Stock Code: 3105

WIN Semiconductors Corp.

2018 Annual Report

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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WIN's website: http://www.winfoundry.com
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I. LETTER TO SHAREHOLDERS

Dear Shareholders,

Looking back at 2018, after we experienced a year with a tremendous amount of wafers shipped for 3D sensing and a record high revenue in 2017, the market expected revenue to further increase each quarter and reach new heights in 2018. However, the inventory of some customers began to pile up and the U.S.-China trade war was just beginning in the first half of 2018, which still has not yet been resolved as of today. In addition, a portion of customers began making inventory adjustments in the second half and there was high level of uncertainty in the market. Then came the poor sales of smartphones, which indirectly led to a series of order cuts in the supply chain and financial forecasts being revised to a downward trend, making the traditional stronger season not as strong as expected. Even in such a gloomy market, we still managed to end 2018 with slight revenue growth that reached a record high.

Entering 2019, it is both a year of anticipation and challenge for us. We anticipate the arrival of the 5G generation. The world has the opportunity to witness the launch of 5G mobile phones in 2019, and some countries will start to experience the 5G network in certain areas. We have many 5G handheld devices and infrastructure-related R&D projects and customer qualifications that are ongoing, preparing for many years forward from 2019. Meanwhile, for handset-related 3D sensing and optical devices, we also have more technology developments and customers that are in progress. The challenge is that, due to different 5G timetables in different countries, the infrastructure will not all be in place in the near term. It is generally believed that the development of 5G in 2019 will be at a very early stage, and the penetration rate should be very low. During the transition to 5G communications, 4G smartphone demand will slow down in the near term. This combined with the impact on the global economy from a great power rivalry have all contributed to the uncertainties for overall demand in 2019. Favorably, as we relentlessly keep well-informed of latest technology trends, continue to invest in R&D, and actively participate in the development plans of our customers, we can capture many future developments of the supply chain. This further reinforces our belief that we are on the right path in gaining strength for future growth.

We were ranked in the top 5% of the corporate governance evaluation for the fourth consecutive year in the first half of 2018, and will continue to direct our efforts in corporate governance.

2018 operating results and 2019 outlook are reported as follows:

A. Operating Performance in 2018

● Operating Performance

The Company's 2018 consolidated revenues totaled NT$17,310,716 thousand, representing an increase of 1.31% compared to the year 2017. 2018 net profit attributable to owners of parent was NT$3,124,454 thousand, representing a decrease of 17.00% compared to the prior year, and EPS for 2018 was NT$7.39.

● Analysis of Receipts, Expenditures, and Profitability

Unit: NT$ thousand; %

Items			2018 (Consolidated)	2017 (Consolidated)
Interest Income & Interest Expense	Interest Income		59,064	26,121
	Interest Expense		22,456	54,946
Profitability	Return on Total Assets (%)		8.51	11.86
	Return on Equity (%)		12.27	17.43
	Ratio to Issued Capital (%)	Operating Income	75.63	108.11
		Profit before Tax	88.12	107.15
	Profit Ratio (%)		17.71	21.74
	Earnings Per Share (NT$ dollars)		7.39	9.34

● Budget Implementation

The Company is not required to make public its 2018 financial forecast information; however, the Board of Directors approved the budget plan and the overall operating plan is in good condition.

● Research and Development Status

We will continue to develop a series of highly integrated compound semiconductor technologies to support the development of 5G wireless communication components and key parts of infrastructure. This includes 6GHz (<6GHz) spectrum bands for ubiquitous network coverage and mmWave (~30GHz) for fixed wireless access and mobile broadband. WIN's technology portfolio covers HBT, GaN HEMT, pHEMT and highly integrated platforms to keep our customers ahead of the competition. Our advanced processes deliver the optimal combination of performance, integration, and efficiency for next-generation 5G front-ends, low-latency connections, and massive MIMO access points, and lay the foundation for the development and implementation of 5G mmWave Backhaul/Fronthaul, 5G mmWave Front End Modules for Active Antenna Arrays and User Equipment, and 5G Macrocell and MIMO Base Stations related applications. Furthermore, WIN's development of 5G optical communication and optical information components include 2.5G/10G/25G edge emitting laser diode (LD), high-power edge-emitting laser diode, 2.5G/10G photodiode (PD), avalanche photodiode (APD), and vertical cavity surface-emitting laser (VCSEL). WIN is also capable of providing one-stop-shop services for epitaxy, epitaxial growth, wafer processes, and device characterization. Looking to the future, we will continue to strengthen our technology to provide customers with high-quality and competitive products to serve different market applications, including fiber to the home, data centers, 5G infrastructure, augmented/mixed reality, automotive optoelectronic devices, and 3D sensing.

B. Business Plan in 2019

We will continue to make capital investments in 2019 to cover equipment procurements and expenses that were suspended due to the economic downturn in the second half of 2018. Furthermore, an important IDM customer reached an agreement at the end of 2017 with WIN to close its factory, sell its equipment, and outsource all of its PA capacity to WIN. The equipment will be delivered and installed in the first half of this year. Finally, equipment repairs, replacement of old equipment with new ones, production line optimization, and the demand of a portion of subsidiaries are expected to contribute to an over 10% increase in production capacity. This will meet the demand of the peak season this year and a portion of the production capacity needed next year.

C. Development Strategy

We remain optimistic about 5G wireless communications and optical devices becoming our two engines of growth in the next few years. For 5G wireless communications, our microwave communications technology roadmap spans both the sub-6GHz and millimeter wave frequency bands. Whether it may be handheld devices or infrastructure applications, customers have used our processes to design their products. We are also optimistic about the future application of GaN devices in 5G base stations, and have started technological development five to ten years in advance. We have already begun producing small quantities for some customers, and are in the qualification process of even more customers. For optical devices, our 3D sensing related process technologies, which are currently in mass production, are not only used for facial recognition in smartphones, but many other applications are also being developed and qualified by customers. In the future, we will always have a place when it comes to VCSEL components that are used for AR/VR and LiDAR. Furthermore, optical communication devices used by data centers are still a focal point of our research and development. With our years of experience and current results in the development of optical devices, we have successfully attracted over 20 customers from around the world to work closely together with us in a variety of optoelectronic development projects. Furthermore, we also expect to see WiFi specifications transition from 802.11ac to 802.11ax (WiFi6) in response to the greater bandwidth and signal intensity of wireless transmission, as well as the demand of low and medium earth orbit satellites to use broadband network to send 5G signals. We have been actively involved in the supply chain of these applications, which will soon enter the mass production stage.

D. The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Environment

We have always believed that there will always be competition and we need to stay ahead of the competition to maintain our leadership in the industry. The economic and political situation is volatile, and industry supply and demand fluctuates. Besides staying alert and cautiously responding, we believe that implementing corporate governance and abiding by the law will always be the right way to operate a business.

Sincerely yours,

Chin-Tsai Chen	*Yu-Chi Wang*	*Linna Su*
Chairman & President	*CEO*	*Head of Accounting*

WIN Semiconductors Corp.

II. COMPANY PROFILE

2.1. Date of Incorporation

WIN Semiconductors Corp. was founded in October 16, 1999.

2.2. Company History

Year	Month	Milestone
1999	Oct.	WIN Semiconductors Corp. incorporated in Taiwan
	Dec.	Ground breaking ceremony for corporate office & Fab-A
2000	Jul.	Facility construction completed
	Sep.	Process equipment installation completed, process qualification initiated, and HBT preliminary design kit available
	Nov.	Completed production of the first 6-inch GaAs HBT MMIC wafer and pHEMT wafer in Asia
2001	Jan.	WIN Semiconductors Corp. initiated pre-initial public offering (pre-IPO)
	Mar.	Presented the first 6-inch 0.15µm GaAs pHEMT MMIC wafer in the world
	Apr.	pHEMT preliminary design kit available
	May	Produced the first 6-inch pHEMT MMIC wafer with 2-mil substrate in the world
	May	Granted by Economy Ministry for R&D Project
	Jun.	Presented 6-inch GaAs 2µm HBT MMIC wafer
	Sep.	Pass QS-9000 & ISO9001 certification, creating a new quality certification record of III-V semiconductor industry
	Nov.	Began foundry production for 0.15µm pHEMT
2002	May	World's first 0.15µm mHEMT wafer on 6-inch GaAs
	Jun.	Production release of 2µm HBT
	Jun.	Demonstrated the first 6-inch pHEMT wafer with 1-mil substrate in the world
	Jun.	The first 0.5µm switch pHEMT wafer for customer
	Oct.	Foundry production of 0.5µm power pHEMT
	Nov.	Production released 1µm HBT
	Nov.	Pilot run release 0.15µm power pHEMT with 2-mil substrate
	Nov.	The first & largest pure-play GaAs wafer foundry service provider to pass ISO14001 & OHSAS18001 certification
2003	Jan.	Foundry production of customer specific 3µm HBT started
	Feb.	The first 0.15µm mHEMT wafer for customer
	Dec.	Shipped more than 1.5 million WLAN PAs in a single month
2004	Feb.	Baseline release of 2µm high ruggedness HBT
	Sep.	Pilot run of 0.5µm 35V pHEMT for CATV
2005	May.	Successfully developed HBT process for high efficiency, high performance 2G/3G cellphone application

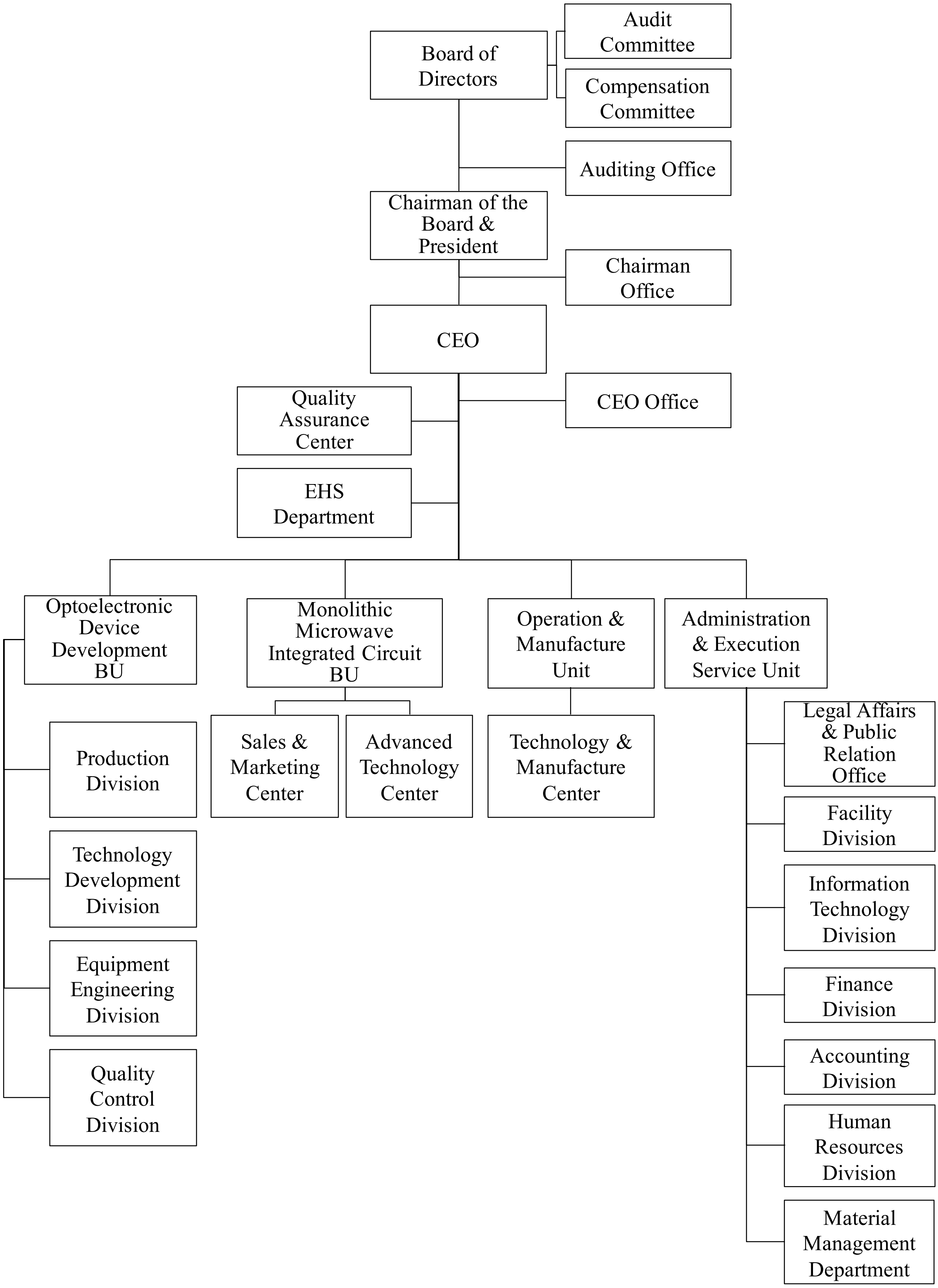
Year	Month	Milestone
2007	Apr.	Acquired Fab-B's land and factory
	Apr.	Established MMIC and Optoelectronic business units, lead by PhD Y.C. Wang and PhD W.M. Chang respectively
	Dec.	Started making profit annually (EPS: NT$0.79)
2008	May	Successfully developed 0.25μm pHEMT MMIC wafer process
	Jun.	Skyworks Solution announced WIN as their official GaAs foundry
	Oct.	The first pilot run of HBT GaAs wafer in Fab-B
2009	Apr.	Fab-B mass production
	Jul.	Successfully developed BiHEMT process to integrates both of HBT and pHEMT processes
	Oct.	Initial public offering
	Oct.	Announced strategic partnership with Anadigics
2010	Apr.	Acquired Fab-B second phase land and factory
	May	Start the second phase expansion of Fab-B
	Nov.	Passed ISO/TS 16949 certification
	Dec.	Developed high performance application for multiphase and multisystem cellphone switch process
	Dec.	Successfully developed the first 6-inch 0.1μm MMIC wafer in the world
2011	May.	Morgan Stanley Capital International enlists WIN Semiconductors Corp. in MSCI Index
	Oct.	Taipei Exchange (TPEx) awarded Contribution Excellence Golden Laurel Award to WIN Semiconductors Corp.
	Nov.	Awarded the best supplier award from M/A COM Technology Solutions
	Dec.	Stock was offered publically in TPEx
	Dec.	Annual revenue broke NT$10 billion record
2012	Oct.	WIN participates Seasoned Equity Offering and offers Global Depositary Receipts
	Dec.	Granted 2012 Best Supplier Award by muRata, a publicly traded company in Japan
	Dec.	Awarded 2012 Best Technology Partner by Inphi, a publicly traded company in US
	Dec.	Became one of the world's top 12 foundries, and only one manufacturing GaAs products with 62.4% pure-play foundry service market share
2013	Dec.	Won 3rd National Industrial Innovation Award, Outstanding Enterprise Innovation Award category
2014	Feb.	Won 2nd Taiwan Mittelstand Award

Year	Month	Milestone
2015	Apr.	WIN got the top 5% in Y2014 Corporate Governance Evaluation on TPEx-listed companies
	Jul.	To improve the capital structure and enhance return on equity, WIN conducted a 20% capital reduction by distributing cash to shareholders
	Dec.	Surpassed 1,000,000 wafers shipped
2016	Jan.	Fab-C completed the facility construction
	Mar.	WIN attended the 2016 Optical Fiber Conference and launched foundry services for optical device manufacturing
	Apr.	Fab-C formally announced for mass production
	Apr.	WIN got the top 5% in Y2015 Corporate Governance Evaluation on TPEx-listed companies
	Aug.	To improve the capital structure and enhance return on equity, WIN conducted a 30% capital reduction by distributing cash to shareholders
	Sep.	WIN GaN technology project got A+ Industrial Innovative R&D Program of the MOEA
2017	Apr.	WIN got the top 5% in Y2016 Corporate Governance Evaluation on TPEx-listed companies
	Oct.	WIN market value broke NT$100 billion record
	Nov.	Morgan Stanley Capital International enlists WIN Semiconductors Corp. in MSCI Global Standard Indexes
2018	Jan.	Pass AS9100 certification
	Feb.	Pass SONY Green Partner certification (WIN Fab-B)
	Apr.	WIN got the top 5% in Y2017 Corporate Governance Evaluation on TPEx-listed companies
2019	Apr.	WIN got the top 5% TPEx-listed companies in Corporate Governance Evaluation for five consecutive years

III. CORPORATE GOVERNANCE REPORT

3.1. Organization

Organization Chart



Major Corporate Functions

Department	Functions
Chairman Office	Execute the projects instructed by the Chairman.
CEO Office	Assist CEO in improving management effectiveness including: • Business operation analysis, planning and execution. • Coordination and improvement of management system. • Integrate, develop, and improve efficiency of enterprise resources. • Introduction of management information system. • Implementation and planning of projects.
Auditing Office	1. Regularly and on an ad-hoc basis implementing auditing activities to ensure the operation performance and progress of improvement in different business operation aspects; supervising and reviewing the self-inspection reports prepared by all departments and subsidiaries. 2. Submitting the audit reports, findings of deficiencies of the internal control system and follow up on the correction of any defects and irregularities to the independent directors. 3. Attending and presenting audit reports to the Board of Directors and the Audit Committee.
Monolithic Microwave Integrated Circuit BU	Planning and executing GaAs MMIC's key materials, technologies, process, equipment improvement, manufacturing and selling.
Optoelectronic Device Development BU	R&D and manufacturing for III-V optoelectronic materials and components.
Operation & Manufacture Unit	1. Manages efficiency of manufacturing operations of all fabs and conducts capacity management. 2. Operates mainstream product manufacturing and integrates process engineering technology development to support all BU's production orders. 3. Ensures implementing quality management system to meet customers' expectations on products. 4. Coordinates manufacturing operations resources and production demands to drive business efficiency.
Quality Assurance Center	Coordination of product quality improvement and execution of quality control. • Implement quality assurance policy and carry out to daily operation. • Quality system build up and maintenance. • Customers complain management. • Engineering changes control. • Reliability system building up. • Product quality monitoring, analysis, and improvement.
EHS Department	Planning, managing and operating of environmental protection, fire prevention and labor safety and health of the company.

Department	Functions
Administration & Execution Service Unit	1. Legal Affairs & Public Relation Office: Drafting, reviewing, negotiating and managing of contracts and legal documents. Providing of legal advice and consultation to the management, intellectual property management, legal disputes and litigations. Public relation, corporate social responsibility and related projects. 2. Facility Division: Planning, set-up and maintaining of fab facility system. 3. Information Technology Division: Planning, implementation, managing and integration of IT systems, including application system fulfillment and infrastructure establishment in the company. 4. Finance Division: Fund raising, cash control and management analysis, maintaining credit facility and bank relationship, evaluating and monitoring investments, property insurance, stock affairs and investor relations. 5. Accounting Division: Reviewing transaction documents and vouchers, conducting accounting close, tax filing, budgeting and book-keeping. 6. Human Resources Division: Ensuring human resources management to contribute to organization's accomplishment, based upon the company's business strategy, goals and objectives and providing administration services. 7. Material Management Department: Supply chain planning and risk management, raw material, machinery and equipments purchasing and subcontracting; inventory planning and controlling, import, export and storage management. 8. Established an interdepartmental team for Corporate Social Responsibility (CSR) project to collaborate various organization for the company for planning, implementing, compiling and exploring issues of CSR related activities and issuing of CSR report.

3.2. Directors and Management Team

Directors

A. Information Regarding Directors

April 16, 2019

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding (Note 1)		Shareholding by Nominee Arrangement (Note 1)		Education & Major Experience	Other Major Positions	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	Chin-Tsai Chen	Male	06/24/2016	3	05/01/2003	17,848,895	2.99	12,402,953	2.93	1,045,368	0.25	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • Director, Namchow Chemical Industrial Co., Ltd. • General Manager, Namchow Chemical Industrial Co., Ltd.	• President, WIN Semiconductors Corp. • Vice Chairman, HIWIN Technologies Corp. • Supervisor, Inventec Solar Energy Corporation • Independent Director, Kinsus Interconnect Technology Corp. • Independent Director, Tong Hsing Electronic Ind, Ltd. • Director Representative, Taipei Financial Center Corp. • Director, ITEQ Corporation • Director Representative, WIN Venture Capital Corp. • Director Representative, Mercuries Life Insurance • Director, WIN SEMI. USA, INC. • Director, Win Semiconductors Cayman Islands Co., Ltd. • Chairman, Chainwin Agrotech and Biotech (Cayman Islands) Ltd. • Chairman, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd. • Chairman, Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd. • Director, Jiangsu Merit/CM Agriculture Development Co., Ltd. • Director, Jiangsu CM/Merit Agriculture Development Co., Ltd.	Director	Shun-Ping Chen	Son
Director	R.O.C.	International Fiber Technology Co., Ltd.	-	06/24/2016	3	10/12/1999	5,041,253	0.84	3,503,097	0.83	0	0	0	0	None	None	-	-	-
	R.O.C.	Representative: Su-Chang Hsieh	Male				0	0	0	0	0	0	0	0	• Bachelor Degree in Agricultural Economics, National Taiwan University, Taiwan • Chairman, WIN Semiconductors Corp. • Director, Episil Technologies Inc.	• Chairman, International Fiber Technology Co., Ltd. • Director, Kuo Cheng Investment Enterprise Co., Ltd.	-	-	-
Director	R.O.C.	Li-Cheng Yeh	Male	06/24/2016	3	06/24/2016	11,062,997	1.85	7,687,525	1.82	1,306,708	0.31	0	0	• Master Degree in Computer Science, Pace University, USA • Supervisor, Inventec Energy Corporation	• Chairman, Kou Hsieh Investment Co., Ltd. • Chairman, Fu Tai Investment Co., Ltd. • Chairman, Chuan Cheng Assets Management Co., Ltd. • Vice Chairman, Royal Base Corporation • Director Representative, Inventec Appliances Corp. • Director, Inventec Solar Energy Corporation • Supervisor, Inventec Besta Co., Ltd.	-	-	-
Director	R.O.C.	Yu-Chi Wang	Male	06/24/2016	3	06/19/2008	1,602,993	0.27	880,000	0.21	0	0	0	0	• PhD in Material Engineering, Rutgers University, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA	• CEO, WIN Semiconductors Corp. • Director and CEO, WIN SEMI. USA, INC.	-	-	-

Title	Nationality	Name	Gender	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding (Note 1)		Spouse & Minor Shareholding (Note 1)		Shareholding by Nominee Arrangement (Note 1)		Education & Major Experience	Other Major Positions	Executives, Directors or Supervisors Who Are Spouses or within Two Degrees of Kinship		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	R.O.C.	Wen-Ming Chang	Male	06/24/2016	3	06/19/2008	540,737	0.09	314,750	0.07	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	• BU General Manager, WIN Semiconductors Corp. • Independent Director, GIGA SOLAR MATERIALS CORPORATION	-	-	-
Director	R.O.C.	Shun-Ping Chen	Male	06/24/2016	3	06/10/2013	2,731,373	0.46	1,897,993	0.45	0	0	0	0	• Master Degree in Business Administration, Rutgers University, USA • Deputy Spokesperson, ASUSTEK Computer Inc. • Manager, Protek (Shanghai) Limited	• Senior Vice President, WIN Semiconductors Corp. • Director Representative, WIN Venture Capital Corp. • Supervisor Representative, CDIB CME Fund Ltd. • Director Representative, NEW FUTURE CAPITAL CO., LTD. • Independent Director, Wei Chuan Foods Corp.	Chairman	Chin-Tsai Chen	Father
Independent Director	R.O.C.	Shen-Yi Lee	Male	06/24/2016	3	06/24/2010	60,045	0.01	38,000	0.01	0	0	0	0	• PhD in Law, Chinese Culture University, Taiwan • Qualified Arbitrator, Chinese Arbitration Association • Chairman, Consumer's Foundation, Taiwan, R.O.C. • Commissioner, Political Party Review Commission, Executive Yuan, Taiwan • Commissioner, Fair Trade Commission, Executive Yuan, Taiwan • Member, 2nd and 3rd Sessions, Control Yuan, Taiwan	• Compensation Committee Member, WIN Semiconductors Corp. • Compensation Committee Member, Capital Futures Corporation • Director, Dharma Drum Mountain Humanity and Social Foundation • Director Representative, Nan Ya Plastics Corporation • Director, East Tender Optoelectronics Corporation • Chairman, Sheng Yi Biotech Co., Ltd. • Independent Director, Entie Commercial Bank, Ltd. • Supervisor, Chinese Culture University • Supervisor, Taoyuan International Airport Services Co., Ltd.	-	-	-
Independent Director	R.O.C.	Wei-Lin Wang	Male	06/24/2016	3	06/24/2010	0	0	0	0	0	0	0	0	• Juris Science Doctor, Washington University in St. Louis, USA • Partner, New Hope Law Firm, Taiwan • Foreign Associate, Haynes and Boone, LLP (Dallas Headquarter), Dallas, Texas, USA • Sr. Counselor, Lee and Li, Attorneys-at-Law • Associate Professor & Director, Graduate Institute for Intellectual Property Rights, Shih Hsin University, Taiwan • Assistant Professor, Graduate Institute of Intellectual Property, National Chengchi University, Taiwan • Associate Professor, Graduate Institute of Financial and Economic Law, Feng Chia University	• Professor & Department Chairman, Financial Law Department, Ming Chuan University • Independent Director, Young Fast Optoelectronics Co., Ltd. • Independent Director, ANT Precision Industry Co. Ltd. • Independent Director, Fuzetec Technology Co., Ltd. • Director Representative, Global Strategic Investment Fund	-	-	-
Independent Director	R.O.C.	Chin-Shih Lin	Male	06/16/2017	2	06/16/2017	0	0	0	0	0	0	0	0	• Master Degree in Accounting, Tamkang University, Taiwan • Certified Public Accountant (CPA) • Supervisor, Prolific Technology Inc. • Independent Director, Namchow Holdings Co., Ltd. • Compensation Committee Member, Namchow Holdings Co., Ltd.	• Compensation Committee Member, WIN Semiconductors Corp. • Certified Public Accountant (CPA) • Supervisor, Prolific Technology Inc. • Independent Director, Namchow Holdings Co., Ltd. • Compensation Committee Member, Namchow Holdings Co., Ltd.	-	-	-

Note 1: Shareholdings as of April 16, 2019.

