outflow	Inflow							
Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd	Developing hog farming technology and trading	959,571 (RMB 214,669)	(Note 1)	260,236 (USD 8,471)	645,120 (USD 21,000)	-	905,356 (USD 29,471)	(87,944) (USD (2,920))	94.71 %	(87,944) (USD (2,920))	965,551 (USD 31,431)	-	-
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd	Farm feed development and trading	300,749 (USD 9,790)	(Note 1)	32,125 (USD 1,046)	245,760 (USD 8,000)	-	277,885 (USD 9,046)	(12,108) (USD (411))	94.71 %	(12,108) (USD (411))	281,203 (USD 9,154)	-	-
Jiangsu CM / Merit Agriculture Development Co., Ltd	Developing hog farming technology and trading	1,203,723 (USD 39,184)	(Note 1)	335,001 (USD 10,905)	368,640 (USD 12,000)	-	703,641 (USD 22,905)	(187,990) (USD (6,166))	46.41 %	(92,115) (USD (3,021))	433,761 (USD 14,120)	-	-
Jiansu Merit/ CM Agriculture Development Co., Ltd	Developing hog farming technology and trading	466,944 (USD 15,200)	(Note 1)	107,639 (USD 3,504)	359,424 (USD 11,700)	-	467,063 (USD 15,204)	(5,672) (USD (185))	85.99 %	(4,788) (USD (156))	414,902 (USD 13,506)	-	-
Jiansu Merit/ Cofcojoycome Agriculture Development Co., Ltd	Developing hog farming technology and trading	147,456 (USD 4,800)	(Note 1)	149,664 (USD 4,872)	-	-	149,664 (USD 4,872)	(561) (USD (20))	56.83 %	(337) (USD (12))	82,954 (USD 2,700)	-	(Note 7)
Jiangsu Merit Runfu Agriculture Development Co., Ltd	Developing hog farming technology and trading	72,313 (RMB 16,177)	(Note 1)	41,009 (USD 1,335)	-	-	41,009 (USD 1,335)	(3) (USD (0.34))	94.71 %	(3) (USD (0.34))	56,813 (USD 1,849)	-	-
Onearray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chip and test service	8,784 (RMB 1,898)	(Note 2)	8,784 (USD 300)	-	-	8,784 (USD 300)	(6,906) (RMB(1,520))	45.71 %	(6,906) (RMB (1,520))	(23,953) (RMB (5,359))	-	-

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

Investor Comapny Name	Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment (Note 6)
The Company and subsidiaries	2,554,402 (USD 83,133)	2,805,017 (USD 91,309)	15,362,631

Note 1: The Company invested in Mainland China companies through Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd , which is established in a third region.

Note 2: The Company invested in Mainland China companies through Phalanx Biotech Limited, which is established in a third region.

Note 3: The amount of net income (losses) was recognized based on the audited financial statements of the investee companies.

Note 4: Carrying value as of December 31, 2018 was with reference to the amount recognized by the investment through subsidiaries to subsidiaries established in a third region.

Note 5: Investment income (loss) recognized was translated into New Taiwan Dollars at the average exchange rate for the each month from January 1, 2018 to December 31, 2018. The other amounts related to foreign currency were translated into New Taiwan Dollars at the exchange rate at the balance sheet date.

Note 6: Amount of upper limit on investment was the higher between sixty percentage of total equity or total consolidated equity.

Note 7: The meeting of shareholders of Jiansu Merit/ Cofcojoycome Agriculture Development Co., Ltd. had decided to dissolve the company on October 24, 2018 and has been liquidated on January 25, 2019, respectively.

(iii) Significant transactions: None.

(14) Segment information:

Please refer to the consolidated financial statements for the year ended December 31, 2018.

WIN Semiconductors Corp.

Statement of cash and cash equivalents

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Description	Amount
Cash and hand	USD：936.5	$ 29
Petty cash		135
Demand deposit		24,248
Foreign currency deposits	USD：112,119,980.23；JPY：552,228；EUR：169,451.30；GBP：1,950.06；AUD：0.18；RMB：3.54	3,450,520
		$ 3,474,932

The closing rate on December 31, 2018 is as follow:

USD：TWD＝1：30.72	AUD：TWD＝1：21.67
JPY：TWD＝1：0.2782	GBP：TWD＝1：38.88
EUR：TWD＝1：35.20	RMB：TWD =1：4.47

Statement of current financial assets measured at fair value through profit or loss

Name of financial instrument	Description	Shares or units (in thousand)	Par Value (in dollars)	Acquisition cost	Gain (Loss) on valuation	Book Value	Fair Value Unit price (in dollars)	Fair Value Total amount
Green Seal Holding Limited	Stock	490	103.78	$ 50,802	(33,327)	17,475	35.7	17,475

WIN Semiconductors Corp.