B. Major Shareholders of the Institutional Shareholders

April 16, 2019

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
International Fiber Technology Co., Ltd.	Yun-Yun Hou (26.0%) Ming-Hui Hsieh (21.9%) Ming-Chieh Hsieh (6.3%) Kuo Cheng Investment Enterprise Co., Ltd. (20.3%) Kuo Chang Investment Enterprise Co., Ltd. (20.4%)

C. Major Shareholders of the Company's Institutional Shareholders

April 16, 2019

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders
Kuo Cheng Investment Enterprise Co., Ltd.	Ming-Chieh Hsieh (66.9%) Chao-Chi Hsiung (16.9%)
Kuo Chang Investment Enterprise Co., Ltd.	Ming-Chien Hsieh (77.8%) Ming-Chieh Hsieh (11.1%) Ming-Hui Hsieh (11.1%)

D. Professional Qualifications and Independence Analysis of Directors

April 16, 2019

Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Chin-Tsai Chen	✓		✓					✓	✓	✓		✓	✓	2
Su-Chang Hsieh (Representative of International Fiber Technology Co., Ltd.)			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Li-Cheng Yeh			✓	✓	✓			✓	✓	✓	✓	✓	✓	0
Yu-Chi Wang	✓		✓			✓	✓	✓	✓	✓	✓	✓	✓	0
Wen-Ming Chang			✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Shun-Ping Chen			✓			✓		✓	✓	✓		✓	✓	1
Shen-Yi Lee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei-Lin Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3
Chin-Shih Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Please tick the corresponding boxes if directors have been any of the following during the two years prior to be elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof, provided that this restriction does not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies Whose Stock is Listed on the TWSE or Traded on the TPEx.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

Management Team

April 16, 2019

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding (Note1)		Shareholding by Nominee Arrangement (Note1)		Education & Major Experience	Other Major Positions	Managers who are Spouses or within Second Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
President	R.O.C.	Chin-Tsai Chen	Male	12/16/2011	12,402,953	2.93	1,045,368	0.25	0	0	• Master Degree in Public Administration, University of San Francisco, USA • Master Degree in Accounting, Tamkang University, Taiwan • Director, Namchow Chemical Industrial Co., Ltd. • General Manager , Namchow Chemical Industrial Co., Ltd.	• Vice Chairman, HIWIN Technologies Corp. • Supervisor, Inventec Solar Energy Corporation • Independent Director, Kinsus Interconnect Technology Corp. • Independent Director, Tong Hsing Electronic Ind, Ltd. • Director Representative, Taipei Financial Center Corp. • Director, ITEQ Corporation • Director Representative, WIN Venture Capital Corp. • Director Representative, Mercuries Life Insurance • Director, WIN SEMI. USA, INC. • Director, Win Semiconductors Cayman Islands Co., Ltd. • Chairman, Chainwin Agrotech and Biotech (Cayman Islands) Ltd. • Chairman, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd. • Chairman, Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd. • Director, Jiangsu Merit/CM Agriculture Development Co., Ltd. • Director, Jiangsu CM/Merit Agriculture Development Co., Ltd.	Sr. Vice President	Shun-Ping Chen	Son
CEO	R.O.C.	Yu-Chi Wang	Male	09/28/2010	880,000	0.21	0	0	0	0	• PhD in Material Engineering, Rutgers University, USA • Researcher, Bell Laboratories, Lucent Technologies, Murray Hill, NJ, USA	• Director and CEO, WIN SEMI. USA, INC.	-	-	-
BU General Manager	R.O.C.	Wen-Ming Chang	Male	03/01/2007	314,750	0.07	0	0	0	0	• PhD in Chemical Engineering, Clemson University, USA • General Manager, Huga Optotech Inc.	Independent Director, GIGA SOLAR MATERIALS CORPORATION	-	-	-
BU General Manager	R.O.C.	Kyle Chen	Male	07/01/2010	175,176	0.04	0	0	0	0	• EMBA, Graduate Institute of Accounting, National Taiwan University, Taiwan • Fab Director, Macronix International Co., Ltd.	-	-	-	-
Vice President	R.O.C.	Brian Lee	Male	04/01/2010	412,330	0.10	0	0	0	0	• Master's Degree, University of Southern California, USA • Sales Manager, United Microelectronics Corporation	-	-	-	-
Sr. Vice President	R.O.C.	Shun-Ping Chen	Male	07/01/2010	1,897,993	0.45	0	0	0	0	• Master Degree in Business Administration, Rutgers University, USA • Deputy Spokesperson, ASUSTEK Computer Inc. • Manager, Protek (Shanghai) Limited	• Director Representative, WIN Venture Capital Corp. • Supervisor Representative, CDIB CME Fund Ltd. • Director Representative, NEW FUTURE CAPITAL CO., LTD. • Independent Director, Wei Chuan Foods Corp.	President	Chin-Tsai Chen	Father
Vice President	Canada	Lap-Sum Yip	Male	05/01/2016	3,473	0.0008	56,043	0.01	0	0	• PhD in Electrical Engineering, McGill University, Canada	-	-	-	-
Vice President	R.O.C.	Eric Hsu (Note 2)	Male	05/15/2018	200,000	0.05	0	0	0	0	• Master Degree in Material Science and Engineering, National Tsing Hua University, Taiwan • Manager, United Microelectronics Corporation	• Director, Nan Ya Food Industrial Corp.			
Vice President	R.O.C.	HP Hsiao (Note 2)	Male	05/15/2018	27,616	0.01	0	0	0	0	• PhD in Optics and Photonics, National Central University, Taiwan • Director of Technology Development, Inforcomm Semiconductor Corporation • Assistant Professor, Department of Electrical Engineering, Dayeh University, Taiwan • Technical Consultant, Hugo Optotech Inc. • Researcher, Chunghwa Telecom Laboratories	-			
Special Assistant to CEO	R.O.C.	S.Y. Wang	Male	09/01/2005	170,000	0.04	0	0	0	0	• Master Degree in Industrial Engineering and Engineering Management, Tsing Hua University, Taiwan • Manager, Macronix International Co., Ltd.	-	-	-	-

Title	Nationality	Name	Gender	Date Effective	Shareholding (Note1)		Spouse & Minor Shareholding (Note1)		Shareholding by Nominee Arrangement (Note1)		Education & Major Experience	Other Major Positions	Managers who are Spouses or within Second Degrees of Kinship		
					Shares	%	Shares	%	Shares	%			Title	Name	Relation
Associate Vice President	R.O.C.	Annie Yu	Female	03/15/2005	14,202	0.003	0	0	0	0	• Master Degree in Law, Cornell University, USA • Supervisor, Huga Optotech Inc.	-	-	-	-
Associate Vice President of Accounting Division	R.O.C.	Linna Su	Female	11/01/2010	83,706	0.02	0	0	0	0	• Master Degree in Accounting, Soochow University, Taiwan • Associate Manager of Accounting & Audit Manger, Elitegroup Computer Systems Co., Ltd.	-	-	-	-
Associate Vice President of Finance Division	R.O.C.	Joe Tsen	Male	11/01/2010	385,834	0.09	0	0	0	0	• MBA in Finance, Baruch College, USA • Account Manager, CIBC, Canada	• CFO, WIN SEMI. USA, INC. • Supervisor Representative, WIN Venture Capital Corp. • Director, Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. • Supervisor, Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd. • Supervisor, Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd. • Supervisor, Jiangsu Merit Runfu Agriculture Development Co., Ltd. • Director Representative, WinMEMS Technologies Co., Ltd.	-	-	-
Sr. Vice President	R.O.C.	Chang-Hwang Hua (Note3)	Male	08/16/2004	29,587	0.01	6,680	0.001	0	0	• PhD in Material Science, Stanford University, USA • Engineering Director, Skyworks Solutions, Inc., USA • VP, Network Device, Inc., USA	-	-	-	-
Vice President	R.O.C.	Joseph Liu (Note3)	Male	05/02/2000	504	0.0001	177	0.00004	0	0	• PhD in Electrical Engineering, Pennsylvania State University, USA • Senior Principal Staff, Lockheed Martin Corp.	-	-	-	-

Note1: Shareholdings as of April 16, 2019.

Note2: Eric Hsu and HP Hsiao were promoted to Vice President effective as of May 15, 2018.

Note3: Chang-Hwang Hua and Joseph Liu were dismissed from their positions as of May 15, 2018.

Remuneration of Directors, President and Vice President

A. Remuneration of Directors

Unit: NT$ thousand; Shares in thousands; %

<table>
<tr><th rowspan="4">Title</th><th rowspan="4">Name</th><th colspan="8">Remuneration (Note1)</th><th colspan="2" rowspan="2">Ratio of Total Remuneration (A+B+C+D) to Net Income (%) (Note 4)</th><th colspan="8">Relevant Remuneration Received by Directors Who Are Also Employees</th><th colspan="2" rowspan="2">Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) (Note 4)</th><th rowspan="4">Compensation Paid to Directors from Non-consolidated Affiliates</th></tr>
<tr><th colspan="2">Base Compensation (A)</th><th colspan="2">Severance Pay (B) (Note 2)</th><th colspan="2">Bonus to Directors (C) (Note 3)</th><th colspan="2">Allowances (D)</th><th colspan="2">Salary, Bonuses, and Allowances (E)</th><th colspan="2">Severance Pay (F) (Note 2)</th><th colspan="4">Profit Sharing-Employee Bonus (G) (Note 3)</th></tr>
<tr><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th><th colspan="2">The Company</th><th colspan="2">All Consolidated Entities</th><th rowspan="2">The Company</th><th rowspan="2">All Consolidated Entities</th></tr>
<tr><th>Cash</th><th>Stock</th><th>Cash</th><th>Stock</th></tr>
<tr><td>Chairman</td><td>Chin-Tsai Chen</td><td>0</td><td>0</td><td>0</td><td>0</td><td>37,100</td><td>37,100</td><td>35</td><td>35</td><td>1.19</td><td>1.19</td><td rowspan="10">114,180</td><td rowspan="10">151,576</td><td rowspan="10">324</td><td rowspan="10">324</td><td rowspan="10">55,280</td><td rowspan="10">0</td><td rowspan="10">55,280</td><td rowspan="10">0</td><td rowspan="10">7.82</td><td rowspan="10">9.01</td><td rowspan="10">0</td></tr>
<tr><td rowspan="2">Director</td><td>International Fiber Technology Co., Ltd. -</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">0</td><td rowspan="9">37,100</td><td rowspan="9">37,100</td><td rowspan="9">275</td><td rowspan="9">281</td><td rowspan="9">1.20</td><td rowspan="9">1.20</td></tr>
<tr><td>Representative: Su-Chang Hsieh</td></tr>
<tr><td>Director</td><td>Li-Cheng Yeh</td></tr>
<tr><td>Director</td><td>Yu-Chi Wang</td></tr>
<tr><td>Director</td><td>Wen-Ming Chang</td></tr>
<tr><td>Director</td><td>Shun-Ping Chen</td></tr>
<tr><td>Independent Director</td><td>Shen-Yi Lee</td></tr>
<tr><td>Independent Director</td><td>Wei-Lin Wang</td></tr>
<tr><td>Independent Director</td><td>Chin-Shih Lin</td></tr>
<tr><td colspan="23">* Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) to the Company and all consolidated entities in the 2018 financial statements: None.</td></tr>
</table>

Note 1: If the total remuneration paid to all directors and supervisors in their capacity as directors or supervisors from all consolidated entities exceeds 2% of the net income, and the remuneration paid to any individual director or supervisor exceeds NTD$15 million, the remuneration paid to that individual director or supervisor shall be disclosed.

Note 2: Pensions funded according to applicable law, there was no pensions paid during the most recent year.

Note 3: The employees' remuneration and Directors' remuneration for year 2018 were NT$255,600 thousand and NT$74,200 thousand, respectively, which were approved by the Board of Directors' meeting on March 21, 2019 and will be reported at the 2019 Annual Shareholders' Meeting.

Note 4: The net income for 2018 was NT$3,124,454 thousand.

Note 5: The Company that has had an average ratio of share pledging by directors in excess of 50 percent in any 3 months during the most recent fiscal year: None.

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
NT$0~NT$1,999,999				
NT$2,000,000 ~ NT$4,999,999	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Yu-Chi Wang, Wen-Ming Chang, Shun-Ping Chen, Shen-Yi Lee, Wei-Lin Wang, Chin-Shih Lin	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Yu-Chi Wang, Wen-Ming Chang, Shun-Ping Chen, Shen-Yi Lee, Wei-Lin Wang, Chin-Shih Lin	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Shen-Yi Lee, Wei-Lin Wang, Chin-Shih Lin	International Fiber Technology Co., Ltd., Li-Cheng Yeh, Shen-Yi Lee, Wei-Lin Wang, Chin-Shih Lin
NT$5,000,000 ~ NT$9,999,999				
NT$10,000,000 ~ NT$14,999,999				
NT$15,000,000 ~ NT$29,999,999			Wen-Ming Chang	Wen-Ming Chang
NT$30,000,000 ~ NT$49,999,999	Chin-Tsai Chen	Chin-Tsai Chen	Shun-Ping Chen	Shun-Ping Chen
NT$50,000,000 ~ NT$99,999,999			Yu-Chi Wang	Yu-Chi Wang
Over NT$100,000,000			Chin-Tsai Chen	Chin-Tsai Chen
Total	9	9	9	9

B. Compensation of President and Vice President

Unit: NT$ thousand; Shares in thousands; %

Title	Name	Salary (A)		Severance Pay (B) (Note 1)		Bonuses and Allowances (C) (Note 2)		Profit Sharing-Employee Bonus (D) (Note 3)				Ratio of Total Compensation (A+B+C+D) to Net Income (%) (Note 4)		Compensation paid to the President and Vice President from Non-consolidated Affiliates
		The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company	All Consolidated Entities	The Company		All Consolidated Entities		The Company	All Consolidated Entities	
								Cash	Stock	Cash	Stock			
President	Chin-Tsai Chen	40,954	57,530	811	811	133,092	153,912	70,480	0	70,480	0	7.85	9.05	0
CEO	Yu-Chi Wang													
BU General Manager	Wen-Ming Chang													
BU General Manager	Kyle Chen													
Vice President	Brian Lee													
Sr. Vice President	Shun-Ping Chen													
Vice President	Lap-Sum Yip													
Vice President	Eric Hsu (Note 5)													
Vice President	HP Hsiao (Note 5)													
Sr. Vice President	Chang-Hwang Hua (Note 6)													
Vice President	Joseph Liu (Note 6)													

Note 1: Pensions funded according to applicable law, there was no pensions paid during the most recent year.
Note 2: Including long-term incentives.
Note 3: The employees' remuneration for year 2018 was NT$255,600 thousand which was approved by the Board of Directors' meeting on March 21, 2019 and will be reported at the 2019 Annual Shareholders' Meeting.

Note 4: The net income for 2018 was NT$3,124,454 thousand.
Note 5: Eric Hsu and HP Hsiao were promoted to Vice President effective as of May 15, 2018.
Note 6: Chang-Hwang Hua and Joseph Liu were dismissed from their positions as of May 15, 2018.

Range of Remuneration	Name of Presidents and Vice Presidents	
	The Company	All Consolidated Entities
NT$0~NT$1,999,999	Joseph Liu, Chang-Hwang Hua (Note 1)	Joseph Liu, Chang-Hwang Hua (Note 1)
NT$2,000,000 ~ NT$4,999,999		
NT$5,000,000 ~ NT$9,999,999	Lap-Sum Yip, HP Hisao	Lap-Sum Yip, HP Hisao
NT$10,000,000 ~ NT$14,999,999	Brian Lee, Eric Hsu	Brian Lee, Eric Hsu
NT$15,000,000 ~ NT$29,999,999	Wen-Ming Chang	Wen-Ming Chang
NT$30,000,000 ~ NT$49,999,999	Yu-Chi Wang, Shun-Ping Chen, Kyle Chen	Yu-Chi Wang, Shun-Ping Chen, Kyle Chen
NT$50,000,000 ~ NT$99,999,999	Chin-Tsai Chen	
Over NT$100,000,000		Chin-Tsai Chen
Total	11	11

Note 1: Chang-Hwang Hua and Joseph Liu were dismissed from their positions as of May 15, 2018.

D. Employee Bonus Granted to Management Team

Year 2018; Unit: NT$ thousand; %

	Title	Name	Employee Bonus - in Stock (Fair Market Value)	Employee Bonus - in Cash (Note 1)	Total	Ratio of Total Amount to Net Income (%)
Managerial Officers	President	Chin-Tsai Chen	0	76,680	76,680	2.45%
	CEO	Yu-Chi Wang				
	BU General Manager	Wen-Ming Chang				
	BU General Manager	Kyle Chen				
	Vice President	Brian Lee				
	Sr. Vice President	Shun-Ping Chen				
	Vice President	Lap-Sum Yip				
	Vice President	Eric Hsu (Note 2)				
	Vice President	HP Hsiao (Note 2)				
	Special Assistant to CEO	S.Y. Wang				
	Associate Vice President	Annie Yu				
	Associate Vice President of Accounting Division	Linna Su				
	Associate Vice President of Finance Division	Joe Tsen				
	Sr. Vice President	Chang-Hwang Hua (Note 3)				
	Vice President	Joseph Liu (Note 3)				

Note 1:The employees' remuneration for year 2018 was NT$255,600 thousand which was approved by the Board of Directors' meeting on March 21, 2019 and will be reported at the 2019 Annual Shareholders' Meeting.
Note 2: Eric Hsu and HP Hsiao were promoted to Vice President effective as of May 15, 2018.
Note 3: Chang-Hwang Hua and Joseph Liu were dismissed from their positions as of May 15, 2018.

Comparison of Remuneration for Directors, Supervisors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, Presidents and Vice Presidents

A. The Ratio of Total Remuneration Paid by the Company and by All Companies Included in the Consolidated Financial Statements for the Most Recent Two Fiscal Years to Directors, Supervisors, Presidents and Vice Presidents of the Company, to the Net Income

Year / Items	Ratio of Total Remuneration to Net Income (Note 1)			
	2017		2018 (Note 2)	
	The Company	All Consolidated Entities	The Company	All Consolidated Entities
Paid to Directors	2.39%	2.39%	1.98%	1.98%
Paid to Supervisors	Not applicable		Not applicable	
Paid to Presidents and Vice Presidents	6.77%	7.60%	6.52%	7.50%

Note 1: The net income for 2017 and 2018 were NT$3,764,200 thousand and NT$3,124,454 thousand, respectively.

Note 2: The employees' remuneration and Directors' remuneration for year 2018 were NT$255,600 thousand and NT$74,200 thousand, respectively, which were approved by the Board of Directors' meeting on March 21, 2019 and will be reported at the 2019 Annual Shareholders' Meeting.

B. The Policies, Standards, and Portfolios for the Payment of Remuneration, the Procedures for Determining Remuneration, and the Correlation with Business Performance

(1) The Company has established a Compensation Committee to review and form corporate policy, structure and payment terms applicable to compensation of directors and managers, as well as rewards and incentive programs of managers.

(2) Remuneration for Directors is made according to the Company's Articles of Incorporation. According to the Article, if there is any net profit after closing of a fiscal year, no more than 3% of the same shall be allocated as Directors' compensation. The rational of Directors' remuneration policy takes into account the Procedures for Board Performance Evaluation, overall business performance of the Company, operation requirement and development of the industry in the future, and the individual Director contribution to the Company's operations. The reasonable Directors' compensation is proposed by the Compensation Committee and approved by the Board of Directors.

(3) The appointment, dismissal and compensation for presidents and vice presidents shall be approval by the Board of Directors meeting according to the Company's regulations. According to the Company's employer performance assessment rules, the compensation is measured based on the employee's personal achievements, contribution made to the business operation, and the market benchmarking, which is prepared by the Human Resource Division. The compensation for presidents and vice presidents shall be approved by the Compensation Committee and the Board of Directors.

(4) The compensation policy is measured based on the employee's capability, contribution made to the Company and performance which has a positive correlation with the performance of the Company's business. The compensation package mainly includes salaries, incentive and bonus, and welfares. The payment standards of compensation are: the payment of salaries is according to the market averages of that position; the payment of incentive and bonus is related to achievement of goals of employee and his/her organization or the Company's operation performance; and the welfare system is planned by need of employees based on applicable regulations and rules.

(5) Correlation with future risks: The payment of remuneration will be subjected to future changes in environment and business performance, if Directors or employees are involved in anything illegal and cause any loss of the Company, proper actions will be taken according to relevant laws and regulations.

3.3. Implementation of Corporate Governance

Board of Directors Meeting Status

A total of 8 (A) meetings of Board of Directors were held in 2018. Director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Chin-Tsai Chen	7	1	87.5%	—
Director	International Fiber Technology Co., Ltd.-Representative: Su-Chang Hsieh	3	5	37.5%	—
Director	Li-Cheng Yeh	8	0	100%	—
Director	Yu-Chi Wang	7	0	87.5%	—
Director	Wen-Ming Chang	7	0	87.5%	—
Director	Shun-Ping Chen	8	0	100%	—
Independent Director	Shen-Yi Lee	8	0	100%	—
Independent Director	Wei-Lin Wang	6	2	75%	—
Independent Director	Chin-Shih Lin	8	0	100%	—

Annotations:

1.If there are any circumstances listed below during a meeting of the Board of Directors, the dates of meetings, sessions, contents of motions of the directors' meetings, all Independent Directors' opinion and the Company's response to independent directors' opinion should be specified:

(1) Items listed in Article 14-3 of Securities and Exchange Act:
Please refer to page 23 "Independent Directors' Opinions or Resolutions to Material Matters."

(2) Besides the above-stated resolutions of the Board of Directors, resolutions which received objections or reserved comments from the Independent Directors that are supported by appropriate records or written declarations:
Please refer to page 23 "Independent Directors' Opinions or Resolutions to Material Matters."

2. If there is any Director(s) excused from motions due to conflict of interest, such Directors' names, contents of motions, causes for avoidance and voting should be specified:

The 15th meeting of 7th Board held on March 22, 2018:

Content of Motion	Status
Proposal for release of Directors from non-competition restrictions	Independent Director, Wei-Lin Wang was recused himself, according to the Article 206 of Company Act. The other Directors had no objection to the consent to release Independent Director, Wei-Ling Wang from non-compete restriction as Independent Director of Fuzetec Technology Co., Ltd.
Executive officers' compensation for the year of 2017 and compensation budget for the year of 2018.	Three Directors, including Yu-Chi Wang, Wen-Ming Chang, and Shun-Ping Chen were recused themselves according to the Article 206 of Company Act. The other Directors had no objection to the consent.

3. Measures taken to strengthen the function of the Board:

(1) To scheduled the meeting calendar in the beginning of the year.

(2) To request for agenda items from all directors before one month of the each board meeting date.

(3) The Board of Directors continues to enhance corporate governance and corporate social responsibility, and the Company got the top 5% TPEx-listed companies in Taiwan in Corporate

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Governance Evaluation. (4) The Board of Directors sets up the Audit Committee and the Compensation Committee assisting the Board to fulfill its supervising functions. (5) The Company has established its Procedures Governing the Board Performance Evaluation, setting forth performance objectives to improve the operation efficiency of the Board of Directors and each of functional committees. (6) After the election held in the Annual Shareholders' Meeting on June 24, 2016, three Independent Directors has organized the Audit Committee to supervise the following matters: (a) fair presentation of the financial reports of the Company, (b) the hiring (and dismissal), independence, and performance of certificated public accountants of the Company, (c) the effective implementation of the internal control system of the Company, (d) compliance with relevant laws and regulations by the Company, and (e) control of the existing or potential risks of the Company. (7) Since 2011, the Company has established the Compensation Committee to review and form corporate policy, structure and payment terms applicable to compensation of Directors and managers, as well as rewards and incentive programs of managers of the Company.					

Attendance of Independent Director at Board Meetings in 2018

◎Attendance in Person ☆By Proxy

Independent Director's Name	Meeting Date								Remark
	01/11/ 2018	03/22/ 2018	05/04/ 2018	05/15/ 2018	08/09/ 2018	09/14/ 2018	11/08/ 2018	12/26/ 2018	
Shen-Yi Lee	◎	◎	◎	◎	◎	◎	◎	◎	
Wei-Lin Wang	◎	◎	☆	◎	◎	☆	◎	◎	
Chin-Shih Lin	◎	◎	◎	◎	◎	◎	◎	◎	

Independent Directors' Opinions or Resolutions to Material Matters in 2018

Items listed in Article 14-3 of Securities and Exchange Act:

Board of Directors Meeting Date	Resolutions	Independent Directors' Opinions and the Company's Response
03/22/2018 The 15th meeting of the 7th Board	1. Evaluation of independence and suitability of the CPAs to be engaged by the Company. 2. Approval of the professional service fee of the CPAs for the year of 2018. 3. Proposal for release the Directors from non-competition restrictions.	No Independent Director had a dissenting opinion or qualified opinion to the proposal and all attending Directors agree to pass the proposal.
05/04/2018 The 16th meeting of the 7th Board	Proposal for the issuance of Restricted Stock Awards ("RSA").	
08/09/2018 The 18th meeting of the 7th Board	Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.	
12/16/2018 The 21th meeting of the 7th Board	Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.	

Note: Other than the above-stated resolutions of the Board of Directors, resolutions which received objections or reserved comments from the Independent Directors that are supported by appropriate records or written declarations: None.

Audit Committee Meeting Status

A total of 8 (A) meetings of the Audit Committee were held in 2018. Independent director attendance was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (B/A) (%)	Remarks
Independent Director (Convener)	Chin-Shih Lin	8	0	100%	—
Independent Director	Wei-Lin Wang	6	2	75%	—
Independent Director	Shen-Yi Lee	8	0	100%	—

Annotations:

1. If there are any circumstances listed below during a meeting of the Audit Committee, the dates of meetings, sessions, contents of motions of the Committee' meetings, all committee members' opinion and the Company's response to committee members' opinion should be specified:
   (1) Items listed in Article 14-5 of Securities and Exchange Act:
   Please refer to page26 "Audit Committee Members' Opinions or Resolutions to Material Matters."
   (2) Besides the above-stated matters, any matter that has not been approved with the consent of one-half or more of all Audit Committee members but approved by two-thirds or more of all Directors:
   Please refer to page26 "Audit Committee Members' Opinions or Resolutions to Material Matters."
2. If there is any Independent Director(s) avoiding of motions due to conflict of interest, such Independent Directors' names, contents of motions, causes for avoidance and voting should be specified:
   None.
3. Communications between the Independent Directors, the Internal Auditors and the Independent Auditors (e.g. the items, methods and results of the audits of corporate finance or operations, etc.):
   (1) Communications between Audit Committee and the Internal Auditors in 2018:

Date	Communications between the Independent Directors and the Internal Auditors	Communication Memos
03/22/2018	Reviewing internal audit reports of the fourth quarter of 2017 and the assessments of overall efficacy of all internal control systems.	No additional comments.
05/15/2018	Reviewing internal audit reports of the first quarter of 2018 and internal auditing directions for the following quarter.	No additional comments.
08/09/2018	Reviewing internal audit reports of the second quarter of 2018 and internal auditing directions for the following quarter.	No additional comments.
11/08/2018	Reviewing internal audit reports of the third quarter of 2018, internal auditing directions for the following quarter and annual audit plan for the year of 2019.	No additional comments.

Head of internal auditing office communicates with independent director through monthly auditing report, reporting auditing execution status in Audit Committee meeting at least one time each quarter, and update Audit Committee members any time where there are special circumstances. There is no above-stated special circumstance up to the date of the annual report. The communications between the Audit Committee members and the internal auditor chief are good.

(2) Communications between Audit Committee and the external CPAs in 2018:

Date	Communications between the Independent Directors and the External CPAs	Communication Memos
03/22/2018	1. Reviewing the scope of audit, auditors' responsibility and independence, audit findings (key audit matters, major accounting estimates, etc.), for the year of 2017. 2. Challenges to the implementation of IFRS16 "Leases" 3. Reviewing regulatory changes - information reporting and the amendments to the "Income Tax Act."	No additional comments.
05/15/2018	1. Reviewing the scope of review, auditors' responsibility and independence, review findings (major accounting estimates, etc.) for the first quarter of 2018. 2. Reviewing regulatory changes - new corporate governance roadmap and Taipei Exchange supervising.	No additional comments.
08/09/2018	1. Reviewing the scope of review, auditors' responsibility and independence, review findings (major accounting estimates, etc.), for the second quarter of 2018. 2. Preliminary identify the key audit matters for the year of 2018. 3. Reviewing regulatory changes - amendments to the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", draft amendments to the "Securities and Exchange Act", and tax reduction of stock-based employee compensation according to Article 19-1 of the "Statute for Industrial Innovation."	No additional comments.
11/08/2018	1. Reviewing the scope of review, auditors' responsibility and independence, review findings (major accounting estimates, etc.), for the third quarter of 2018. 2. Reviewing the audit plan for the year of 2019. 3. Reviewing the key audit matters and major audit matters for the year of 2018. 4. Reviewing regulatory changes - draft amendments to the "Securities and Exchange Act" and the "Regulations Governing the Acquisition and Disposal of Assets by Public Companies."	No additional comments.

The external CPAs communicated with Audit Committee, among other matters, results of the audited or reviewed quarterly financial report, the plan and timing of the audit and significant audit findings, the statement of the personnel from CPA firm is independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China, the determination that key audit matters should be communicated in the auditors' report, impact on the Company of regulatory changes. The external CPAs will report to Audit Committee members from time to time when there are special circumstances. There is no above-stated special circumstance up to the date of the annual report. The communications between the Audit Committee members and the external CPAs are good.

Major tasks of Audit Committee are listed as below:

1. The adoption of or amendments to the internal control system
2. Assessment of the effectiveness of the internal control system.
3. The adoption or amendment of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others.
4. Matters in which a director is an interested party.
5. Asset transactions or derivatives trading of a material nature.
6. Loans of funds, endorsements, or provision of guarantees of a material nature.
7. The offering, issuance, or private placement of equity-type securities.

8. The hiring or dismissal of a certified public accountant, or their compensation.
9. The appointment or discharge of a financial, accounting, or internal audit officer.
10. Financial reports.

Audit Committee Members' Opinions or Resolutions to Material Matters in 2018

Items listed in Article 14-5 of Securities and Exchange Act:

Audit Committee Meeting Date	Resolutions	Audit Committee Members' Opinion and Company's Response
01/11/2018 The 10th meeting of the 1st Committee	Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.	No Audit Committee member had any dissenting opinion or qualified opinion to the proposal and all attending members agree to pass the proposal.
03/22/2018 The 11th meeting of the 1st Committee	1. Approval of the parent-company-only financial statements and consolidated financial statements for the year of 2017. 2. Approval of the Business report for the year of 2017 3. Recommendation of the distribution of earnings for the year of 2017. 4. Evaluation of independence and suitability of the CPAs to be engaged by the Company. 5. Approval of the professional service fee of the CPAs for the year of 2018. 6. Assessment of the effectiveness of the Internal Control System.	
05/04/2018 The 12th meeting of the 1st Committee	Proposal for the issuance of Restricted Stock Awards ("RSA").	
08/09/2018 The 14th meeting of the 1st Committee	1. Approval of the consolidated financial statement for the second quarter of 2018. 2. Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd. 3. Approval of 2018 Restricted Stock Awards issuance rules.	
09/14/2018 The 15th meeting of the 1st Committee	Approval of number of shares to be issued for 2018 Restricted Stock Awards.	
12/26/2018 The 17th meeting of the 1st Committee	Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.	

Note: Besides the matters referred to Article 14-5 of Securities and Exchange, any matter that has not been approved with the consent of one-half or more of all Audit Committee members but approved by two-thirds or more of all directors: None.

Corporate Governance Implementation Status

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Does the Company follow "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies" to establish and disclose its Corporate Governance Best-Practice Principles?	V		The Company has established its "Corporate Governance Best Practice Principles" and disclose on its website and the Market Observation Post System (MOPS).	None
2. Shareholding Structure & Shareholders' Rights				
(1) Does the Company have internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters. If yes, has these procedures been implemented accordingly?	V		(1) The Company has internal operation procedures for handling shareholders' suggestions, concerns, disputes and litigation matters: it has designated the spokesperson /deputy spokesperson and to handle shareholders' recommendations or issues. There have been no dispute or law suits incurred between shareholders and the Company.	None
(2) Does the Company possess a list of its major shareholders and beneficial owners of these major shareholders?	V		(2) The Company has assigned employee to be responsible for stock affairs. The stock transfer agent - Registrar Transfer Department, Grand Fortune Securities Corporation assists the Company to collect and disclose the updated information about its shareholders holding more than 10 percent of the outstanding shares, directors relating to the pledge, increase or decrease of share ownership, and other matters that may possibly trigger a change in the ownership of their shares. The Company ensures duly updating of information regarding of major shareholders and the ultimate control persons who have an actual control over the Company.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Has the Company built and executed a risk management system and "firewall" between the Company and its affiliates?	V		(3) The Company has promulgated rules related to internal control such as "Operating Procedures for Transactions between Affiliated Enterprises, Related Parties and Group Enterprises" and "Operating Procedures for Supervision of Subsidiaries." The rules are made to strictly regulate transactions between the Company and its affiliates to set up the "firewall" and manage risk.	None
(4) Has the Company established internal rules prohibiting insider trading on undisclosed information?	V		(4) To prevent the insider trading, the Company has established the "Procedures for the Prevention of Insider Trading" and advised all insiders to comply with the rules.	None
3. Composition and Responsibilities of the Board of Directors (1) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	V		(1) The Company's diversification policy for the composition of its Board of Directors is defined in its "Rules for Election of Directors" and disclosed on its official website, as well as described as following: The composition of the Board of Directors shall be determined by taking diversity into account. An appropriate policy on diversity from perspectives of the Company's business operations, operating dynamics, and development needs. It is advisable that the policy include, but not limited to, the following two general standards: A. Basic requirements and values: Gender, age, nationality, and culture. B. Professional knowledge and skills: A professional background (e.g., law, accounting, industry, finance, marketing, or technology), professional skills, and industry experience.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			All members of the Board shall have knowledge, skills, and experience necessary to perform their duties. To achieve the ideal goal of corporate governance, the Board of Directors shall possess the following abilities: 1. Ability to make operational judgments. 2. Ability to perform accounting and financial analysis. 3. Ability to conduct management administration. 4. Ability to conduct crisis management. 5. Knowledge of the industry. 6. An international market perspective. 7. Leadership. 8. Ability to make decisions. In addition, the board's composition is based on principles of diversification (please refer to Note 1, page 42, "the diversity of composition of the Board of Directors.") The number of Independent Directors is 33% of the total number of Directors and the number of Executive Directors is 44% of the total number of Directors. The tenure for two Independent Directors is under 3 years and one Independent Director in the 6 to 9 years. The Company emphasizes the Board diversity in gender, our target is at least one seat of Director for women, which is aimed to achieve in the 8th Board.	
(2) Other than the Compensation Committee and the Audit Committee which are required by law, does the Company plan to set up other Board committees?	V		(2) The Company has set up the Compensation Committee since 2011 and proactively established the Audit Committee in place of the supervisors since 2016. The Company assesses other functional committees from time to time.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	V		(3) In according with the “Regulations Governing the Board Performance Evaluation” approved by the Board, the criteria for evaluating the performance should cover the following five aspects: 1. Participation in the operation of the Company; 2. Improvement of the quality of the Board of Directors’ decision making; 3. Composition and structure of the Board of Directors; 4. Election and continuing education of the Directors; and 5. Internal control. The Company shall conduct performance evaluation of the Board of Directors and the functional committees at the end of each year by distributing questionnaires. The evaluation scope shall cover the Board of Directors, Compensation Committee and Audit Committee, the secretariat of each functional committee is the unit to conduct the evaluation. The performance evaluation results may be used as reference of nominating Directors and determining Directors’ compensation. The performance evaluation result is rating as excellent, good and fair. After evaluating by the secretariat, the performance evaluation results of the Board of Directors and the functional committees were excellent in 2018 and were reported to the Board meeting of December 26, 2018. There was no matter that have to be improved immediately. Under the composition and structure of the Board of Directors, there was no women Director in current members; it is suggested at least one seat of women Director be added in next tenure of the Board.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(4) Does the Company regularly evaluate its external CPAs' independence?	V		(4) The CPAs excuse himself/herself when handling the matters involving conflicting interests. The accounting division evaluates independence and suitability of CPAs regularly and reported to and approved by the Audit Committee meeting and Board meeting on March 21, 2019 (please refer to Note2, pages 42~43, "the evaluation of independence and suitability of external CPAs").	None
4. Has the Company established a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnish information required for business execution by directors, handle corporate registration and amendment registration, produce minutes of board meetings and shareholders meetings, etc.)?	V		The Company established a corporate governance unit under Administration & Execution Service Unit, the Associate Vice President of Legal and Public Affairs is the chief officer. The corporate governance unit is responsible for handling matters relating to Board meetings and shareholders' meetings according to laws; producing minutes of Board meetings and shareholders' meetings; assisting in on boarding and continuous education of directors; furnishing information required for business execution by directors; and assisting directors with regulatory compliance. Major work in 2018 was as below: 1. Acting as the secretary of the Board and the major contact between the Directors and the Company. 2. Assisting Directors to performing their duties and provide meeting materials information as they deem necessary as well as to help the communications between Directors and internal officers. 3. Providing continuing educations information to Directors and arranging training courses for them.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			4. Assisting the arrangement the communication affairs between Audit Committee members, external CPAs and internal auditor chief. 5. Setting up the Board meetings agenda, call the meetings and providing meetings materials. Reminder the director for rescue in advance if there is any conflict interests matter. Providing meeting minutes within 20 days after the Board meeting. 6. Assisting shareholders' meeting affairs.	
5. Has the Company established a means of communicating with its stakeholders (including but not limited to shareholders, employees, customers, suppliers, etc.) or created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' question on corporate responsibilities?	V		The Company has set up the Stakeholders Engagement Section \Contact WIN on its official website, and has sound communication channel with shareholders, employees, clients, banks, suppliers and other stakeholders. The Company shall provide sufficient business information in good faith to protect the interest of the shareholders. Please refer to "rights with stakeholders", pages 34~36, for further details.	None
6 Has the Company appointed a professional registrar for its Shareholders' Meetings?	V		The Company has appointed the professional registrar "Registrar Transfer Department, Grand Fortune Securities Corporation" to facilitate shareholders' meetings.	None
7. Information Disclosure (1) Has the Company established a corporate website to disclose information regarding its financials, business and corporate governance status?	V		(1) The Company's financials, business and corporate governance information have been disclosed in the Investor Relations Section on its official website and the Company has designated appropriate personnel to handle information collection, disclosure and update.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(2) Does the Company use other information disclosure channels (e.g. maintaining an English-language website, designating staff to handle information collection and disclosure, appointing spokespersons, webcasting investors conference etc.)?	V		(2) The Company has set up its website both in Chinese and English, and has designated the spokesperson and deputy spokesperson in charge of making external statements. The Company has also designated appropriate departments to handle the information collection, disclosure and update about its shareholders, regulations/laws changes, investment and market status. The Company has recorded and disclosed investor conference webcasts on its website.	None
8. Has the Company disclosed other information to facilitate a better understanding of its corporate governance practices (e.g. including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors' and supervisors' training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)?	V		See explanations below:	None
Other important information to facilitate better understanding of the Company's implementation of corporate governance: (1) Employee rights: WIN believes that employees are a company's most precious asset. The Company pays attention to employee rights and employee care. The Company provides free regular health examinations for employees, clinic services provided by professional doctors in the Company, and various employee health promotion knowledge promotion and events. Furthermore, the Company sets up Employee Welfare Committee to handle the activities about employee welfare, the Committee also set up several clubs such as badminton, yoga, aerobic combat sports, biking, jogging, and table tennis. To care for our employees, we strive to build a happy enterprise, providing employees with reasonable welfares and favorable environments where work and life are balanced.				

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="3">Implementation Status</th><th rowspan="2">Non-implementation and Its Reason(s)</th></tr>
<tr><th>Yes</th><th>No</th><th>Explanation</th></tr>
<tr><td colspan="5">(2) Employee wellness:
We hope that every employee, including new employees and existing employees will be able to build a successful team and organization established on the foundation of reciprocity and trust through communication. Therefore, we pay special attention to new employees who have been with us for less than three months, and have their supervisors talk to them about any problems they encounter so as to help them solve their problems. In addition, team-building activities are incorporated in substitute service programs and internship programs to provide these employees with a better understanding of the Company's core values. The Company respects the human rights of all of its employees, providing fair job opportunities for applicants and employees with the right skills. The Company does not discriminate against potential candidates based on race, skin color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, beliefs, political affiliation, union membership, marital status, or other entities protected under governmental regulations. Such principles apply to recruitment, employment, training, job promotion, remuneration, and welfare systems.
To build a friendly workplace for mothers, each fab has designated independent and private lactation (breastfeeding) room. We also provide health education programs, medical consultation services, occupational risk investigation and management, classrooms for parents and baby health information, parking space for pregnant employees, birth subsidies, group insurance subsidies, and cooperation with neighboring day care. These provisions are aimed at creating a workplace environment that encourages a better work-life balance for employees with children, with special consideration for female employees who may often take on the bulk of responsibility for childcare.
(3) Investors:
Investors can easily understand the Company's operation status from the spokesperson, the MOPS and the Company's website. In addition, WIN holds investor conference quarterly to update investors the Company's operational results and outlook. The webcast replays are released in the Company's website. We have good communications with domestic/foreign institutional investors, through attending investor conference each year and visit investors in Asia, Europe or America in person. In the meetings, we give investors our operational results and also learn knowledge and suggestions regarding corporate operation, finance, corporate governance from investors. WIN attended 11 investor conferences held by domestic/foreign securities companies or competent authority in 2018. We also pay attention to individual shareholders by assigning employee to receive phone calls from them and responding the shareholders' suggestions on the annual general shareholders meeting.
(4) Suppliers:
The Company maintains close partnership with suppliers and deal with supplies based on the principal of good faith.
(5) Rights with stakeholders:
The Company upholds the spirits of corporate governance to keep good communications and good relationships with stakeholders which including shareholders, employees, customers, banks and suppliers. In order to understand the extent to which stakeholders are concerned with WIN's sustainability issues, we have followed the GRI Standards guidelines and the criteria for AA1000SES stakeholder engagement to compile these issues, so that we can understand their economic, environmental and social impacts. This information serves as the basis for the analysis of material topics and the results were reported to the Board of Director at the end of each year. Below please see the stakeholder engagement of the Company:</td></tr>
</table>

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

Stakeholders	Issue of Concern	Communication Frequency and Method
Customers	Ethical corporate management Innovation and management Supplier sustainability management Customer privacy protection Business performance Marketing communications	Irregular: video conference, visiting customers, on-site audit by customers Annually: customer satisfaction questionnaire survey Contact: Ms. Chen E-mail: winbusiness@winfoundry.com
Employees	Talent cultivation Wages and benefits system Ethical corporate management Innovation and management Labor-management relations and communication Technological talent retention Business performance Occupational health and safety	Irregular: website portal, project satisfaction survey, sexual harassment grievance hotline & email Quarterly: employee/employer meeting, foreign labor seminar, meetings of the employee welfare committee Contact: Ms. Chen E-mail: investigating.office@winfoundry.com
Suppliers/Contractors	Innovation and management Compliance with environmental regulations Climate change, energy conservation and carbon reduction Ethical corporate management Air pollution management Green products Wastewater management Waste management Product accountability	Irregular: on-site audit of suppliers, communicate with suppliers via telephone or email Annually: supplier/contractor assessment on environmental protection and safety and health management systems and performance Contact: Ms. Chen E-mail: wincsr@winfoundry.com

(Continued)

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

Stakeholders	Issue of Concern	Communication Frequency and Method
Government authorities	Business performance Ethical corporate management Compliance with environmental regulations Wastewater management Air pollutant management Waste management Compliance with social and economic regulations Climate Change, energy conservation and carbon reduction Water resource management	Irregular: official documents, participation in seminars and conferences held by government Monthly: reporting required information via the Market Observation Post System (MOPS) Contact: Ms. Chen E-mail:wincsr@winfoundry.com
Shareholders/ investors/ financial institutions	Business performance Ethical corporate management Compliance with social and economic regulations Innovation and management Technological talent retention Compliance with environmental regulations Customer privacy protection Supplier sustainability management	Quarterly: financial report, investor conference Annually: annual report, shareholders' meeting Irregular: investment institution conference, telephonic response to investor/media questions Contact: Mr. Tsen E-mail: ir@winfoundry.com
General public /non-governmental organizations	Ethical corporate management Compliance with environmental laws Wastewater management Waste management Business performance Compliance with social and economic regulations Protection of customer privacy Occupational health and safety	Irregular: participation in charity events Contact: Ms. Chen E-mail: wincsr@winfoundry.com

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

(6) Implementation of customer policy:

The Company has designated appropriate departments to handle and implement customer policy, respond inquires raised by customers regarding products and service and ensure sound communication with customer.