Statement of Accounts receivable

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Non-related-parties：	
A Company	$ 180,972
B Company	172,858
Others (Each amount is less than 5% of accounts receivable)	200,084
	$ 553,914
Related-parties：	
Win Semiconductors Cayman Islands Co., Ltd.	$ 942,499

Statement of inventories

Item	Amount	
	Cost (Note)	Net realizable value
Raw materials, supplies and spare parts	$ 2,619,165	2,663,095
Work in progress	786,495	1,517,302
Finished good	470,879	729,038
Total	$ 3,876,539	4,909,435

(Note) The amount excludes the allowance to reduce inventory to market and obsolescence.

WIN Semiconductors Corp.

Statement of changes in non-current financial assets measured at fair value through profit or loss

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Addition		Decrease			Ending Balance		
Name of financial instrument	Shares or units (in thousand)	Fair value	Shares or units (in thousand)	Amount	Shares or units (in thousand)	Amount	Gain (loss) on valuation	Shares or units (in thousand)	Fair value	Collateral
MagiCapital Fund II L.P.	-	$ 102,944	-	74,508	-	-	6,390	-	183,842	None
CDIB Capital Growth Partners L.P.	-	37,710	-	13,099	-	-	6,267	-	57,076	〃
Fuh Hwa Tung-ta Fund	15,725	250,414	-	-	-	-	48,857	15,725	299,271	〃
Fuh Hwa Oriental Fund	15,000	105,750	-	-	-	-	(57,510)	15,000	48,240	〃
Fuh Hwa Smart Energy Fund	12,000	116,160	-	-	-	-	(22,560)	12,000	93,600	〃
LeaSun Winion LP	-	-	-	30,000	-	-	390	-	30,390	〃
NFC Fund II LP	-	-	-	9,986	-	-	-	-	9,986	〃
		$ 612,978		127,593		-	(18,166)		722,405	

WIN Semiconductors Corp.

Statement of changes in non-current financial assets measured at fair value through other comprehensive income

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

	Beginning Balance		Addition		Decrease			Ending balance		
Name of financial instrument	Shares or units (in thousand)	Fair Value	Shares or units(in thousand)	Amount	Shares or units (in thousand)	Amount	Gain (loss) on valuation	Shares or units (in thousand)	Fair Value	Collateral
Inventec Solar Energy Corporation / Stock	34,000	$ 194,970	-	-	-	-	(76,462)	34,000	118,508	None
CDIB Capital Creative Industries Limited / Stock	5,000	85,413	-	-	-	-	21,348	5,000	106,761	〃
MagiCap Venture Capital Co., Ltd / Preferred Stock A	1,000	112,960	-	-	-	-	(19,180)	1,000	93,780	〃
New Future Capital Co., Ltd. / Stock	10,000	91,582	-	-	-	-	8,972	10,000	100,554	〃
Grand Fortune Venture Corp. / Stock	5,000	51,932	-	-	-	-	5,468	5,000	57,400	〃
ITEQ CORPORATION / Stock	24,364	1,590,950	-	-	(248)	(18,413)	(366,752)	24,116	1,205,785	〃
Mag. Layers Scientific-Technics Co., Ltd. / Stock	1,096	68,388	-	-	(1,096)	(80,171)	11,783	-	-	〃
Solar Applied Materials Technology Corp. / Stock	105	2,224	-	-	(105)	(2,625)	401	-	-	〃
Globalwafers Co., Ltd / Stock	-	-	214	84,704	(214)	(127,629)	42,925	-	-	〃
		$ 2,198,419		84,704		(228,838)	(371,497)		1,682,788	

WIN Semiconductors Corp.

Statement of changes in non-current financial assets measured at amortized cost

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Name of financial instrument	Beginning Balance		Decrease		Ending Balance		Collateral
	Shares or units (in thousand)	Carrying amount	Shares or units (in thousand)	Amount	Shares or units (in thousand)	Carrying amount	
Preferred stock B：							
MagiCap Venture Capital Co., Ltd	6,220	$ 62,200	3,230	32,300	2,990	29,900	None

WIN Semiconductors Corp.