In addition, WIN actively participates in international exhibitions such as EDI2019 Electronic Design Innovation Conference, Microwave Workshops & Exhibition, Electronic Design Innovation Conference & Exhibition, European Microwave Week 2018, and International Microwave Symposium, etc. to enhance relationships with customers, promote WIN's newly developed products and innovative technology and help customers to increase their industrial competitive edge.

(7) Directors' education/training records:

The Directors of the Company have professional background and work their respective fields of expertise. The Company facilitated seminars and provided updates of relevant regulatory information to directors as needed. The Directors take continuous education by attending corporate governance courses held by professional organizations to further strengthens their knowledge. The education/training records of Directors in 2018 were listed below:

Title	Name	Date	Host by	Course Title	Hours
Chairman	Chin-Tsai Chen	01/08/2018	Taiwan Institute of Directors	Digital Transformation - Start with Enhancing the Digital Skills of the Board of Directors	3
		03/05/2018	Taipei Exchange	100% E-Voting in 2018 and Enhancement of Corporate Value Forum	6
		05/08/2018	Taipei Exchange	New Corporation Governance Roadmap	3
Director	International Fiber Technology Co., Ltd. Representative: Su-Chang Hsieh	09/14/2018	Taiwan Corporate Governance Associate	How Companies Implement Energy Conservation and Carbon Emissions Reduction to Improve Profits	3
		11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3

(Continued)

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

Title	Name	Date	Host by	Course Title	Hours
Director	Li-Cheng Yeh	03/27/2018	Taiwan Corporate Governance Associate	Impact of the EU's General Data Protection Regulation (GDPR) on Companies in Taiwan	1.5
		05/14/2018	Taiwan Corporate Governance Associate	New Corporation Governance Roadmap	1.5
		08/13/2018	Taiwan Corporate Governance Associate	Key Points in Amendments to the Company Act	1.5
		11/13/2018	Taiwan Corporate Governance Associate	Key Points in Amendments to Personal Income Tax in China	1.5
Director	Yu-Chi Wang	09/14/2018	Taiwan Corporate Governance Associate	How Companies Implement Energy Conservation and Carbon Emissions Reduction to Improve Profits	3
		11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Director	Wen-Ming Chang	09/14/2018	Taiwan Corporate Governance Associate	How Companies Implement Energy Conservation and Carbon Emissions Reduction to Improve Profits	3
		11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Director	Shun-Ping Chen	01/08/2018	Taiwan Institute of Directors	Digital Transformation - Start with Enhancing the Digital Skills of the Board of Directors	3
		08/10/2018	Taiwan Corporate Governance Associate	Risk Management and Information Security Governance	3
		09/19/2018	Taiwan Corporate Governance Associate	14th International Forum on Corporate Governance - Efficiency and Support of Independent Directors	3

(Continued)

Assessment Item	Implementation Status: Yes	Implementation Status: No	Implementation Status: Explanation	Non-implementation and Its Reason(s)

Title	Name	Date	Host by	Course Title	Hours
Independent Director	Shen-Yi Lee	03/20/2018	Taiwan Corporate Governance Associate	Key Points in Amendments to the Company Act	3
		05/08/2018	Taiwan Stock Exchange Corporation	New Corporation Governance Roadmap	3
		08/03/2018	Dharma Drum Mountain Humanities and Social Improvement Foundation	“Leading Companies to Value Innovation and Sustainability” of the Corporate Social Responsibilities Series	3
		11/16/2018	Dharma Drum Mountain Humanities and Social Improvement Foundation	“Focus on Corporate Ethics and Innovative and Sustainable Management” of the Corporate Social Responsibilities Series	3
Independent Director	Wei-Lin Wang	05/30/2018	Accounting Research and Development Foundation	Corporate Governance Affairs: “Corporate Crisis” Response Strategies and Cases Analyses	3
		06/21/2018	Accounting Research and Development Foundation	Analysis on Key Points of the Latest Practice and Legal Liability in the Supervision of Securities Trading in the U.S. and Taiwan	3
Independent Director	Chin-Shih Lin	02/22/2018	Accounting Research and Development Foundation	Anti-money Laundering and Counter Terrorism Financing	3
		03/16/2018	Accounting Research and Development Foundation	Analysis of the Taxpayer Rights Protection Act	3
		03/20/2018	Accounting Research and Development Foundation	Financial Instruments Case Analyses	3
		08/23/2018	Accounting Research and Development Foundation	Key Points in Amendments to the Company Act	3
		10/16/2018	Taiwan Corporate Governance Associate	How Directors and Supervisors Perform Company Risk Management and Crisis Management	3
		11/05/2018	Accounting Research and Development Foundation	Key Points in Amendments to the Company Act in 2018 (I)	3
		11/06/2018	Accounting Research and Development Foundation	Key Points in Amendments to the Company Act in 2018 (II)	3

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(8) Status of risk management policies and risk evaluation: The Board of Directors of WIN is the highest management unit responsible for the Company's operating risk. With the assistance of the Audit Committee, the Board controls and manages the existing or latent risks of the Company, including establishing internal control systems, implementing internal auditing, and determining budgets to manage significant capital expenditure. Existing systems and regulations are used to handle and execute risk matters pertaining to marketing, production services, technology R&D, purchases and supply, quality control, human resource planning, amendments to domestic and foreign regulations, and finance and accounting. Furthermore, risk identification assessment and management mechanisms are strengthened to reduce the possibilities of risk occurrence and mitigate the impact of risk-induced damage. The CEO is the chief organizer of WIN's risk management organization. The CEO oversees the implementation and execution of risk management mechanisms and there are responsible units assigned to take charge of risk management in all operations under CEO. Responsibilities: 1. Reduce market risks with product and marketing strategy formulation, observation of market trends, advancement of the Company's annual business goals and implementation plans, establishment of customer credit limits, providing quotes to customers, sign contracts, negotiate purchase orders, ship products, collect payment, respond to customer complaints, returns, and make-up deliveries. 2. Reduce operating risks with product, test, packaging, quality engineering, and production planning services and cost control. 3. Reduce technical risks with new product development risk assessment and R&D progress control. 4. Reduce operating risks with the establishment and execution of response plans and measures for suppliers, raw materials and equipment procurement, plant facility supplies, warehouse management, and plant and company safety. 5. Reduce product risks by improving product quality and implementing quality control. 6. Reduce legal risks with legal risk management including contract review, draft, negotiation, and management, corporate legal compliance and decision-making lawfulness assessment, intellectual property rights, and management of litigation and non-litigation events. 7. Reduce financial risks and ensure the reliability of financial reports with finance planning and implementation, establishment of hedging mechanisms, and compliance with related regulations. 8. Reduce online and information security risks by maintaining and managing the systems, networks, computers, servers, and related peripheral equipment, integrating applications, and developing automatic maintenance systems and software.				

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

The responsible units in the risk management organization proposed 60 risk factors in 2018 and classified them into 18 potential risk items. Items that may be improved based on actual conditions consisted mainly of irregularities in key equipment, shortage of main materials, purchase order volume exceeding production capacity, and updates of labor laws. The responsible units shall propose prevention and recovery plans and test the effectiveness of emergency response plans each year. These items shall remain listed as medium to long-term risk management items and the Company shall continue to execute emergency response mechanisms.

WIN established regulations for "Emergency Response Plan" to reduce possible environmental impact, personnel injury, and loss of equipment and properties caused by potential accidents. They include procedures for processing gas leaks, fires, irregular scents, leaks of chemicals, earthquakes, other natural disasters, and power blackouts. The EHS Department is responsible for organizing emergency response training in the fabs and we use regular drills to familiarize employees with emergency response measures, reporting procedures, and the command system.

Please refer to “7.6. Risk Management”, pages 112~115, for information on the risks items and response measures for operating risks and financial risks.

(9) Directors’ and officers’ insurance for company directors:

The Company has purchased directors’ and officers’ liability and company indemnification insurance for all directors.

Insured	Insurance Company	Insured Amount (NT$)	Term of Policy
All directors	Fubon Property & Casualty Insurance Co., Ltd.	297,600,000	08/24/2017~08/24/2018
All directors	Fubon Property & Casualty Insurance Co., Ltd.	307,200,000	08/24/2018~08/24/2019

9. Status of the improvement regarding the result of Corporate Governance Assessment announced by Taiwan Stock Exchange:

(1) To formulate a clear dividend policy.

(2) To elect female Director(s) at the Directors re-election.

Note 1: The diversity of composition of the Board of Directors

Professional Skill / Name	Gender	Business Judgment and Management	Crisis Management /Leadership and Decision-making	Industry Knowledge	International Outlook	Accounting and Financial	Law
Chin-Tsai Chen	Male	V	V	V	V	V	
Yu-Chi Wang	Male	V	V	V	V		
Wen-Ming Chang	Male	V	V	V	V		
Shun-Ping Chen	Male	V	V	V	V	V	
International Fiber Technology Co., Ltd. Representative: Su-Chang Hsieh	Male	V	V	V	V		
Li-Cheng Yeh	Male	V	V		V		
Wei-Lin Wang	Male				V		V
Shen-Yi Lee	Male				V		V
Chin-Shih Lin	Male				V	V	

Note2: Evaluation of independence and suitability of external CPAs

CPA: Chia-Chien Tang Education & Major Experience:	Accounting Firm: KPMG Education: Bachelor Degree in Accounting, Fu Jen Catholic University Major Experience: Certified Public Accountant of R.O.C. Certified Public Accountant of U.S.A.
CPA: Ya-Ling Chen Education & Major Experience:	Accounting Firm: KPMG Education: Master Degree in Accounting, National Taiwan University Bachelor Degree in Money and Banking, National Chengchi University Major Experience: Certified Public Accountant of R.O.C. Certified Internal Auditor of R.O.C.

Evaluation Item	Evaluation Result	Independence
1. Does the CPA have significant financial stakes with the Company?	No	Yes
2. Whether the CPA has financing or guarantees with the Company or the directors of the Company?	No	Yes

Evaluation Item	Evaluation Result	Independence
3. Does the CPA have close business relationships and potential employment relationships with the Company?	No	Yes
4. Whether the members in the Audit Services team have served as directors, managers or any position that have a significant impact on the audit case for the previous two years.	No	Yes
5. Does the CPA have any non-audit service project that may affect the audit of the Company?	No	Yes
6. Does the CPA act as broker of the stock or other securities issued by the Company?	No	Yes
7. Whether the CPA acts as a defender of the Company or coordinates conflicts with third parties on behalf of the Company.	No	Yes
8. Does the CPA have kinship with the directors, managers of the Company or those who have significant influence on the audit case?	No	Yes
9. Whether the CPA has received a gift or gift of great value to the directors or managers of the Company or the Company.	No	Yes

Evaluation result: the external CPAs meet the requirements of independence and suitability of the Company.

Note3: Management team education/training records in 2018

Chairman, Chin-Tsai Chen, Directors, Yu-Chi Wang, Wen-Ming Chang, and Shun-Ping Chen are executive officers of the Company, whose education/training record have been disclosed in pages 37~39.

Title	Name	Date	Host by	Course Title	Hours
BU General Manager	Kyle Chen	11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Vice President	Brian Lee	11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Vice President	Eric Hsu	09/14/2018	Taiwan Corporate Governance Associate	How Companies Implement Energy Conservation and Carbon Emissions Reduction to Improve Profits	3
		11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Vice President	Lap-Sum Yip	11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Vice President	HP Hsiao	11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3

Title	Name	Date	Host by	Course Title	Hours
Associate Vice President of Accounting Division	Linna Su	03/21/2018	KPMG	Analysis of the Latest Regulations	2.5
		08/24/2018	Chinese National Associate of Industry and Commerce, Taiwan	Response Measure for the Amended Company Act	2.5
		11/05/2018	Taipei Exchange	Forum on Adoption of IFRS in Taiwan	2.5
		11/15/2018~ 11/16/2018	Accounting Research and Development Foundation	Continuing Education and Training Courses for Accounting Officers	12
		11/26/2018	KPMG	Analysis of the Amendments to Company Act and Tax Related Regulations	3
Associate Vice President of Finance Division	Joe Tsen	09/14/2018	Taiwan Corporate Governance Associate	How Companies Implement Energy Conservation and Carbon Emissions Reduction to Improve Profits	3
		11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Associate Vice President	Annie Yu	09/14/2018	Taiwan Corporate Governance Associate	How Companies Implement Energy Conservation and Carbon Emissions Reduction to Improve Profits	3
		11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Special Assistant to CEO	S. Y. Wang	11/08/2018	Taiwan Corporate Governance Associate	Business Competition and Fair Trade	3
Head of Internal Auditing Office	Emily Chen	09/14/2018	Taiwan Corporate Governance Associate	How Companies Implement Energy Conservation and Carbon Emissions Reduction to Improve Profits	3
		09/21/2018	Securities & Futures Institute	Methodologies for Enterprise Fraud Detection and Cases Analyses	6
		12/06/2018	Securities & Futures Institute	Enterprise Fraud Case Study	6

Composition, Responsibilities and Operations of the Compensation Committee

A. Professional Qualifications and Independence Analysis of the Compensation Committee Members

Position	Criteria / Name	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience: An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, CPA, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Independence Criteria (Note) 1	2	3	4	5	6	7	8	Number of Other Public Companies in Which the Individual is Concurrently Serving as an Member of the Compensation Committee	Remarks
Independent Director	Wei-Lin Wang	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	3	-
Independent Director	Shen-Yi Lee	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Independent Director	Chin-Shih Lin		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Other	Hai-Ming Chen	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	2	-
Other	Wei-Kang Pan			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Note: Please tick the corresponding boxes if members have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates. The same does not apply, however, in cases where the person is an independent director of the Company, its parent company, or any subsidiary, as appointed in accordance with the Act or with the laws of the country of the parent or subsidiary.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top 5 in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
8. Not been a person of any conditions defined in Article 30 of the Company Law.

B. Authorities of the Compensation Committee

The Compensation Committee shall exercise the care of a good administrator in faithfully performing the official powers listed below, and shall submit its recommendations for deliberation by the Board of Directors, including:

1. to review the performance appraisal and Compensation Committee Charter periodically and proposed amendments.
2. to prescribe and review periodically the performance appraisal and remuneration policy, systems, standards and structure for directors, supervisors and managerial officers.
3. to evaluate status of performance appraisal periodically and prescribe the remuneration of individual director, supervisor, and managerial officer.

The Committee shall comply with the following principles when exercising its authority set forth in the preceding paragraph:

1. Ensure that the Company's compensation standards conform to the law and are sufficient to attract talented personnel.
2. The performance evaluation and compensation of Directors, supervisors and executives should take prevailing industry standards into account and take into consideration the amount of personal time invested, responsibilities, personal target completion, performance in other roles and company compensation for other people in equivalent roles in recent years. The achievements of the company's short-term and long-term business objectives as well as the company's finances are used to evaluate the correlation between personal performance, company business performance and future risks.
3. There shall be no incentive for the directors or managerial officers to pursue compensation by engaging in activities that exceed the tolerable risk level of the Company.
4. For Directors and senior managerial officers, the percentage of bonus to be distributed based on their short-term performance and the time for payment of any variable compensation shall be decided with regard to the characteristics of the industry and the nature of this Company’s business.
5. No member of the Committee may participate in discussion and voting when the Committee is deciding on that member’s individual compensation.

C. Compensation Committee Meeting Status

1. The Compensation Committee is composed of 5 members.
2. The tenure of the 3rd session is from June 24, 2016 to June 23, 2019.

A total of 3 (A) meetings of the compensation committee were held in 2018. The members’ attendance status was as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%) (B/A)	Remarks
Convener	Wei-Lin Wang	3	0	100%	
Member	Shen-Yi Lee	3	0	100%	
Member	Chin-Shih Lin	3	0	100%	
Member	Hai-Ming Chen	3	0	100%	
Member	Wei-Kang Pan	3	0	100%	

Annotations:

1. If the Board of Directors declines to adopt, or modifies a recommendation of the Compensation Committee:
   None.
2. The Compensation member has an objection or qualified opinion together with a record or written statement regarding a Compensation Committee resolution:
   None.

3. Major resolutions of Compensation Committee meetings in 2018 and the Company's response to committee members' opinion:

Compensation Committee Meeting Date	Content of Motion	Resolutions	Compensation Committee Members' Opinion and Company's Response
03/02/2018 The 6th meeting of the 3rd Committee	1. Executive officers' compensation budget for the year of 2018.	All attending members unanimously agree to pass the proposal.	All attending Directors unanimously agree to pass the proposal on the Board meeting.
05/15/2018 The 7th meeting of the 3rd Committee	1. Appointment of General Manager of Monolithic Microwave Integrated Circuit BU and COO of Operation & Manufacture Unit, Vice President of Operation and Manufacture Unit, and Vice President of Technology Development Division of Optoelectronic Device Development BU. 2. Compensation of above-mentioned three executive officers and adjustment to four items of annual budget of executive officers' compensation.	All attending members unanimously agree to pass the proposal.	All attending Directors unanimously agree to pass the proposal on the Board meeting.

Corporate Social Responsibility

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Implementation of Corporate Governance (1) Does the Company have a corporate social responsibility policy and evaluate its implementation?	V		(1) Our Vision: Leading Global Communication. Our Mission: We Excel, We Care. Our Values: Accountability, Innovation, Customers Satisfaction, Quality Foremost. The CSR Committee was established under the Board to be responsible for developing and implement policies or practices pertaining to the implementation of corporate governance, a sustainable environment, and safeguarding public interest. For the implementation status, please see our CSR report on the company website (http://www.winfoundry.com). The report reflects the company's effort on environmental protection, social contributions, human rights protection and safety and health responsibilities.	None
(2) Does the Company hold regular CSR training?	V		(2) We regularly arrange courses on corporate governance and insider regulations for Directors, and also organize employee training activities. Besides promoting company policies and systems to employees, we also strive to enhance employees' professional competencies, and plan courses and activities that encourage employees to growth and identify with the Company. We also plan required management courses for managers to improve their abilities, so that they will be able to lead their teams to achieve better performance. Workplace related laws and regulations are also promoted to all employees. We hope to incorporate CSR into daily management activities through these promotional events, education and training, and incentive measures.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company have a dedicated (or ad-hoc) CSR organization with Board of Directors authorization for senior management, which reports to the Board of Directors?	V		(3) The Company established the Corporate Social Responsibility Committee. The role of the chair is filled by a Director who also serves as a senior executive. The Committee has five CSR promotion teams whose members consist mainly of executives of Centers and Departments. The teams are dedicated to CSR tasks in corporate governance, care for culture and humanity, innovative technology, sustainable environment, and corporate value chain. They are responsible for formulating objectives for and the execution of policies or systems for corporate governance, development of a sustainable environment, and protection of social welfare. The CSR Committee reviews the results of its operations at the end of each year and reports to the Directors. The key points in the report at the end of 2018 included the performance of CSR missions, the plans and material topics for the advancement of the plan this year, and the goals for corporate governance, environmental protection, employee health, and workplace safety for the following year.	None
(4) Does the Company set a reasonable compensation policy, integrate employee appraisal with CSR policy, and set clear and effective incentive and disciplinary policies?	V		(4) The Company has established the "Work Rules", "Employment Performance Assessment Rules", "Employee Reward and Discipline Rules" and "Procedures for Ethical Management and Guidelines for Conduct" according to relevant laws and regulations. The compensation policy is measured based on the employee's capability, contribution made to the Company and performance which has a positive correlation with the performance of the Company's business. The Company offers competitive salaries and establishes and reviews a reasonable compensation policy by participating reliable compensation survey annually. The overall remuneration includes the base salary, allowances, bonuses and employee dividends; employees receive competitive compensation based on such factors as job responsibility, core functions, academic background, prior experience, performance evaluation, market conditions, future development of the company, retention of employees with exceptional performance, and shareholder equity.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			Compensation is not subject to discrimination on the basis of gender, age, race, religion, political affiliation, marital status or other factors, and salaries are adjusted annually based on overall operating conditions and industry standards. In addition to providing competitive salaries, WIN also offers incentives include: a. Remuneration of employees: in order to express our gratitude to the employees for their contribution to the Company as well as to share the fruits of our labor, given that the year has been profitable, we will set aside 5% to 10% of the profits, in accordance with the provisions of the Company's Articles of Incorporation, as part of the employees' remuneration, as a token of appreciation for their hard work during the previous year. b. Year-end bonus: year-end bonus payments are distributed to employees based on their individual performance and the Company's overall business performance. The amount of the bonus is generally 2 months of salary, plus an additional amount that depends on the year's business performance. For 2018, this additional bonus was determined to be 0.8 month of salary. c. Quarterly bonus: bonus payments are made based on the fulfillment rates of profit targets d. Loyalty bonus: direct employees receive a NT$15,000 bonus for each completed year of service with the Company. e. Diverse bonuses and prizes as incentives: bonus for proposals, accountability, innovation and instant rewards as recognition of skills. f. Stock Ownership Trust: WIN's employees have independently established an Employee Stock Ownership Trust. To facilitate employees' financial planning and share its business outcomes, the Company provides funds that match 100% of employee contributions. The Company has established its employment performance assessment rules and implements each year, employees shall set up his/her performance goals and training plans to enhance his/her capability, knowledge and skills regarding the Company's business.	

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
2. Environmentally Sustainable Development				
(1) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environmental impact?	V		(1) The Company continues to utilize all resources more efficiently and uses recyclable materials such as dummy wafers, gold-related scrap, acetone, isopropanol and NMP.	None
(2) Has the Company set an Environmental management system designed to industry characteristics?	V		(2) All fabs of the Company have obtained ISO14001 and OHSAS18001 Occupational Health and Safety Management System certifications. The maintenance certifications are passed annually. In addition, the Company conducts regular review of environmental impact on, and risks to facility safety to upgrade its EHS management system.	None
(3) Does the Company track the impact of climate change on operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	V		(3) Since 2014, annual greenhouse gas inventory of the previous year was carried out and verified by the ISO14064 external verification company. At the same time, the report was submitted to the Environmental Protection Administration, and the results of the inspection were disclosed in our Corporate Social Responsibility Report for the year. Climate change caused increase of extreme temperature and level. The company taken the following policies to manage the climate change or Greenhouse gas: a. To devote to save water and energy and control pollution companywide and set reduction goals. b. To take corresponding improvement action plans to the goals of water saving, energy saving and pollution control. c. Review execution status and efficacy of all action plans quarterly. And an annual review of action plans is conducted and goals of the subsequent year is set end of the year.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
			d. For 2018, the major targets of EHS are to improve energy consumption efficiency through improving process and equipment to reduce energy consumption, including electricity consumption (kW/6”e wafer) and PFCs emissions. In 2018, electricity consumption was 370.84 kW/6”e wafer (the target was 309.68 kW/6”e wafer) and PFCs emissions was 0.228 ton CO2e/6”e wafer (the target was 0.192 ton CO2e/6”e wafer). In 2018, the Company failed to reach reduction objectives mainly because of customers’ adjustments of purchase orders which caused the performance indicators for unit products to increase. e. For 2019, the energy conservation reduction objective for electricity consumption is to reduce by 0.1% (kW/6”e wafer) and PFCs emissions by 0.5% (ton CO2e/6”e wafer) from 2018.	
3. Promotion of Social Welfare (1) Does the Company set policies and procedures in compliance with regulations and internationally recognized human rights principles?	V		(1) To protect the rights and interests of all workers, WIN strictly abides by the provisions of the Labor Standards Act and those of the requirements of international standards in all of our actions relevant to human rights. At the same time, we have consulted the code of conduct established by the Responsible Business Alliance (RBA), formerly known as the Electronic Industry Citizenship Coalition, as the basis for our management policies into order to protect our employees. Our guidelines for human rights management are set out in the following specifications: a. Meetings between management and workers are conducted based on the “Regulations for Implementing Employee-Management Meetings”: Although WIN does not have a labor union at the present time, a labor-management meeting is held every quarter. Fourteen representatives each are appointed by employees and the Company to prompt effective and fair communication in the event of a matter of concern. These measures promote harmonious labor-management relations and to find mutually beneficial solutions.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
	V		b. We have established the "Measures of Handling Prevention, Complaint and Correction of Sexual Harassment in the Workplace" to protect the rights and privacy of the individuals concerned. c. Issuance of the "Social Responsibility Statement": WIN has issued the statement, which promises to protect employees against harassment and illicit discrimination. The Company respects the human rights of all of its employees, providing fair job opportunities for applicants and employees with the right skills. The Company does not discriminate against potential candidates based on race, skin color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, beliefs, political affiliation, union membership, marital status, or other entities protected under governmental regulations. Such principles apply to recruitment, employment, training, job promotion, remuneration, and welfare systems. The Company does not force employees or request employees to receive discriminatory medical examinations. d. With the "Supplier Code of Conduct", the Company hopes to examine human rights issues with a more positive attitude and a broader perspective through communication and cooperation with our suppliers. We also take our responsibility seriously when it comes to social and environmental issues. e. When new employees report for duties, we sign documents to protect the rights of new employees and the Company including the "Zero Sexual Assault and Sexual Harassment Announcement" and "Corporate Social Responsibility Announcement." It shows WIN's commitment to human rights.	None
(2) Has the Company established appropriately managed employee appeal procedures?	V		(2) The Company encourages its employees to report to company's managerial officers, chief internal auditor, or email upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethics. The Company also sets forth communication channel and appeal system in its work rules.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(3) Does the Company provide employees with a safe and healthy working environment, with regular safety and health training?	V		(3) Over the years the Company has been conducted the environmental impact and safety risk assessment, and comply with requirements of relevant laws and regulations to establish a workplace friendly and healthy to employees, which were certified by OHSAS18001. In 2018, the following education and training was provided to protect employee safety and health: a. Occupational safety and health training for new comers: Establish employees' safety and health awareness. b. Supervisor occupational safety and health training: Establish supervisors' safety and health awareness. c. Liberal hazardous chemicals Training for new comers: Establish employees' hazards of chemical substances awareness and how to use personal protection equipment. d. On-the-job labor safety/fire safety/fire extinguisher/emergency evacuation training. e. Quarterly emergency response drills at each factory. f. Six scooter safety lectures were organized. g. Employees receive health examination every year. General health examination: 1,993 employees; Special health examination: (1) Arsenide (As) and its compounds: 1,249 employees, (2) Ionizing radiation: 259 employees.	None
(4) Has the Company established a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes which may cause significant impact to employees?	V		(4) The Company holds employee/employer meetings regularly, meeting minutes are circulated after the meeting to ensure employees' rights and suggestions are respected. To reflect related regulatory changes and the Company's relating procedure amendments, the Company holds workshops, e.g. issues regarding Labor Standards Act, Personal Information Protection Act and Second-generation National Health Insurance, etc.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(5) Has the Company established effective career development training plans?	V		(5) WIN strives to create a diverse learning environment that offers rich and interesting contents. By establishing the "Education and Training Procedures", the Company has systematically integrated both internal and external resources, thus providing a complete talent development strategy as well as cultivating and improving employees' skills and capabilities so that they can grow with the Company and together create a mutually beneficial relationship. A training roadmap for professional and managerial competencies is designed on the basis of the company's mid-to-long-term business strategy and WIN's core values. Multiple training methods are used to promote different types of training and development programs. Examples include: classroom-based courses, on-the-job training and coaching, and online English language training. The objective is to develop a blueprint for each employee's future development through a comprehensive training program. WIN's talent cultivation is divided into three contexts, formulating professional training roadmaps based on the department in which employee belongs, the job position, the expertise and familiarity required to be successful in the role. Additionally, the HR Division plans and organizes all types of professional training courses that meet the requirements to help employees adapt and learn the skills they need at work.	None
(6) Has the Company set polices and consumer appeal procedures in its R&D, purchasing, production, operations, and service processes?	V		(6) Customers of the Company are not end users, and there are clear and effective channels between the Company and customers to deal the customer complaints. The Company has secured products liability insurance for all products to ensure consumers rights.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(7) Does the Company follow regulations and international standards in the marketing and labelling of its products and services?	V		(7) The Company's commitment: Dedication to development and innovation of manufacturing technology to provide manufacturing service of superior compound semiconductor devices and integrated circuits. Continuous pursuit of excellence demonstrated by providing high-quality products characterized by the employment of "Plan-Do-Check-Act" cycles for continuous improvement. To assure sustainable operation and to fulfill responsibility of a good corporate citizen, the Company passed the following certifications after audits of third parties: a. ISO9001 Quality Management System Certification; b. ISO/TS16949 Automotive Management System Certification; c. ISO14001 Environmental Management System Certification; and d. OHSAS18001 Occupational Health and Safety Management System Certification.	None
(8) Does the company evaluate environmental and social track records before engaging with potential suppliers?	V		(8) Before being qualified as a vendor of the Company, depending on the nature of material, a chemical operation review will be undertaken in accordance with the Company's New Material and Supplier Verification Procedures to determine if the material supplier complies with EU directives of RoHS/REACH and the material to be offered is conflict. In addition, to enhance the Corporate Social Responsibility the company has established "Suppliers Code of Conduct" and disclosed the information includes labor, health and safety, environment, ethic and integrity on our website.	None
(9) Does the Company's contracts with major suppliers include termination clauses if they violate CSR policy and cause significant environmental and social impact?	V		(9) A performance assessment is conducted annually to the Company's major suppliers on their systems and implementation related to environmental protection, safety and hygiene. By supply chain management, the Company influenced its vendors to upgrade environmental protection and safety. When and if any significant environmental pollution or violation of labor human right of a vendor is reported, the Company would request the vendor to explain and, if necessary, initiates investigation, and evaluates termination or cancellation of the supply contract with such vendor.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
4. Enhancing Information Disclosure (1) Does the Company disclose relevant and reliable CSR information on its website and the MOPS?	V		(1) The Company issues its CSR report and publishes on its official website. The report discloses the development on corporate social responsibilities of the Company. Stakeholders. Stakeholders can download the report and understand the Company's efforts on concerned CSR topics.	None
5. If the Company has established corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies", please describe any discrepancy between the principles and their implementation: The Company has established "Corporate Social Responsibility Best Practice Principles." The Company well recognizes a corporation is one of the community citizens and should fulfill corporate social responsibility. The Company has taken into consideration CSR related issues in designing of company systems and operating strategies, such as corporate governance, sustainability environment, social benefits, and corporate social responsibility. Operation of the Company is fully in compliance with the corporate governance guidelines set forth in the "Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Listed Companies."				
6. Other important information to facilitate better understanding of the Company's corporate social responsibility practices: (1) Since its establishment, WIN got sewer connection consent from the environmental protection agency and maintains the permit for wastewater effluent. Effluents out of WIN facilities undergo pre-treatment in house and treatment by Wastewater Treatment Plant of Hwaya Technology Park (the "Park") before discharging into surface water body. Hwaya Technology Park Administration (the "Park Administration") operating wastewater treatment for the Company checks effluents on a weekly basis and during Year 2018, WIN's effluents strictly met water quality standards required by the Park Administration. (2) The Park Administration analyzes samples of air, water and underground water within and outside the Park quarterly to monitor quality of the same. The Environment Quality Supervision Committee of the Park, consisted of representatives of the firms in the Park, experts and academia, invites leaders of neighboring villages to communicate and discussion agenda related to interaction between the Park and its community, including environmental protection issues such as air and river water quality, transportation. The Company keeps involved in the committee to enhance environment quality of neighboring community. (3) Since the European Union's RoHS directive took effect on July 1, 2006, all products available on the market with substances such as lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls or polybrominated diphenyl ether, have been required to contain less than 1,000 ppm of these substances. Customers have actively inquired and requested that WIN comply with EU's relevant regulations governing hazardous substances. Therefore, we began checking the ingredients of our raw materials and have since established a hazardous substance free management procedure. WIN is committed to meeting customer requirements concerning hazardous-substance-free operations. Since late 2010, we have included the requirements of the EU's hazardous substance free directive in our test reports for product ingredients. These directives include REACH, RoHS, PFOS & PFOA, and Halogen-Free Regulations. At the following Customer login page (select E-Service) on WIN's official website (https://www.winfoundry.com/Other/other_login), a Hazardous Substance Free section was set up in the Customer section of WIN's official website which provides the following information pertaining to hazardous-substance-free and conflicting minerals for customer access:				

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	

✓ Declaration for Hazardous Substance Free
✓ Third-Party Product Testing Report for the Year
✓ Introduction to Hazardous Substance Free Management Procedure.

Besides establishing a hazardous substance free management procedure, WIN is committed to protecting the Earth by actively collaborating with its suppliers to produce products that are hazardous substance-free for customers and consumers. WIN specifies in purchase contracts and order forms that new material suppliers must comply with WIN's supplier management procedures, and that the provided materials may not contain hazardous substances as defined by WIN. Furthermore, suppliers must regularly provide product testing reports and undertake annual supplier assessments. Regarding new materials, the Technology R&D Department must abide by WIN's hazardous substance free management procedures when determining product specifications and selecting materials to ensure that new materials are hazardous substance-free. Responding the issue of metal conflict-free, the Company also requires suppliers to provide declaration of metal conflict-free, disclosure of minerals source and smelter information questionnaires in a RBA form. By actually taking action, WIN demonstrates its efforts in keeping in line with relevant environmental regulations, green purchase trends, and customer requirements.

(4) The Company upholds the core values of Integrity, Innovation, Discipline, and Efficiency in providing foundry total solutions to its worldwide wireless communications customers to meet the mission of pursuing excellent and caring society.

(5) WIN upholds the spirit of respecting life, caring for disadvantaged individuals, and giving back what is taken from society. WIN spreads its love for society by donating resources as a way of showing our concern for the economically disadvantaged. We donated cash and supplies worth a total of NT$17,692,000 to charity in 2018 to fulfill our CSR and promote community services and cultural and educational activities. The major charitable events were as follows:

a. The Company organized chemical courses and events with Tamkang University in Jieshou Junior High School in Taoyuan City, Bali Junior High School in New Taipei City, and Pingxi Junior High School in New Taipei City and organized 32 attendees as volunteers to spread elements of chemical safety and knowledge more schools in Taiwan that lack resources based on the philosophy of "giving back to local communities."

b. We provide employees with environmentally friendly beverage bags to encourage employees to reduce the use of disposable plastic bags when purchasing bubble tea. In addition, we also organized 8 sessions of decoupage DIY courses to encourage employees to use their creativity and design their own bags. The events drew participation from 315 employees. Employees can start with small things in their daily lives and contribute to the environment.

In addition to corporate sponsorship, our employees actively participate in fundraisers, supplies and book donations, and donate the funds and supplies to nursing homes, nurseries, and students in remote areas.

(6) Providing job opportunities for disadvantages: Visually impaired masseuses have been invited to provide stress-relieving massages for our employees.

(7) Launch "Employee Friendly Enterprise" Campaign

a. The Company is committed to creating job opportunities; local employees come first.
b. We offer competitive salaries that are linked to performance. Besides providing employees with stable living conditions, this also encourages employees with outstanding performance.
c. We emphasize employees' work-life balance and established a reasonable leave system, flexible work hours, and care for employees' physical and mental health; implement Employee Assistance Programs (EAP); encourage employees to join clubs through the Employee Welfare Committee, and plan company trips and other recreational activities to promote a harmonious labor-management relationship.
d. For the details of the working environment and employee safety protection measures, please refer to "5.5. Employee Relations", pages 98~105.

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(8) Other social responsibility activities: The Company appointed personnel responsible for gathering and disclosing the information to be disclosed on MOPS, so as to ensure proper and timely disclosure of information that might affect the decisions of shareholders and stakeholders. 7. If the products or corporate social responsibility reports have received assurance from external institutions, they should state as below: The Company's 2017 CSR Report has been issued on its website (http://www.winfoundry.com). The report uses the Global Reporting Initiative (GRI) Standards following the core standard disclosures as well as the principles and requirements of the AA1000 Assurance Standards and has been assured by SGS Taiwan Ltd.				

Corporate Conduct and Ethics Implementation

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
1. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures				
(1) Does the Company have bylaws and publicly available documents addressing its corporate conduct and ethics policy and measures, and the commitment regarding implementation of such policy from the Board of Directors and the management team?	V		(1) "Integrity and Accountability" is one of WIN's core values. The Company has established its "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct" and "Guidelines for the Code of Ethical Conduct." Awareness training is also provided to employees during their regular training sessions, and directors and senior executives are also required to attend training courses in ethical corporate management.	None
(2) Does the Company establish relevant policies which are duly enforced to prevent unethical conduct and provide implementation procedures, guidelines, consequence of violation and complaint procedures in such policies?	V		(2) The Company established its "Procedures for Ethical Management and Guidelines for Conduct" which includes preventing unethical conduct, whistle-blowing system and punishment against rule breakers. The Company also established a reporting procedure and an independent mailbox on its official website.	None
(3) Does the Company establish appropriate compliance measures for the business activities prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies and any other such activities associated with high risk of unethical conduct?	V		(3) The Company reviews the risk of unethical conduct from time to time and promulgates "Procedures for Ethical Management and Guidelines for Conduct." WIN has been conducting integrity awareness for years and set up a reporting mailbox on its official website to enhance the effectiveness of the Company's ethical corporate management.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
2. Ethic Management Practice				
(1) Does the Company assess the ethics records of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	V		(1) The Company upholds the principle of fair treatment to customers and suppliers. Before entering into contracts with the company, all suppliers have to comply with the Suppliers' Code of Ethics which covers labor, health, safety, environmental protection, ethics and integrity.	None
(2) Does the Company set up a unit which is dedicated to or tasked with promoting the Company's ethical standards and reports directly to the Board of Directors with periodical updates on relevant matters?	V		(2) The Company upholds the principles of ethical corporate management and delegated Human Resources Division as responsible unit. The internal audit reports the implementation status to Board on a regular base. We conduct integrity awareness training for employees each year. In the end of 2018, the Company conducted awareness training for the benefit of domestic employees, with a completion rate of 96.3%.	None
(3) Does the Company establish policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	V		(3) The Company has established its "Ethical Corporate Management Best Practice Guidelines", "Procedures for Ethical Management and Guidelines for Conduct" and "Guidelines for the Code of Ethical Conduct" to require the Company personnel not offer, commitment, requirements or accepting any improper profit gains directly or indirectly when engaging in business operation, nor have any unethical or illegal conduct or breach the fiduciary obligations.	None
(4) To implement relevant policies on ethical conducts, does the Company establish effective accounting and internal control systems that are audited by internal auditors or CPAs periodically?	V		(4) The Company has established internal control systems, accounting systems and related management regulations to practice ethical corporate management. The internal auditors audit the compliance with said systems and report to the Board of Directors.	None

Assessment Item	Implementation Status			Non-implementation and Its Reason(s)
	Yes	No	Explanation	
(5) Does the Company provide internal and external ethical conduct training programs on a regular basis?	V		(5) WIN has been conducting integrity awareness for years. New recruits who are required to sign the "Guidelines for the Code of Ethical Conduct" and "Employee Commitment Statement" on their first day of work. In terms of course offerings, 14 sessions of Common General Knowledge Courses were made available for 440 new employees in 2018. In addition, the Company also conducted awareness training for the benefit of domestic employees, with a completion rate of 96.3%.	None
3. Implementation of Complaint Procedures				
(1) Does the Company establish specific complaint and reward procedures, set up conveniently accessible complaint channels, and designate responsible individuals to handle the complaint received?	V		(1) Any person who suspects or finds any violation of laws or ethical code may report the case to independent directors, manager officers, head of internal audit, or other eligible personnel. The Company has set up Reward and Discipline Commission to evaluate employee ethical and unethical conducts. The Company encourages anyone to report any illegal or unethical conducts to the personnel through mailbox in stakeholders' engagement section of its official website.	None
(2) Does the Company establish standard operation procedures for investigating the complaints received and ensuring such complaints are handled in a confidential manner?	V		(2) The Company encourages its employees to report to a managerial officer, chief internal auditor, Independent Director or other appropriate individual upon discovery of any activity in violation of a law or regulation and also undertakes information confidential and whistleblowers protection based on its "Ethical Corporate Management Best Practice Guidelines" and "Procedures for Ethical Management and Guidelines for Conduct."	None
(3) Does the Company adopt proper measures to prevent a complainant from retaliation for his/her filing a complaint?	V		(3) The Company keeps the whistleblowers' identity and contents of information confidential and assures the whistleblowers' rights and interests based on its "Procedures for Ethical Management and Guidelines for Conduct."	None

<table>
<tr><td rowspan="2">Assessment Item</td><td colspan="3">Implementation Status</td><td rowspan="2">Non-implementation and Its Reason(s)</td></tr>
<tr><td>Yes</td><td>No</td><td>Explanation</td></tr>
<tr><td>4. Information Disclosure
(1) Does the Company disclose its guidelines on business ethics as well as information about implementation of such guidelines on its website and the MOPS?</td><td>V</td><td></td><td>(1) The Company has established its “Ethical Corporate Management Best Practice Guidelines” and disclosed on the Company’s website and the MOPS, and assigned a dedicated unit to responsible for establishing and supervising the implementation of the ethical corporate management policies.</td><td>None</td></tr>
<tr><td colspan="5">5. If the Company has established its own ethical corporate governance in accordance with Ethical Corporate Management Best Practice Principles for TWSE/TPEx Listed Companies, describe the operation status and difference with the best practice principles:
The Company has implemented its ethical corporate management policies based on its “Ethical Corporate Management Best Practice Principles.”</td></tr>
<tr><td colspan="5">6. Other important information to facilitate better understanding of the Company’s ethical corporate management operations (e.g. discussion of revisions to ethical corporate management rules set down by the Company):
None.</td></tr>
</table>

Corporate Governance Guidelines and Regulations

The Company has disclosed its corporate governance best practice principles and related regulations on its official website (http://www.winfoundry.com). Please visit Major Internal Policies\ Corporate Governance\ Investor Relations for more details.

<table>
<tr><td colspan="2">Major Internal Policies</td></tr>
<tr><td>• Articles of Incorporation
• Rules for Elections of Directors
• Procedures for Endorsement and Guarantee
• Corporate Governance Best Practice Principles
• Procedures Governing the Board Performance Evaluation
• Procedures of Ethical Management and Guidelines for Conduct</td><td>• Rules for the Procedures of the Shareholders’ Meeting
• Procedures for Acquisition or Disposal of Assets
• Procedures for Loaning Funds to Other Parties
• Corporate Social Responsibility Best Practice Principles
• Ethical Corporate Management Best Practice Principles
• Guidelines for the Code of Ethical Conduct</td></tr>
</table>

Other important information to facilitate the Company’s implementation of Corporate Governance

A. The Company discloses the material information to investors in time and holds investor conference regularly to give investors the Company’s operational results.

B. The Company had the honor of being among the top 5% TPEx-listed companies in Taiwan in corporate governance evaluation for four consecutive years (2014 to 2017), which revealed the Company has been highly recognized on deepening corporate governance and CSR culture, promoting shareholder activism, strengthening information transparency, risk management, and information disclosure.

C. The Company has established “Procedures for the Prevention of Insider Trading”, please refer to pages 124~127.

D. Employee behavior and ethics regulation were as below:

a. In the Company’s working rules, employees of the Company are not allowed to take advantage of their position to engage in malpractice or benefit oneself or others, nor accept any gifts or other improper benefits. The key points in the Company's employee rewards and punishments also include the relevant penalties for violation of the above specifications to ensure that the Company performs its integrity management.

b. In the education and training of new personnel, the Company strengthens the core value of the company, which is "integrity", and emphasizes the importance to conduct on daily work, so that the new comer fully understands the determination and policy of the Company's integrity management. Furthermore, the assessment system is combined to give appropriate rewards and punishments in a timely manner.

c. The major content of "Work Rules" were as below:

I. The employees shall abide by the following regulations during service period:

1. To represent the Company and carry a good image.
2. To perform as is required by the Company's policies and managers' indications.
3. To respect individuals and cooperate to achieve business objectives.
4. To follow personnel rotation changed to business needs.
5. To perform accurately with no fears and no excuses or delay.
6. Never to reveal or inquire confidential compensation packages
7. Never to gamble, fight, do drugs or take any immoral action.
8. Never to look over documents irrelevant to individual's own business without permissions and never to reveal documents to the irrelevant third party.
9. To obey to regulations regards health and safety and maintain a healthy and safe working environment.

II. The employer, family of the employer, agent of the Company and every employee shall NOT behave any of the followings:

1. To insult, belittle or discriminate by gender.
2. To agitate oral or physical sexual harassment.
3. To intercourse for exchange or reward.
4. To threaten or punish for intercourse.
5. To rape or sexual attack.
6. No manifest discrimination at work, e.g. post pornographic pictures or books.

III. To prevent sexual harassment at work and protect gender equality, the Company enacts "Measures of Handling Prevention, Complaint and Correction of Sexual Harassment." If any violation is verified, the rule-breaker will be spared the punishment of reprimand, peccadillo, serious offense, transferral, degradation or dismission (Article 12, Labor Standard Act), depends on the severity. If the violation is criminal responsible, the Company could have the judicial authorities involved.

IV. According to its "Measures of Handling Prevention, Complaint and Correction of Sexual Harassment in the Workplace", the Company constitutes investigation team.

Internal Control Systems

A. Statement of Internal Control

WIN Semiconductors Corp.