Statement of changes in investments accounted for using the equity method

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Name of investee	Beginning Balance Shares (in thousands)	Beginning Balance Amount	Addition (Decrease) Shares (in thousands)	Addition (Decrease) Amount	Gains (losses) on investment	Exchange differences on transaction foreign financial statements	Unrealized gains (losses) on financial assets at fair value through other comprehensive income	Retained earnings	Captial surplus	Ending Balance Amount	Ending Balance Percentage of ownership	Ending Balance Shares (in thousands)	Market Value or Net Assets Value Unit price	Market Value or Net Assets Value Total amount	Collateral
WIN SEMI. USA, INC.	1,000	$ 6,841	-	-	4,533	-	-	-	-	11,374	100.00	1,000	-	11,374	None
Win Semiconductors Cayman Islands Co., Ltd.	62,000	2,421,659	52,000	1,581,520	(200,462)	65,131	20,955	(40,573)	-	3,848,230	100.00	114,000	-	3,848,230	〃
Inventec Energy Corporation (note 1)	11,768	23,767	-	(10,475)	-	-	-	-	(13,292)	-	34.52	11,768	-	-	〃
WIN Venture Capital Corp.	25,000	161,939	-	-	12,978	(215)	(4,137)	2,635	(385)	172,815	100.00	25,000	-	172,815	〃
Phalanx Biotech Group, Inc. (note 2)	16,400	45,826	8,250	347,965	(41,928)	(908)	-	-	(3,739)	347,216	39.89	24,650	-	347,216	〃
CSDC Private Limited	0.25	-	-	-	-	-	-	-	-	-	25.00	0.25	-	-	〃
		$ 2,660,032		1,919,010	(224,879)	64,008	16,818	(37,938)	(17,416)	4,379,635					

(Note 1) The decrease arises from the liquidation procedure of Inventec Energy Corporation.

(Note 2) The sum of $347,965 thousand arose from the subscription of new shares of Phalanx Biotech Group, Inc. amounting to $123,750 thousand and $224,215 thousand, which was the difference between the investment cost and the net equity.

WIN Semiconductors Corp.

Statement of accounts payable

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
C Company	$ 96,489
D Company	69,452
E Company	61,574
Others (Each amount is less than 5% of accounts payable)	851,737
Total	$ 1,079,252

Statement of other payables

Item	Amount
Accrued payroll	$ 1,060,753
Payables on equipment	484,705
Income tax payable	383,933
Other accrued expense	417,384
Others	4,282
Total	$ 2,351,057

WIN Semiconductors Corp.

Statement of other current liabilities

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Contract liabilities	$ 87,057
Employee benefit provisions	70,424
Refund liabilities (including related parties)	34,150
Receipts under custody	25,400
Others	919
Total	$ 217,950

Statement of other non-current liabilities

Item	Amount
Net defined benefit liabilities	$ 98,466
Guarantee deposit received	119,619
Total	$ 218,085

WIN Semiconductors Corp.

Statement of long-term borrowings

December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Creditor	Amount	Term of contract	Interest rate	Collateral
Bank of Taiwan—secured bank loans	$ 600,000	2018.7.17~2025.6.15	1.3742%	Refer to Note 8
Mega International Commercial Bank—secured bank loans	306,600	2018.7.17~2023.7.17	1.3019%	〃
Hua Nan Commercial Bank, Ltd.—secured bank loans	666,000	2018.8.16~2025.8.16	1.3600%	〃
CTBC Bank Co., Ltd.—unsecured bank loans	59,000	2017.8.31~2020.8.31	1.1800%	None
O-Bank Co., Ltd.—unsecured bank loans	210,000	2018.6.27~2021.6.27	1.0782%	〃
Bank of Taiwan—unsecured bank loans	400,000	2018.12.27~2021.6.15	1.1500%	〃
Bank SinoPac—unsecured bank loans	400,000	2017.4.5~2020.3.31	1.1522%	〃
Agricultural Bank of Taiwan—unsecured bank loans	200,000	2018.7.17~2021.7.17	1.1000%	〃
DBS Bank (Taiwan), Ltd.—unsecured bank loans	183,000	2018.11.2~2020.11.2	1.1400%	〃
Cathay United Bank—unsecured bank loans	50,000	2018.7.17~2021.5.7	1.2018%	〃
KGI Bank—unsecured bank loans	981,000	2018.11.15~2021.11.15	1.0874%	〃
Hua Nan Commercial Bank, Ltd.—unsecured bank loan	1,300,000	2017.7.25~2025.8.16	1.1500 %~1.3600 %	〃
Far Eastern International Bank—unsecured bank loans	447,000	2018.1.30~2021.1.29	1.1500%	〃
Total	$ 5,802,600			

WIN Semiconductors Corp.