Statement of Internal Control

March 21, 2019

The internal control self-assessment of WIN Semiconductors Corp. was conducted for the year ended December 31, 2018 based on the Company's internal control system. The results are described as following:

1. WIN Semiconductors Corp. acknowledges that the board of directors and the management are responsible for establishing, executing and maintaining an effective internal control system, which has been already set up. The purposes of the internal control system are to provide a reasonable assurance of achieving the goals of efficiency and effectiveness of the operations, such as profitability, performance and the safeguard of the assets, the reliability of the financial reports and the compliance with the applicable laws and regulations.
2. No matter how perfectly designed, the internal control system has its inherent limitations, and it can only provide reasonable assurance of achieving the three goals mentioned above. The effectiveness of the internal control system may subject to changes of environment and circumstances. WIN Semiconductors Corp. has established an internal control system with self-monitoring capabilities, which can undertake corrective actions whenever a deficiency is identified.
3. WIN Semiconductors Corp. evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the Regulations Governing the governing the establishment of internal control system by public companies promulgated by the Securities and Futures Bureau of the Financial Supervisory Commission. The criteria adopted by the Regulations identify five components of internal control based on the process of management control: (1) control environment, (2) risk assessment (3) control activities, (4) information and communication, and (5) monitoring. Each component consists of certain items, which could be referred to the Standards.
4. WIN Semiconductors Corp. has evaluated the design and effectiveness of its internal control system according to the aforementioned criteria.
5. WIN Semiconductors Corp. believes that the effectiveness of the design and execution of the internal control system (including its subsidiaries) during the above mentioned assessment period provides reasonable assurance of achieving the goals of the efficiency and effectiveness of operations, the reliability of financial reports and the compliance with applicable laws and regulations.
6. The Statement of Internal Control will be an integral part of WIN Semiconductors Corp. annual report and prospectus and will be made public. Any false statement, concealment, or other illegality in the content made public will entail legal liabilities under Articles 20, 32, 171, and 174 of the Securities and Exchange Law.
7. The statement has been passed by the Board of Directors in the meeting held on March 21, 2019, with none of the nine attending directors expressing dissenting opinions on the content of the Statement.

WIN Semiconductors Corp.

Chairman: Chin-Tsai Chen *CEO: Yu-Chi Wang*

B. A CPA Has Been Hired to Carry Out a Special Audit of the Internal Control System, Furnish the CPA Audit Report

None

For the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report, disclose any sanctions imposed in accordance with the law upon the company or its internal personnel, any sanctions imposed by the company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements

We are in the manufacturing industry and therefore complies with laws and regulations of the Ministry of Labor; our business units carry out operations in accordance with laws and regulations. We were fined in 2018 for not enrolling employees in the correct insurance bracket according to salary. This was mainly due to the interpretation by the officer at the Bureau of Labor Insurance, and the inconsistencies between rules for calculating brackets and the Labor Insurance Act that were not clarified. We made several attempts to communicate with the competent authority, but was still fined. The amount of the fine, however, was insignificant. Our business units are now familiar with relevant laws and regulations and have made adjustments accordingly.

Major Resolutions of Shareholders' Meeting and Board Meetings

A. Action Arising of 2018 Annual General Shareholders' Meeting:

Major Resolutions	Action Arising
Approved the adoption of the 2017 Business Report and financial statements.	The relevant documents were filed with authority and disclosed on the MOPS.
Approved the adoption of the proposal for distribution of 2017 profits.	The Company decided to set up the ex-dividend date of cash dividend for July 9, 2018 and paid on July 20, 2018 (NT$7 per share) according to the resolution of the 2017 Annual Shareholders' Meeting.
Proposal for release of Directors from non-competition restrictions.	The proposal become effective after approval by the Annual Shareholders' Meeting on June 15, 2018 and was disclosed on the MOPS on the same day.
Proposal for the issuance of Restricted Stock Awards.	The issuance rules and distribution list were approved on Board meeting held on August 9, 2018. The Company applied to the Securities and Futures Bureau on August 13, 2018 and received approval on August 22, 2018. In according with the resolution of Board of Directors meeting held on September 14, 2018, the issuance record date was set and 1,148,000 shares were issued.

B. Major Resolutions of Board Meetings

Date	Major Resolutions
01/11/2018	1. Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd.
03/22/2018	1. The distribution of employees' profit sharing bonus and Directors' compensations for the year of 2017. 2. Approval of the parent-company-only financial statements and consolidated financial statements for the year of 2017. 3. Approval of the Business Report for the year of 2017. 4. Recommendation of the distribution of earnings for the year of 2017. 5. Evaluation of independence and suitability of the CPAs to be engaged by the Company. 6. Approval of the professional service fee of the CPAs for the year of 2018. 7. Assessment process of the effectiveness of the Internal Control System and issuance of Internal Control Statement of the Company for the year of 2017.

Date	Major Resolutions
	8. Convening of the 2018 annual regular shareholders' meeting. 9. Application for short-term and mid-term facilities with financial institutions. 10. Proposal for release of Directors from non-competition restrictions. 11. Executive officers' compensation for the year of 2017 and compensation budget for the year of 2018.
05/04/2018	1. Proposal for the issuance of Restricted Stock Awards ("RSA").
05/15/2018	1. Application for mid-term facilities with financial institutions. 2. Appointment of General Manager of Monolithic Microwave Integrated Circuit BU and COO of Operation & Manufacture Unit, Vice President of Operation and Manufacture Unit, and Vice President of Technology Development Division of Optoelectronic Device Development BU. 3. Compensation of above-mentioned three executive officers and adjustment to four items of annual budget of executive officers' compensation.
08/09/2018	1. Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd. 2. Application for short-term and mid-term facilities with financial institutions. 3. Approval of 2018 Restricted Stock Awards issuance rules and distribution list.
09/14/2018	1. To set issuance record date and number of shares to be issued for 2018 Restricted Stock Awards. 2. Application for short-term and mid-term facilities with financial institutions.
11/08/2018	1. Approval of 2019 audit plan of the Company. 2. Application for short-term and mid-term facilities with financial institutions.
12/26/2018	1. Approval of 2019 budget plan of the Company. 2. Investment in subsidiary, Win Semiconductors Cayman Islands Co., Ltd. 3. Application for short-term and mid-term facilities with financial institutions.
03/21/2019	1. Approval of the parent-company-only financial statements and consolidated financial statements for the year of 2018. 2. Approval of the Business Report for the year of 2018. 3. Recommendation of the distribution of earnings for the year of 2018. 4. Authorize the chairman of Audit Committee to sign Audit Committee's Review Report. 5. Approval of CPA change starting from the first quarter of 2019 and evaluation of independence and suitability of the successor CPA. 6. Approval of the professional service fee of the CPAs for the year of 2019. 7. Evaluation the effectiveness of the Internal Control System. 8. Amendments to the "Article of Incorporation." 9. Amendments to the Internal Control System. 10. Amendments to the "Procedures for Acquisition or Disposal of Assets." 11. Amendments to the "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement & Guarantee." 12. Election for nine Directors (including three Independent Directors) at the 2019 Annual Shareholders' Meeting. 13. Nomination of nine candidates for Board of Directors (including three Independent Directors). 14. Proposal for release of Directors from non-competition restrictions. 15. Convening the 2019 Annual Shareholders' Meeting. 16. Redemption of Restricted Stock Awards and set the record date for cancellation. 17. Application for short-term and mid-term facilities with financial institutions. 18. Donation of Taoyuan i-Fare Charity Foundation. 19. Executive officers' compensation for the year of 2018 and compensation budget for the year of 2019.

Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors

None

Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit and R&D

None

3.4. Information Regarding the Company's Audit Fee and Independence

Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
KPMG	Ya-Ling Chen	Mei-Yen Chen	01/01/2018~12/31/2018	—

Unit: NT$ thousand

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT$2,000		782	782
2	NT$2,000 ~ NT$4,000			
3	NT$4,000 ~ NT$6,000	5,100		5,100
4	NT$6,000 ~ NT$8,000			
5	NT$8,000 ~ NT$10,000			
6	Over NT$100,000			

Unit: NT$ thousand

Firm	Name of CPA	Audit Fee	Non-audit Fee (Note)					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
KPMG	Ya-Ling Chen Mei-Yen Chen	5,100		121		661	782	01/01/2018 ~ 12/31/2018	—

Note: Non-audit fee includes Transfer Pricing report, application to Investment Commission of MOEA, application of Restricted Stock Awards and oversea agency service.

3.5. Replacement of CPA

A. Regarding the Former CPA

<table>
<tr><td>Replacement Date</td><td colspan="3">March 21, 2019</td></tr>
<tr><td>Replacement reasons and explanations</td><td colspan="3">Due to internal restructuring at KPMG firm, the CPAs of the Company were changed starting January 1, 2019.</td></tr>
<tr><td rowspan="3">Describe whether the Company terminated or the CPA did not accept the appointment</td><td>Parties
Status</td><td>CPA</td><td>The Company</td></tr>
<tr><td>Termination of appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>No longer accepted (continued) appointment</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td>Other issues (except for unqualified issues) in the audit reports within the last two years</td><td colspan="3">Not applicable</td></tr>
<tr><td rowspan="4">Differences with the company</td><td>None</td><td colspan="2">Accounting principles or practices</td></tr>
<tr><td>None</td><td colspan="2">Disclosure of Financial Statements</td></tr>
<tr><td>None</td><td colspan="2">Audit scope or steps</td></tr>
<tr><td>None</td><td colspan="2">Others</td></tr>
<tr><td>Other Revealed Matters</td><td colspan="3">None</td></tr>
</table>

B. Regarding the Successor CPA

Name of accounting firm	KPMG
Name of CPA	Chia-Chien Tang and Ya-Ling Chen
Date of appointment	March 21, 2019
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement	Not applicable
Succeeding CPA's written opinion of disagreement toward the former CPA	Not applicable

3.6. Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2018.

3.7. Transfer of Equity Interests and/or Pledge of or Changes in Equity Interests by Directors, Supervisors, Managers or Major Shareholders with a Stake of More than 10 Percent

Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Shares

<table>
<tr><td rowspan="2">Title</td><td rowspan="2">Name</td><td colspan="2">2018</td><td colspan="2">As of April 30, 2019</td></tr>
<tr><td>Shares Additions (Deductions) in Shareholding</td><td>Shares Additions (Deductions) in Pledge</td><td>Shares Additions (Deductions) in Shareholding</td><td>Shares Additions (Deductions) in Pledge</td></tr>
<tr><td>Chairman</td><td>Chin-Tsai Chen</td><td>0</td><td>0</td><td>0</td><td>0</td></tr>
</table>

Title	Name	2018		As of April 30, 2019	
		Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge	Shares Additions (Deductions) in Shareholding	Shares Additions (Deductions) in Pledge
Director	International Fiber Technology Co., Ltd.	0	0	0	0
	Representative: Su-Chang Hsieh	0	0	0	0
Director	Li-Cheng Yeh	0	0	0	0
Director	Yu-Chi Wang	(60,000)	0	0	0
Director	Wen-Ming Chang	0	0	(51,000)	0
Director	Shun-Ping Chen	0	0	0	0
Independent Director	Shen-Yi Lee	0	0	0	0
Independent Director	Wei-Lin Wang	0	0	0	0
Independent Director	Chin-Shih Lin	0	0	0	0
Vice President	Brian Lee	(44,000)	0	(17,000)	0
Sr. Vice President	Kyle Chen	(25,000)	0	0	0
Vice President	Lap-Sum Yip	0	0	0	0
Vice President	Eric Hsu (Note 1)	0	0	0	0
Vice President	HP Hsiao (Note 1)	9,583	0	0	0
Special Assistant to CEO	S.Y. Wang	(10,000)	0	0	0
Associate Vice President	Annie Yu	0	0	0	0
Associate Vice President of Accounting Division	Linna Su	0	0	0	0
Associate Vice President of Finance Division	Joe Tsen	(5,000)	0	0	0
Sr. Vice President	Chang-Hwang Hua (Note 2)	0	0	Not applicable	Not applicable
Vice President	Joseph Liu (Note 2)	(54,000)	0	Not applicable	Not applicable

Note 1: Eric Hsu and HP Hsiao were promoted to Vice President effective as of May 15, 2018 when the shares addition (deduction) started to be calculated.

Note 2: Chang-Hwang Hua and Joseph Liu were dismissed from their positions as of May 15, 2018 when the shares addition (deduction) ended to be calculated.

Shares Trading with Related Parties

None

Shares Pledge with Related Parties

None

3.8. Relationship among the Top Ten Shareholders

April 16, 2019; Unit: Shares; %

Name	Shareholding		Spouse & Minor		Shareholding by Nominee Arrangement		The Relationship between Any of the Company's Top Ten Shareholders		Remarks
	Shares	%	Shares	%	Shares	%	Name	Relation	
Tien Ho Industrial Co., Ltd.	21,652,330	5.11	Not applicable				None	None	—
Representative: Yu-Wen Chen	0	0	Not available						—
CTBC Bank in Custody for Avago Technologies General IP (Singapore) Pte. Ltd.	20,000,000	4.72	Not applicable				None	None	—
Kou-I Yeh	16,705,214	3.94	445,064	0.11	0	0	Li-Chuan Yeh Li-Cheng Yeh	Son Son	—
Fubon Life Insurance Co., Ltd.	13,588,000	3.21	Not applicable				None	None	—
Representative: Richard M. Tsai	0	0	Not available						—
Chin-Tsai Chen	12,402,953	2.93	1,045,368	0.25	0	0	None	None	—
Labor Pension Fund (New Scheme)	11,274,227	2.66	Not applicable				None	None	—
Li-Chuan Yeh	7,687,525	1.81	3,252,876	0.77	0	0	Kou-I Yeh Li-Cheng Yeh	Father Brother	—
Li-Cheng Yeh	7,687,525	1.81	1,306,708	0.31	0	0	Kou-I Yeh Li-Chuan Yeh	Father Brother	—
CTBC Bank in Custody for WIN Semiconductors Corp. Employees Stock Ownership Trust	7,289,434	1.72	Not applicable				None	None	—
Cathay Life Insurance Co., Ltd.	6,490,000	1.53	Not applicable				None	None	—
Representative: Tiao-Kuei Huang	0	0	Not available						—

3.9. Ownership of Shares in Affiliated Enterprises

March 31, 2019

Affiliated Enterprises (Note)	Ownership by the Company		Directly or Indirectly by Directors and Supervisors, Managers		Total Ownership	
	Shares (thousands)	%	Shares (thousands)	%	Shares (thousands)	%
Win Semiconductors Cayman Islands Co., Ltd.	158,000	100	0	0	158,000	100
WIN SEMI. USA, INC.	1,000	100	0	0	1,000	100
WIN Venture Capital Corp.	25,000	100	0	0	25,000	100
Phalanx Biotech Group, Inc.	24,650	39.89	3,600	5.82	28,250	45.71
CSDC Private Limited	0.25	25.00	0	0	0.25	25.00

Note: Investments accounted for using equity method.

IV. CAPITAL OVERVIEW

4.1. Capital and Shares

Source of Capital

A. Issued Shares

April 30, 2019; Unit: Shares

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common shares	423,794,384 (including 20,000,000 shares of private placement)	576,205,616	1,000,000,000	Listed on Taipei Exchange, and the par value for each share is NT$10.

Note: The Company redeemed the unvested restricted employee shares amounting to 20,000 shares and all related registration procedures had been completed as of April 30, 2019.

B. Type of Stock

Month/ Year	Issue Price	Authorized Capital		Paid-in Capital		Remarks	
		Shares (thousands)	Amount (NT$ thousands)	Shares (thousands)	Amount (NT$ thousands)	Sources of Capital	Capital Increased by Assets Other than Cash
Jan. 2017	10	1,000,000	10,000,000	402,666	4,026,664	Capital reduction due to cancellation of treasury shares	None
Jan. 2018	277	1,000,000	10,000,000	422,666	4,226,664	Capital increase by cash through private placement	None
Oct. 2018	10	1,000,000	10,000,000	423,814	4,238,144	Capital increase by issuing new restricted employee shares	None
Apr. 2018	10	1,000,000	10,000,000	423,794	4,237,943	Capital deduction by redemption and retirement of restricted shares of stock for employee	None

Status of Shareholders

April 16, 2019

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	4	118	133	22,571	516	23,342
Shareholding (Shares)	20,590,000	50,494,863	39,266,271	130,556,014	182,907,236	423,814,384
Percentage	4.86%	11.91%	9.27%	30.81%	43.15%	100%

Note: The Company redeemed the unvested restricted employee shares amounting to 20,000 shares, and all related registration procedures had not completed as of April 16, 2019.

Shareholding Distribution Status

April 16, 2019

Class of Shareholding (Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	4,235	1,190,776	0.28%
1,000 ~ 5,000	16,350	28,275,956	6.67%
5,001 ~ 10,000	1,301	10,024,865	2.37%
10,001 ~ 15,000	353	4,547,315	1.07%
15,001 ~ 20,000	222	4,068,682	0.96%
20,001 ~ 30,000	182	4,614,489	1.09%
30,001 ~ 40,000	116	4,116,714	0.97%
40,001 ~ 50,000	91	4,178,271	0.99%
50,001 ~ 100,000	167	11,637,683	2.75%
100,001 ~ 200,000	119	16,837,595	3.97%
200,001 ~ 400,000	76	21,219,195	5.01%
400,001 ~ 600,000	32	15,789,405	3.73%
600,001 ~ 800,000	15	10,315,291	2.43%
800,001 ~ 1,000,000	17	15,116,559	3.56%
1,000,001 or over	66	271,881,588	64.15%
Total	23,342	423,814,384	100.00%

Note: The Company did not issue prefer stocks all shares are issued as common shares. The Company redeemed the unvested restricted employee shares amounting to 20,000 shares, and all related registration procedures had not completed as of April 16, 2019.

List of Major Shareholders

April 16, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage
Tien Ho Industrial Co., Ltd.	21,652,330	5.11%
CTBC Bank in Custody for Avago Technologies General IP (Singapore) Pte. Ltd.	20,000,000	4.72%
Kou-I Yeh	16,705,214	3.94%
Fubon Life Insurance Co., Ltd.	13,588,000	3.21%
Chin-Tsai Chen	12,402,953	2.93%
Labor Pension Fund (New Scheme)	11,274,227	2.66%
Li-Chuan Yeh	7,687,525	1.81%
Li-Cheng Yeh	7,687,525	1.81%
CTBC Bank in Custody for WIN Semiconductors Corp. Employees Stock Ownership Trust	7,289,434	1.72%
Cathay Life Insurance Co., Ltd.	6,490,000	1.53%

Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT$; Shares in thousands

Item		2017	2018	01/01/2019~ 04/30/2019
Market Price Per Share	Highest Market Price	340.00	334.50	240.50
	Lowest Market Price	84.80	86.70	108.50
	Average Market Price	197.40	185.23	179.81

<table>
<tr><th colspan="3">Item</th><th>2017</th><th>2018</th><th>01/01/2019~
04/30/2019</th></tr>
<tr><td rowspan="2">Net Worth Per Share</td><td colspan="2">Before Distribution</td><td>60.50</td><td>59.88</td><td rowspan="12">As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2019.</td></tr>
<tr><td colspan="2">After Distribution</td><td>53.50</td><td>(Note 1)</td></tr>
<tr><td rowspan="2">Earnings Per Share</td><td colspan="2">Weighted Average Shares (thousand shares)</td><td>403,214</td><td>422,666</td></tr>
<tr><td colspan="2">Earnings Per Share</td><td>9.34</td><td>7.39</td></tr>
<tr><td rowspan="4">Dividends Per Share</td><td colspan="2">Cash Dividends</td><td>7</td><td>(Note 1)</td></tr>
<tr><td rowspan="2">Stock Dividends</td><td>Dividends from Retained Earnings</td><td>0</td><td>0</td></tr>
<tr><td>Dividends from Capital Surplus</td><td>0</td><td>0</td></tr>
<tr><td colspan="2">Accumulated Undistributed Dividends</td><td>0</td><td>0</td></tr>
<tr><td rowspan="3">Return on Investment</td><td colspan="2">Price / Earnings Ratio (Note 2)</td><td>18.80</td><td>27.41</td></tr>
<tr><td colspan="2">Price / Dividend Ratio (Note 3)</td><td>25.09</td><td>(Note 1)</td></tr>
<tr><td colspan="2">Cash Dividend Yield Rate (Note 4)</td><td>3.99</td><td>(Note 1)</td></tr>
</table>

Note 1: The appropriation of earnings for 2018 shall be determined by the 2019 Annual General Shareholders' Meeting.
Note 2: Price / Earnings Ratio = Average Market Price / Earnings per Share
Note 3: Price / Dividend Ratio = Average Market Price / Cash Dividends per Share
Note 4: Cash Dividend Yield Rate = Cash Dividends per Share / Average Market Price

Dividend Policy and Implementation Status

A. Dividend Policy

In accordance with Article 22-1 of the Article of Incorporation, if there is any net profit after closing of a fiscal year, the Company shall first pay business income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve is equivalent to the total capital amount of the Company; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. If there is still remaining balance, the Board of Directors should draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution of the dividend, in which cash dividend shall not be lower than 10% of entire dividend.

As the Company is a high-tech firm with intensive capital expenditure, conditions, timing, amount and kinds of the above-stated dividend policy may be adjusted, taking into account economic cycles, industry change and the Company's growth and cash demand.

B. Proposed Distribution of Dividend

The proposal for distribution of 2018 profits was passed at the Board of Directors meeting on March 21, 2019. The proposed dividend to shareholders is a cash dividend of NT$5 per common share, amounting to NT$2,118,971,920, projected payout ratio is around 68%. This proposal will be discussed at the 2019 Annual Shareholders' Meeting on June 14. Upon the approval of the Annual Shareholders' Meeting, it is proposed that the Chairman of the Board be authorized to resolve the ex-dividend date and payment date.

C. Material Change in Dividend Policy Is Expected

The dividend policy regulated in the Company's "Article of Incorporation" was amended and approved by Board of Meeting on March 21, 2019 as below:

If there is any net profit after closing of a fiscal year, the Corporation shall first pay business income tax, offset losses in previous years, set aside a legal capital reserve at 10% of the profits left over, provided that no allocation of legal reserve is required if the accumulated legal reserve

is equivalent to the total capital amount of the Corporation; and then set aside or rotate special reserve according to the rule set out by the government authority in charge. If there is still remaining balance, the Corporation shall set aside at least 50% for shareholders' dividends, the Board of Directors should draw up a meeting regarding the issue of profit distribution and report to the shareholders' meeting for the resolution of the distribution of the dividend, in which cash dividend shall not be lower than 10% of entire dividend.
It is authorized the distributable dividends and bonuses or legal capital reserve and capital reserve in whole or in part may be paid in cash after a resolution has been adopted by a majority vote at a meeting of the Board of Directors attended by two-thirds of the total number of directors; and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Effect upon Business Performance and Earnings per Share of Any Stock Dividend Distribution Proposed or Adopted at the Most Recent Shareholders' Meeting
There was no stock dividend distribution proposed or adopted at the most recent shareholders' meeting.

Compensation of Employees and Directors

A. Information Relating to Employee and Director Compensation in the Articles of Incorporation
If there is any net profit after closing of a fiscal year, the Company shall be allocated according to the following principles:
1. Employee's profit sharing bonus: not less than 5% but no more than 10% and shall be determined and pursuant to Employee Bonus Procedure of the Corporation. In addition, employee's profit sharing bonus shall be distributed in the form of shares or cash. Stock-type employee's profit sharing bonus may be distributed to qualified employees of affiliates of the Corporation.
2. Compensation of Directors and Supervisors: no more than 3%.

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

B. The Estimated Basis for Calculating the Employee and Director Compensation
1. The estimate foundation: The Company estimates the employees' profit sharing bonus and Directors' compensation base on the pre-tax profit after deducting the employees' profit sharing bonus and compensation for Directors times the ratios described in the Article of Incorporation.
2. The Company has not distributed employees' profit sharing bonus and Directors' compensation in stock in year 2018.
3. Accounting policy for difference between the amounts paid and those recognized in the financial statements: Employees' profit sharing bonus and directors' compensation are accounted for by Interpretation (96) 052 issued by the Accounting Research and Development Foundation. According to this Interpretation, employees' profit sharing bonus and directors' compensation are estimated and accrued as expenses as services are rendered. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized in profit or loss.

C. Distribution for Employees' Profit Sharing Bonus and Directors' Compensation for 2018 Approved in Board of Directors Meeting

1. Distribution for employees' profit sharing bonus and Directors' compensation for 2018 was approved by the Board of Directors' meeting on March 21, 2019 as below:
   (1) Employees' profit sharing bonus distributed in cash is NT$255,600 thousand.
   (2) Directors' compensation is NT$74,200 thousand.
   (3) There was no difference between the actual distributed amounts as determined by the Board of Directors and those recognised in the financial statements, for the year ended December 31, 2018.
2. Ratio of employees' profit sharing bonus distributed in stocks to capitalization of earnings: Not applicable.

D. Information of 2017 Earnings Set Aside for Employees' Profit Sharing Bonus and Directors' Compensation

1. Distribution of employees' profit sharing bonus and Directors' compensation
   The 2017 earnings appropriation plan was passed by the Board of Directors' meeting on March 22, 2018. The employees' profit sharing bonus and Directors' compensation were NT$308,400 thousand and NT$89,500 thousand, respectively, and both were distributed in cash.
2. Ratio of employees' profit sharing bonus by stock to capitalization of earnings: 0%.
3. Recounted EPS after recommended distribution of employees' profit sharing bonus and Directors' compensation: NT$9.34.
4. The actual distribution of employees' profit sharing bonus and Directors' compensation above-mentioned was consistent with the resolutions of the Board of Directors' meeting.

Buyback of Treasury Stock

None

4.2. Corporate Bonds

None

4.3. Preferred Stock

None

4.4. Global Depositary Receipts (GDR)

Item \ Issued Date	10/09/2012 & 11/07/2012	
Issued Date	10/09/2012 & 11/07/2012	
Listing Exchange	Luxembourg Stock Exchange	
Issued Amount	US$168,128,000	
Listing Price	US$5.254	
Issued Size	10/09/2012	30,000,000 units
	11/07/2012	2,000,000 units
	08/24/2015	(6,393,632) units
	09/17/2016	(7,812,852) units
	Total	17,793,516 units
Source of Underlying Representing Share	Issue comprised of common shares from capital increase by cash & existing shares held by shareholders	
Amount of Underlying Representing Share	88,967,579 shares	
Rights and Obligations of Depositor Receipt Holder	The rights and obligations are the same as common stock holders'	

<table>
<tr><td colspan="3">Trustee Bank</td><td>None</td></tr>
<tr><td colspan="3">Depositary Bank</td><td>The Bank of New York Mellon</td></tr>
<tr><td colspan="3">Custodian Bank</td><td>Trust Department, Mega International Commercial Bank</td></tr>
<tr><td colspan="3">Outstanding Balance (April 30, 2019) (Note)</td><td>0 units</td></tr>
<tr><td colspan="3">Issuing Expenses and Maintenance Fees</td><td>Issuing Expenses: Jointly be borne by the Company and Selling Shareholders on a pro-rata basis
Maintenance Fees: Be borne by the Company</td></tr>
<tr><td colspan="3">Important Terms and Conditions of Depositary and Custodian Agreements</td><td>Please refer to Depositary Agreement and Custodian Agreement</td></tr>
<tr><td rowspan="6">Price per Unit</td><td rowspan="3">Year 2018</td><td>High</td><td>US$56.28</td></tr>
<tr><td>Low</td><td>US$14.19</td></tr>
<tr><td>Average</td><td>US$34.08</td></tr>
<tr><td rowspan="3">01/01/2019~
04/30/2019
(Note)</td><td>High</td><td>Not applicable</td></tr>
<tr><td>Low</td><td>Not applicable</td></tr>
<tr><td>Average</td><td>Not applicable</td></tr>
</table>

Note: The GDR program has been terminated on December 30, 2018.

4.5. Employee Stock Options

Issuance of Unexpired Employee Stock Options in Existence as of the Date of Printing the Annual Report

None

List of Executives Receiving Employee Stock Options and the Top 10 Employees as of the Date of Printing the Annual Report

None

4.6. New Restricted Employee Stocks

Issuance of New Restricted Employee Shares

Type of New Restricted Employee Shares	1st Grant
Date of Effective Registration	August 22, 2018
Issue Date	September 14, 2018
Number of New Restricted Employee Shares Issued	1,148,000 shares
Issued Price	NT$ 0 (free to qualified employees)
New Restricted Employee Shares as a Percentage of Shares Issued	0.27%
Vesting Conditions of New Restricted Employee Shares	1. The award of Restricted Stock shall vest at a rate of 100% at the end of three years of continuous employment after granting the award and achievement both of personal performance goals and business performance. 2. The aforementioned personal performance goals shall mean the year-end individual performance evaluation is better than B^+, which takes into account various KPIs of performance and contribution to the firm. 3. The aforementioned business performance goals shall mean

	the Earnings Per Share (EPS) of the Company for the previous year prior to the scheduled date to vest is not less than NT$7, and the Return On Equity (ROE) and of the Company for the previous year prior to the scheduled date to vest is not less than 11%. In determining the business performance hurdles we considered the 3-year average net income and resulting ROE accordingly. 4. Granted employees shall have no violation on any terms of the Company's employment agreement, employee handbook, or policies during the vesting period, otherwise the Company shall redeem and cancel all new restricted employee shares.
Restricted Rights of New Restricted Employee Shares	1. During the vesting period, employee may not sell, pledge, transfer, give to another person, create any encumbrance on, or otherwise dispose of, restricted employee shares. 2. All the attending rights, proposal rights, motion rights, speech rights, voting rights and any other shareholder rights are the same as the issued ordinary shares of the Company and shall be exercised by the trustee. 3. During the vesting period, the RSA can participate in stock and cash dividends and subscription to cash rights issues and subscription is not required to be deposited in trust. 4. If the vested date is during the book closure period, the lifting of the restrictions on RSA data and procedure shall be executed by the trustee rules or related regulations.
Custody Status of New Restricted Employee Shares	The new restricted employee shares are deposited in a security trust account.
Measures to be Taken When Vesting Conditions are not Met	1. During the vesting period, if the employee resigns, is dismissed or is laid off, the Company shall redeem and cancel all new restricted employee shares with immediate effect. 2. Leave of absence without pay: When the granted employee has been approved by the Company for leave of absence without pay, the vesting period shall be suspended from the effective date of leave until reinstatement. The vesting period will be deferred in accordance with the period of the leave of absence without pay. The Company shall redeem the unvested and cancel the new restricted employee shares, if the employee resigns upon the termination of his/her leave of absence without pay. 3. Retirement: The retiring employees' unvested shares of new restricted employee shares will be deemed vested upon retirement date if the aforementioned personal performance and business performance goals are both achieved. The actual number of vested shares of new restricted employee shares shall be calculated on a pro-rata basis based on the number of months of employment. However, if one or both of the personal performance and business performance goals have not been achieved, the Company shall redeem and cancel the unvested new restricted employee shares. 4. Occupational accidents: Termination of employment due to disabilities as a result of occupational accidents of employees. Any unvested new restricted employee shares shall immediately vest upon such termination date. Termination of employment due to an occupational fatality: Upon death of the employee, unvested new restricted employee shares will be

	deemed vested, the legal heirs of the employee shall complete all required legal procedures and provide relevant supporting documentation before being granted the shares to be inherited or interest disposed of. 5. Death: Upon death of the employee, for unvested new restricted employee shares will be deemed vested if the aforementioned personal performance and business performance goals have been both achieved. The actual number of vested shares of new restricted employee shares shall be calculated on a pro-rata basis based on the number of months of employment. The legal heirs of the employee shall complete all required legal procedures and provide relevant supporting documentation before being granted the shares to be inherited or interest disposed of. However, if one or both of personal performance and business performance have not been achieved, the Company shall redeem and cancel the unvested new restricted employee shares. 6. If granted employees have violated any terms of the Company's employment agreement, employee handbook, or policies during the vesting period, the Company shall redeem and cancel all new restricted employee shares.
Number of New Restricted Employee Shares that Have been Redeemed or Bought Back	20,000 shares
Number of Released New Restricted Employee Shares	0 share
Number of Unreleased New Restricted Shares	1,128,000 shares
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.27%
Impact on Possible Dilution of Shareholdings' Equity	The dilution of the Company's EPS is estimated to be approximately in the amount of NT$ 0.04, NT$0.14, NT$0.14, and NT$0.10 for 2018, 2019, 2020 and 2021, respectively. There is no material impact on shareholders' equity.

List of Managerial Officers the Top 10 Employees Receiving New Restricted Employee Shares

April 30, 2019; Unit: NT$ thousand; Shares in thousands

	Title (Note1)	Name (Note2)	No. of New Restricted Shares	New Restricted Shares as a Percentage of Shares Issued (Note5)	Released				Unreleased			
					No. of Shares	Issued Price (NT$)	Amount (NT$)	Released Restricted Shares as a Percentage of Shares Issued (Note5)	No. of Shares	Strike Price (NT$)	Amount (NT$)	Unreleased Restricted Shares as a Percentage of Shares Issued (Note5)
Managerial Officer & Employee	Employee	Wen-Kai Wang	315	0.07%	0	Free to qualified employees	0	0%	295 (Note4)	Free to qualified employees	0	0.07%
	Employee	Benny Ho (Note3)										
	Employee	Angus Leu										
	Employee	Cheng-Kuo Lin										
	Employee	Yu-Chi Lin										
	Employee	Alex Weng										
	Employee	Kerry Chang										
	Employee	Wei-Der Chang										
	Employee	Richard Kuo										
	Employee	Jeff Yeh										
	Employee	Paul Yeh										
	Employee	Maya Chai										
	Employee	Ming-Wei Tsai										
	Employee	Andy Tsai										
	Employee	Iris Hsieh										

Note1: There is no managerial officer award new restricted employee share.
Note2: Alphabetically by employees' surnames in Chinese.
Note3: Resigned.
Note4: 20,000 shares were deducted from shares received by resigned employees.
Note5: The shares issued were 423,794,384 as of April 30, 2019.

4.7. Status of New Shares Issuance in Connection with Mergers and Acquisitions

None

4.8. Financing Plans and Implementation

Uncompleted share issuance or private placement or completed transactions without expected benefits in the past 3 years: None.

V.OPERATIONAL HIGHLIGHTS

5.1. Business Overview

Business Scope

A. Major Business Operated by the Company

WIN is a Gallium Arsenide (GaAs) pure play foundry that provides the best quality III-V semiconductors foundry service to its customers. In addition to advanced semiconductor fabrication technology, WIN also provides layout support and automated DC/RF on-wafer testing to its customers.

B. Net Revenue by Products

Unit: NT$ thousand

Products	2018	Percentage
GaAs Wafer	16,932,330	97.81%
Others	378,386	2.19%
Total Revenues	17,310,716	100.00%

C. The Company's Current Product (Service)

In the microwave high-tech field of wireless broadband communications, WIN primarily provides two major GaAs transistor manufacturing process technologies: Heterojunction Bipolar Transistor (HBT) and pseudomorphic High Electron Mobility Transistor (pHEMT), both of which are the state-of-the-art wireless broadband communications microwave process technologies. Our product lines can satisfy a multitude of frequency band wireless communication application systems ranging from 100MHz to 100GHz. With MMIC technique as basis, WIN also provides optoelectronic device fabrication services for optical communication and 3D sensing applications.

WIN provides fast and low cost foundry services in broad range of applications. The technologies including 1μm HBT, 2μm HBT, 0.5μm pHEMT Switch, 0.5μm power pHEMT, 0.25μm power pHEMT, 0.25μm E/D pHEMT, 0.15μm LNA pHEMT, 0.15μm power pHEMT, 0.1μm power pHEMT and BiFET pHEMT are in mass-production now. 1μm HBT is ideal for fiber communication systems. 2μm HBT and 0.5μm pHEMT Switch are ideal for handsets and WLAN applications. 0.1μm, 0.15μm, and 0.25μm pHEMT technologies are ideals for applications from discrete low noise/power FETs, SATOM, VSAT, base station, automotive radar, and 40Gb/s fiber optic MMICs. 0.5μm pHEMT is ideal for SATOM, GPS, Cable TV tuner, Electronic toll collection and WLAN.

To satisfy the high power and high efficiency base station application needs of the 4G and 5G era, WIN has completed the R&D for the Gallium Nitride (GaN) process technology in 2013, which started to have small revenue contribution in 2016 by providing more foundry service choices to our customers.

In addition to the comprehensive GaAs and GaN technology portfolio, WIN has also developed optoelectronic device production capabilities. Such capabilities enable flexible and large scale manufacturing of semiconductor laser and photodiode products. The manufacturing services include customized epitaxial growth/re-growth, full device fabrication, and device characterization analysis and testing.

D. Products Developed by the Company in 2018

(1) 5th Generation HBT for 5G Sub 6GHz band application
(2) 4th Generation BiHEMT for advanced WiFi communication system
(3) 0.45 μm GaN HEMT for base station application
(4) 0.1 μm PINHEMT for E-band and W-band millimeter wave communication system
(5) 0.18 μm PINHEMT for Sub 6GHz and Ka-band 5G communication system
(6) 0.18 μm pHEMT for satellite TV communication system
(7) 0.25 μm Enhanced mode pHEMT for advanced WiFi communication system
(8) Hot-Via chip scale package for ultra high frequency application

E. New Products Planned for Development

(1) Next generation HBT epitaxial structure and process development
(2) High integration and uniformity PINHEMT epitaxial structure and process development
(3) 0.15 μm GaN HEMT technology development
(4) 25 Gbps DFB laser epitaxial structure development

Industry Overview

A. Current Status and Development of the Industry

1. Current Status and Development of the GaAs Industry

Semiconductor materials can be categorized into single-element semiconductor and compound semiconductor. The former are semiconductors made using element like Silicon (Si) and Germanium (Ge). The latter are III-V compound semiconductors such as Gallium Arsenide (GaAs), Indium Phosphide (InP), or Gallium Nitride (GaN) made using group-III element such as Gallium (Ga), Indium (In), or Aluminum (Al) as well as group-V element such as Arsenic (As), phosphorus (P), or nitrogen (N). Compared to the silicon semiconductors, GaAs semiconductors have characteristics in high frequency, anti-radiation, and high breakdown voltage, and are widely adopted for mainstream commercial optical communications, wireless communications, and advanced defense, aviation, and satellite applications. The popularity of wireless communication is critical to the success of GaAs foundry business model. For example, the key components of radio frequency front-end modules in both cellular phones and wireless networks (Wi-Fi) are the Power Amplifier (PA), RF Switch, and Low Noise Amplifier (LNA). At present, most of the RF power amplifiers are made from the material of GaAs. The characteristics of GaAs made it an indispensable component for wireless communications, optical communications, and advanced national defense, aviation, and satellite industries. GaAs semiconductor has its own foundry technologies, design flow and verification model different from silicon semiconductor in order to satisfy the rapid development of the wireless communication systems, thus allowing GaAs to maintain exclusivity and uniqueness in the field.

Due to the continuous progress of the silicon semiconductor process in recent years, the operating frequency and performance of RF CMOS have continued to improve. Most of the cellular phone and Wi-Fi RF transceivers are made using RF CMOS now. This is the inevitable result of the highly integrated single chip SoC technology development in the commercial RF IC industry. Although today’s RF CMOS can work in high operating frequencies and can be highly integrated, its inherent physical characteristics, such as low breakdown voltage, high power consumption, poor signal isolation, and low output power density, make it difficult to compete with GaAs in terms of PA applications. Therefore, when the telecom standard evolved into 4G LTE applications, GaAs PA had the irreplaceable physical advantage, specifically high power transmission. Therefore, GaAs compound semiconductor components will continue to be an important component of the communications market.

As we look forward to the next generation of 5G technologies where the data transmission rate are expected to be 100 times faster than 4G LTE, only the GaAs PA can handle such rapid data transmissions. The cost-to-performance gap between GaAs and silicon in power amplifier applications continues to widen, not narrow.

The concept of IoT is emerging in recent years, making the applications for wireless communications and ADAS grow rapidly. Numbers of digital commercial electronic products with wireless communication function is also increasing year by year. Thus, there is room for GaAs applications to grow. In addition, compound semiconductors will continue to play an important role in communication and optical devices markets. For example, the laser of III-V semiconductor has the advantage of small size and high integration, so its applications have been widely used in both industrial and commercial fields especially VCSEL which is the most suitable for mass production. VCSEL is expected to become the key GaAs component on mobile devices when the new applications be developed in the fields such as Biometric, AR/VR, and ADAS.

2. Current Status and Outlook of the GaAs Foundry Industry

Similar to the Silicon foundry business model, GaAs foundries require a certain scale of investment and long-term development of process technologies. These two factors provide IC designers fast, convenient, and relatively low cost processes to realize the products they designed. The silicon foundry model was a breakthrough that lifted the control of large IDMs over parts and components, and allowed small capital companies with an expertise in IC design to survive without making large investments in semiconductor manufacturing, which they are not familiar with. This specialization of labor has allowed IC design companies to focus on developing new generation ICs. Foundries focus on developing more advanced process technologies and providing more complete solutions. This win-win strategy successfully took down the monopoly of IDMs from IC design to process technology, and created an extremely competitive cost advantage. The flourishing development of mobile communications and wireless network, and large demand on devices such as power amplifiers have caused even more IC design companies to join in the development and popularization of GaAs semiconductor ICs. This also led to the development of a model with larger scale GaAs foundries. Similar to the experience of silicon foundries, once this business model is formed, it will take down the monopoly of IDMs. Early GaAs IDMs were mostly concentrated in advanced countries in Europe and America and their core business, including GaAs IC design and GaAs semiconductor process technology. Following the popularization of GaAs semiconductor applications and the successful foundry model, companies with both process technologies and IC design technologies began to develop towards the Fab-lite and pure module design business models. They outsourced most of the wafer processes to wafer foundries, retained IC design, and provided modulized RFIC and RF solutions. The wafer processes were mainly outsourced to specialized foundries with a complete semiconductor manufacturing supply chain and experience, such as WIN Semi. Foundries not only need to go through a strict and long customer qualification process, but also strive to develop more efficient process technologies with greater cost competitiveness. This has created a barrier to entry that is difficult for new entrants to cross over, and also created a cost advantage that is hard for European and American competitors to imitate, which accelerated the transition of

European and American companies to the so called fab-lite and even fab-less business model, further increasing their dependency on foundries. We signed a MOU with Avago at the end of 2017 and agreed to purchase the company’s HBT production line machinery and equipment. The company will outsource all HBT products that were produced from their HBT production line to us in the future. This event shows that after years of developing proprietary process technologies and capacity expansion to meet customers’ demand, our customers feel even more at ease when outsourcing their processes to a specialized GaAs foundry.

B. The Interconnectivity of Upstream, Midstream, and Downstream Entities in the Industry

In the GaAs industry, substrate production is the first upstream activity of the supply chain, followed by key materials and GaAs epitaxial wafers, including MOCVD and MBE technologies. For the mid-stream, the supply chain includes wafer fabrication, packaging, and testing. Regarding the industry as a whole, apart from wafer fabrication, the design and advanced technologies in the industry are still dominated by international IDM companies. Downstream vendors comprise mobile phone and WLAN manufacturers as well as radio frequency system developers. The supply chain of the GaAs industry is summarized below:

<table>
<tr><th colspan="2">SUPPLY CHAIN</th><th colspan="3">COMPANY</th></tr>
<tr><td colspan="2">Substrate</td><td colspan="3">Freiberger, AXTI, Sumitomo</td></tr>
<tr><td colspan="2">Epitaxial Wafer</td><td colspan="3">IQE, VPEC, SCIOCS, Sumika, IntelliEPI, Land Mark</td></tr>
<tr><td colspan="2">IC Design House</td><td>Microsemi, Airoha, RDA, Richwave</td><td rowspan="4">IDM</td><td rowspan="4">Skyworks
Qorvo
Broadcom
Lumentum
II-VI
Finisar</td></tr>
<tr><td colspan="2">Foundry</td><td>WIN Semi., AWSC, GCS, Wavetek</td></tr>
<tr><td colspan="2">IC Packaging</td><td>Tong Shing, Lingsen Precision</td></tr>
<tr><td colspan="2">IC Testing</td><td>Giga Solution, ASE, Sigurd, King Yuan</td></tr>
<tr><td rowspan="2">Terminal Applications</td><td>Smartphones</td><td colspan="3">Apple, Samsung, LG, Huawei, Oppo, Vivo, HTC</td></tr>
<tr><td>Base Station</td><td colspan="3">Huawei, Ericsson, Nokia Siemens, Cisco</td></tr>
</table>

C. Various Product Development Trends

Light, short, thin, small, cheap, and good quality are the unchangeable demands for consumer electronics products and the main direction of RF module designs. Traditionally, the different IC in RF modules are using different technologies to make; e.g., PA’s are designed using HBT process, and RF switches and low noise amplifiers use the pHEMT process. Due to the low integration between different GaAs processes, it was difficult to reduce the size of RF modules. WIN’s leading BiHEMT technology can integrate two or more high-performance components by single chip solution on a 6-inch wafer to reduce module circuit areas and costs, and further strengthen our customer product design competitiveness.

On the other hand, high frequency and high power application market is also growing by the rise demands on 4/5G base stations, fiber-optic networks, and satellite networks. It needs very unique, consistent and high-performance transistors and passive components made by advance technologies process and facilities. WIN is one of few foundry companies who are able to provide such process services in the market.

D. Competition Status

1. Business Development Direction

In the semiconductor industry, the IDM and foundry companies have different capacity investment strategies and core competencies in response to their respective market environments. With foundry market share expanding, IDM's capacity investment became more conservative than before because they must ensure full utilization of their own capacities in order not to stay idle. Foundry companies can maintain a certain level of capacity utilization by managing the orders from both IDM and design house customers to optimize the business. In addition, some of IDMs who also provide foundry services in the past has eventually quit the foundry business because they do not want to provide the latest R&D results and share the resources with their customers who also competitors. Consequently, they have gradually lost their customers. However, for a pure play foundry like WIN, we rely on providing the advanced technology to attract more customers and broaden product application field.

The core competencies of IDM companies are their product design capabilities. Due to continued growth and evolution of hand-held devices, they must continue to develop the newest generation of products to create opportunities for future development. At the same time, foundries must rely on diversification and advanced technology as well as more efficient mass production methods to achieve operating efficiency.

2. Production Technology

WIN uses diversified and advanced technologies to provide the foundry services to customers and has continued to increase production flexibility, reduce unit costs, and shorten the production delivery time to provide foundry services with more competitiveness.

In terms of advanced technologies, the leading advantages of domination for independent R&D capability by IDM companies have gradually changed. After many years of attempts and challenges, the Company has insisted on developing advanced technologies to establish long-term competitiveness. After a decade of hardships, the Company's advanced technology is on par with IDM companies, and we have successfully transcended the law of having to porting technology from IDM companies. The Company has already collaborated with IDM companies on R&D for new technologies. As a result, the Company became one of the leading companies possess the newest generation of technologies in the industry.