Statement of operating revenue

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Quantity	Amount
Foundry	245,876 pcs	$ 16,813,102
Sales returns		(44)
Sales discounts and allowances		(55,412)
Net operation revenue		$ 16,757,646

WIN Semiconductors Corp.

Statement of operating costs

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Amount
Raw materials	
Beginning balance of raw materials	$ 2,039,296
Add：Purchases	3,358,550
Transferred from self-manufacturing raw materials	743,104
Transferred from indirect materials	13,295
Less：Ending balance of raw materials	(2,322,837)
Metal recycling	(634,136)
Transferred to engineering laboratory fees－Research and Development	(81,595)
Transferred to engineering laboratory fees－Manufacturing	(93,491)
Scrap of raw materials	(91)
Others	(905)
Raw materials consumed	3,021,190
Indirect material (including $13,295 transferred to raw materials)	2,709,676
Direct labor	919,491
Manufacturing overhead	5,915,451
Manufacturing costs	12,565,808
Beginning balance of work-in process inventory	1,272,067
Less：Ending balance of work-in process inventory	(857,069)
Cost of goods manufactured	12,980,806
Beginning balance of finished goods	207,290
Less：Ending balance of finished goods	(495,204)
Scrap of work-in process inventory and finished goods	(11,739)
Self-manufacturing raw materials transfer-out	(743,104)
Transferred to engineering laboratory fees－Research and Development	(243,974)
Transferred to engineering laboratory fees－Manufacturing	(263,243)
Transferred to promotion expenses－Manufacturing	(3,738)
Transferred to promotion expenses－Selling	(7,093)
Transferred to promotion expenses－Administration	(93)
Others	(2)
Cost of self-manufacturing goods sold	11,419,906
Losses on valuation of inventories and obsolescence	39,142
Others	7,803
Revenues from sale of scraps	(13,524)
Operating costs	$ 11,453,327

WIN Semiconductors Corp.

Statement of operating expenses

For the year ended December 31, 2018

(Expressed in thousands of New Taiwan Dollars)

Item	Selling expenses	Administrative expenses	Research and development expense
Salary and wages expenses	$ 70,222	369,216	291,334
Engineering laboratory fees	-	-	413,455
Depreciation expenses	-	93,147	124,203
Amortizations expenses	323	18,957	20,611
Donations expenses	-	29,691	-
Insurance expenses	14,859	33,252	17,831
Employee benefits expenses	-	19,518	-
Professional service fees	-	23,399	3,161
Cleaning fees	-	18,253	5
Commissions expenses	9,926	-	-
Entertainment expenses	2,031	13,083	121
Pension expenses	2,272	7,890	9,838
Rent expenses	243	10,416	305
Tax expenses	-	14,534	-
Repairs and maintenance expenses	2	16,335	12,427
Advertising expenses	15,267	706	-
Traveling expenses	5,099	5,937	6,560
Other expenses	11,144	128,655	16,581
	$ **131,388**	**802,989**	**916,432**

Statement of other current assets was disclosed in note 6(j)

Statement of changes in property, plant and equipment was disclosed in note 6(g)

Statement of changes in accumulated depreciation of property, plant and equipment was disclosed in note 6(g)

Statement of change in investment property was disclosed in note 6(h)

Statement of changes in accumulated depreciation of investment property was disclosed in note 6(h)

Statement of changes in intangible assets was disclosed in note 6(i)

Statement of deferred tax assets was disclosed in note 6(o)

Statement of other non-current assets was disclose in note 6(j)

Statement of deferred tax liabilities was disclosed in note 6(o)

Statement of other income was disclosed in note 6(u)

Statement of other gains and losses was disclosed in note 6(u)

Statement of finance cost was disclosed in note 6(u)

Statement of functional aggregation of employee benefits, depreciation, depletion and amortization was disclosed in note 12