In terms of GaAs wafer size, the output ratio of 6-inch wafers already went from over 50% in 2008 to becoming the main production size. In comparison, the Company established the world's first 6-inch GaAs wafer foundry service in 1999, when it was just established. With over a decade of 6-inch wafer manufacturing experience, we are more capable of ensuring product reliability, quality, and stability.

3. Production Scale and Capacity Planning

In the current GaAs industry, IDM companies still holds over 50% of the market share. In recent years, IDMs have increased the willingness to partnership with foundries for more outsourcing opportunities due to the cost efficiency and conservative of capacity expansion investments made by IDMs. The sustained growth of overall market demand seemed to provide the best business expansion opportunities for foundry companies. As of the end of 2018, Fabs A, B, and C of the Company have total capacity of 32,000 wafers per month. The plant spaces of Fab C will successively be turned into production lines according to the market demands of the future. It is expected that the expansion will continue in 2019 and the capacity will become 36,000~37,000 wafers per month in peak season.

Technology and R&D Status

A. R&D Expenses

In 2018, the Company invested NT$973,921 thousand in R&D, which accounted for 5.63% of the total revenues. As of the publication date of this annual report, we have not obtained the audited financial statement information for the first quarter of 2019.

B. Successful R&D and Technologies Development

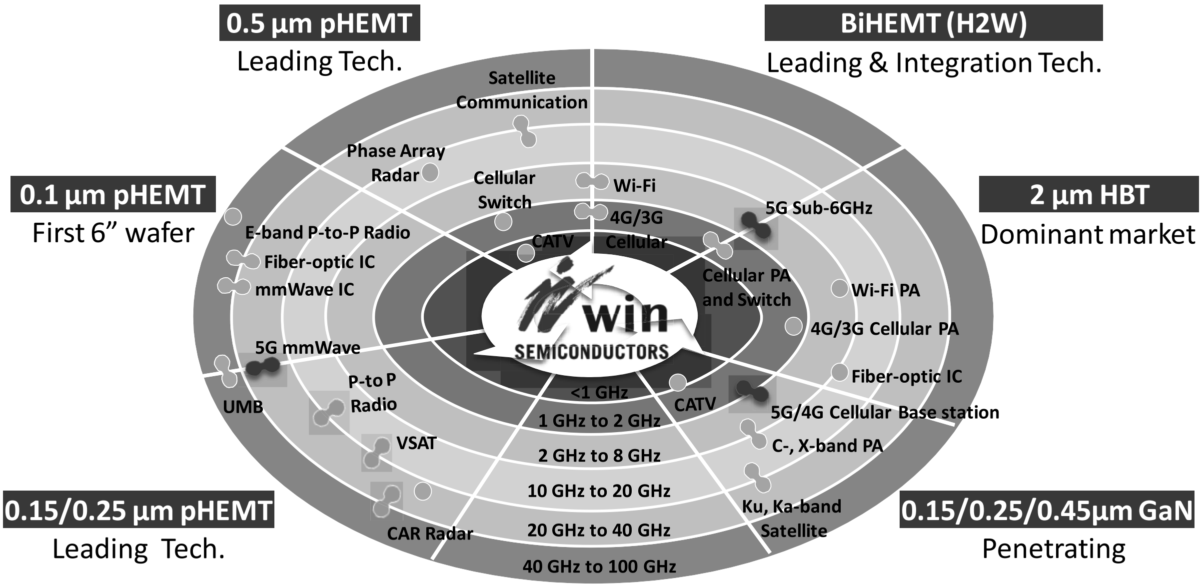
In terms of technology development, the Company continues to leveraging its advance technologies to diversify product mix and customer base and provide the most comprehensive services to its customers. WIN can develop and provide microwave device technologies that cover the frequency spectrum from DC to 130 GHz. From the aspect of market applications, apart from handheld wireless communication, WIN has proactively layouted 5G infrastructure and technologies development for optical communication, under the trend of IoT, to take the preemptive opportunity for the future market.

With regard to technological development and services, it is inevitable that transmission volume will significantly increase as we develop towards the Internet of Everything and the 5G era arrives. The technological barrier of communication products' requirements will also become higher. Fifth generation HBT technology is optimized for the linearity and efficiency required for 5G Sub-6GHz, so that it can meet the complex signal modulation and power consumption requirements of high speed transmission. Furthermore, WiFi technology, which is necessary to wireless communications, will also develop towards the more advanced 802.11ax communication protocol. Fourth generation BiHEMT technology emphasizes the advantages of high integration, and provides optimized solutions for power amplifiers, switches, and low noise amplifiers.

The infrastructure array system of the 5G Sub 6GHz communication system has stricter specifications for low noise amplifiers, and the excellent low noise feature of the new generation 0.18 μm PINHEMT lowers the complexity and sensitivity of circuit design. Also, the 0.18 μm gate width enables single chip integration of 5G Ka-band millimeter wave power amplifier, switch, and low noise amplifier. The new generation 0.18 μm PINHEMT provides diverse solutions for customers to design 5G communications systems.

With regard to the continued demand of wireless communications on bandwidth, in addition to the 0.1 μm GaAs pHEMT technology that is extensively used in E-band, we are continuing to invest in the development of more advanced high frequency compound semiconductor technologies and materials to meet the future demand of W-band and D-band. This demand is a backhaul network upgrade requirement that we may need to face after the flourishing development of 5G.

We began developing optical devices in 2015, and have continued to develop manufacturing technologies required for optical semiconductor devices, including epitaxy, which is the basic structure of optical devices, dry etching technology for AlGaAs and InP semiconductors, holographic grating production technologies, and epitaxial regrowth technologies for various structures. We have successfully developed surface-emitting laser array wafer process technology for 3D image sensing, 10Gbps FP and DFB laser epitaxial wafer, and 10 Gbps PIN PhotoDiode epitaxial wafer. Furthermore, we also provide our partners with customized epitaxial growth/regrowth, optical device manufacturing, and material and device features description and testing services.



After WIN secured the core key technologies with proprietary development capabilities and talent, we have conducted the relevant technological cultivations and diversified developments continuously enhance competitiveness in the industry:

(1) Continuing to develop next-generation HBT technology and focusing on new frequency bands required for future 5G communication systems, especially on power amplifiers that require hyper frequency bands and higher output power in order to meet the data transfer speeds of 5G mobile devices, which is several times that offered by 4G systems.
(2) In response to the demand for highly integrated power amplifier modules, the Power Amplifier Module integrated Duplexer (PAMiD) is expected to become mainstream. In addition to advanced power amplifiers, WIN is also committed to providing OEM services for filters and duplexers to meet the future demand for highly integrated modules.
(3) Developing advanced process technologies, which are required for microwave communications, to provide high-power HBTs for femtocells and high-power GaN HEMTs for large base stations.
(4) Developing a more advanced and competitive <0.1μm GaAs pHEMT, for communication infrastructure, that will meet the increasing frequency requirements of point-to-point millimeter-wave communications.
(5) Endeavoring to develop a next-generation, high-linearity GaAs pHEMTs for fast-growing big data applications, which rely on ultra-high-speed fiber-optic communication driver amplifier applications for optical modulators.
(6) Continuing to develop next generation highly-integrated GaAs PINHEMT to realize single-chip, multifunction capabilities to meet future communications requirements.
(7) Establishing upstream expertise and capabilities in compound semiconductor epitaxy to improve quality control and to accommodate the development of new technologies in a timely manner in response to the shortening of new product development cycles and product life cycles.
(8) Continuing to develop advanced 0.15μm GaN HEMTs to address future 5G and satellite communications applications.

(9) Continuing to develop advanced process technologies and packaging solutions with a focus on the requirements of future 5G products and applications.
(10) Providing customized high-frequency packaging product testing to help customers complete terminal tests of their products in-house, thus shortening wafer shipment times for customers.

Long-term and Short-term Business Development Plans

In response to future industrial development and overall trends in the economic environment, we have formulated long-term and short-term plans for our future business direction, so as to enhance our competitiveness. Our short-term and long-term plans are described below:

A. Short-Term Plan

With the trend of modulized 3/4G smart phones, the platform-based classification method used by Qualcomm and MediaTek divided smart phones into high, medium and low end phones. This approach was carried forward in markets like China, which developed its own smart phone platforms, such as Spreadtrum and Hisilicon. With the government dominating telecommunication specifications, China's local mobile phone brands sprung up like mushrooms, making China one of the world's most important consumer markets. Xiaomi Corporation led the trend of high spec phones at an affordable price. Under this trend, those medium/low end phones which used to have 3 modes could no longer satisfy the market demand and were gradually replaced by 5-6 mode phones, with the number of bands increasing from 5 to 10-13, indirectly driving the demand on PA. In addition, the 3D sensing function adopted by high end smart phones in 2017 made considerable contribution to our revenue over the past two years. This is the result of our years of effort in developing III-V compound semiconductor technologies and applying the technologies to other fields of application. In the future, we remain optimistic about the application of optical devices, and expect to see an increase in overall demand as even smarter phone brands and handheld devices begin offering the function.

Besides continuing to build on our current foundation and engaging in research and development, we are also developing more competitive process technologies for mobile device and communication infrastructure customers, and aim to further widen our technological lead in the field of wafer fabrication for wireless communication ICs. In the short-term, we will continue to invest resources in technological innovation, quality improvement, and lowering manufacturing cost, and will make investments into the development of advanced process technologies in coordination with the future direction of customers' product applications. This will allow us to expand the scope of our foundry services and market, and further secure a key position in the global GaAs foundry market.

B. Long-Term Plan

The infrastructure of wireless communications will inevitably need to be strengthened following the significant increase in mobile phone use. Higher power base stations, in particular, will be able to achieve more stable high speed data transmission. Therefore, we have long begun developing high-power HBTs for femtocells, and high-power GaN HEMTs for large base stations required by 4/5G systems. From a mid- to long-term perspective, we believe GaAs devices will be in great demand for the IoT, future IoT gateways, V2V/V2X, 5G communications that is expected to begin commercial operation in 2020, and long-term potential demand from pre-5G applications. We already have a comprehensive blueprint of advanced process technologies that correspond to these drivers of long-term growth.

Furthermore, we will continue to develop optical communication technologies for automobile, data center, and fiber to home applications. In addition to the full array of GaAs and GaN technologies, we also developed the ability to manufacture optical semiconductor devices, and have begun providing flexible, large scale product manufacturing services for LD and PD design houses. This new manufacturing technology can be applied to 2.5G, 10G, and 25G data transfer rate products. Our complete vertically integrated manufacturing technologies can provide our partners with customized epitaxial growth/regrowth, optical device manufacturing, and material and device features description and testing services. Our epitaxy and optical device manufacturing capabilities can be used for 2-4 inch InP substrates. We have the technology to provide LD and PD epitaxy and device feature description services, and are working day and night on building a complete optical device production line and testing equipment, so that we can provide the optical devices market with specialized manufacturing technologies and highly efficiency solutions. Looking ahead to the future, we are optimistic regarding the development of optical devices, especially 3-D sensing applications on handheld devices, which is an area where Win Semiconductors is already a leader. We look forward to the demand for optical device growing rapidly with the adoption of even more handheld devices and brands during the next few years, as well as the increasing maturity of AR/VR applications and ADAS.

5.2. Marketing and Sales Overviews

Market Analysis

A. Sales and Service of WIN and Its Subsidiaries by Geographical Area in 2017 and 2018

Unit: NT$ thousand

Year / Area (Note 1)		2017		2018	
		Revenue	%	Revenue	%
Domestic (Note 2)		2,838,695	16.61%	2,131,793	12.31%
Oversea	Asia	10,564,507	61.83%	10,369,004	59.90%
	Americas	3,141,216	18.39%	4,169,406	24.09%
	Europe	540,249	3.16%	640,513	3.70%
	Australia	1,688	0.01%	-	-
Total		17,086,355	100.00%	17,310,716	100.00%

Note 1: Segment revenue is based on the geographical location of customers.

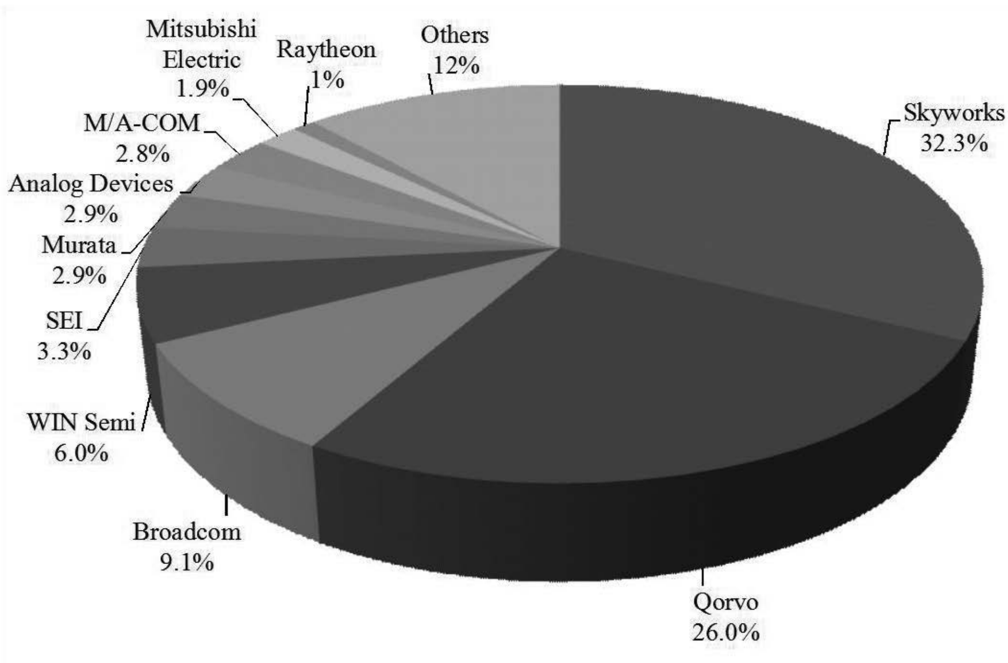
Note 2: Domestic means revenue from Taiwan area.

B. Market Share

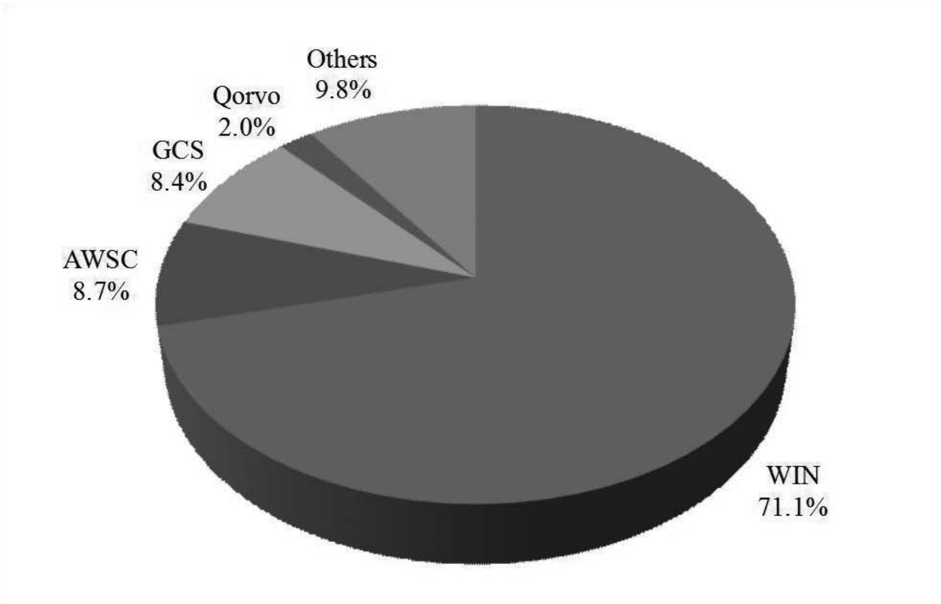
According to Strategy Analytics, the total GaAs device and pure play foundry market grew by 0.5% to reach nearly US$8.87 billion of revenue in 2018. In 2018, WIN Semi held 6.0% of GaAs device market share remains in fourth place. Please see chart “2018 World GaAs Device Vendor Market Share” below.

In addition, the pure-play GaAs foundry revenue increased to $747 million in 2018 according to Strategy Analytics. In 2018, WIN Semi held 71.1% of GaAs foundry market share remains the largest GaAs foundry player worldwide. Please see chart “2018 World GaAs Foundry Vendor Market Share” below.

2018 World GaAs Device Vendor Market Share



2018 World GaAs Foundry Vendor Market Share

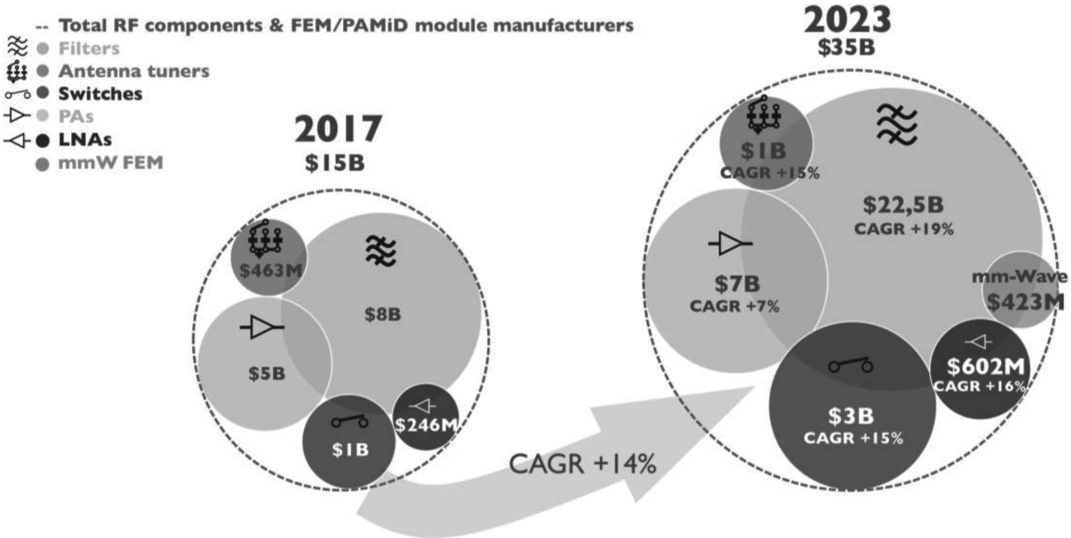


Data Source: Strategy Analytics

C. Future Market Supply, Demand, and Growth Status

Wireless communication products are the main driver for the GaAs industry, and cellular applications are still the largest market for GaAs followed by Wi-Fi and infrastructure demands. In terms of the cellular market, the PA demand has begun to increase as the maturity of the GaAs technology reduces the manufacturing costs, and the smartphone requirements for greater functionality. In general, a 2G cellular phone requires 1 to 2 PAs, a 3G cellular phone needs 3 to 4 PAs, and a 4G LTE cellular phone needs to be equipped with up to 30 PAs in the front-end module. Frequency bands that RF front-end has to cover have increased dramatically from 4 frequency bands to 30 frequency bands and along with the 5G technologies and applications, there will be more PA needed to be integrated in to front-end modules (FEMs) to support more complex 5G frequency bands. Although the growth for global smartphone shipment is decelerating, RF devices and RF front-end modules still have a 14% CAGR from 2017 to 2023 and during the same period the CAGR for PAs and LNAs is 7% and 16% respectively according to Yole Développement report. That means the consumption for GaAs devices will continue to increase.

2017-2023 RF Components & RFM/PAMiD Module Estimation

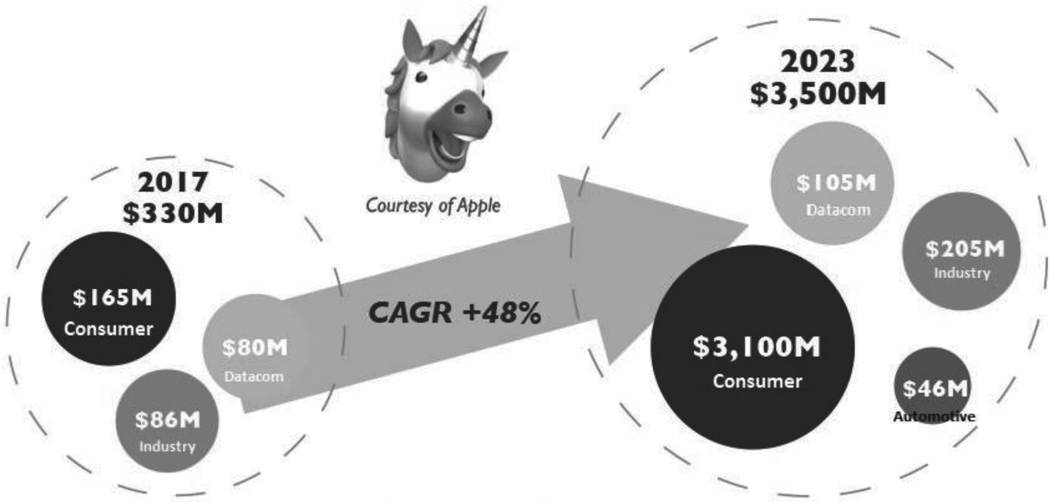


Data Source: 5G's Impact on RF Front-End Module and Connectivity for Cell Phones 2018, Yole Développement, June 2018

In addition to the highly penetration of the existing markets, the explosion of mobile network traffic that has boosted 4G LTE, and the needs for fiber network deployment; the popularity of IoT in the future will drive the GaAs application to increase and expand the scale of the GaAs market rapidly. The world is about to usher in the 5G era. It is expected to be officially commercialized in 2020. The 5G standardization work plan was accelerated during the year of 2017. R15 Non-stand-alone 5G New Radio (NR) was approved by 3GPP at the end of 2017 and the standard for stand-alone 5G NR was approved on June 2018 which means 5G is entering to the critical period of deployment for commercialize. The U.S. telecommunication operators will be the first one to launch 5G commercial service. The top 4 U.S. telecommunication operators had announced publically that they will start to provide 5G service at around end of 2018 to mid of 2019. Other countries include South Korea, Japan and China are anticipated to have high volume of 5G subscribers as well. The large scale of global 5G deployment will start from year 2020. According to latest Ericsson Mobility Report, till the end of 2023, eMBB (Enhanced Mobile Broadband) 5G subscribers will be over 1 billion, account for 12% of total mobile subscribers.

The adoption of 3D sensing by iPhone X makes 3D sensing enter the application of consumer electronic products and provide new growth momentum for VCSEL. Also, it has changed the market of VCSEL industry dramatically. It will, in the future, also apply to new field such as AR/VR, drone, and autonomous car which making the VCSEL industry flourishing. According to Yole Développement, it forecasts VCSEL devices market is expected to grow at a CAGR of 48% between 2017 and 2023. Among VCSEL industry, consumer products would be the biggest application and the CAGR would be up to 63%.

2017-2023 VCSEL Market Value Estimation



Data Source：VCSEL - Technology, Industry and Market Trends, Yole Développement, July 2018

D. Competitive Advantage

1. Professional Management Team

We have a strong and stable management team. Our chairman of the board, Mr. Chin-Tsai Chen, has been chairman of our Company since 2003 and has led us to achieve consistent market share gains and significant profits. Our senior management team consists of professional executives with extensive industry experience in various aspects of our operations. A majority of the members of our technology management team have overseas educational backgrounds and work experience, and many worked in leading technology companies such as Bell Labs, United Microelectronics Corporation (''UMC''), Macronix International Co., Ltd., M/A-COM, Skyworks, Anadigics and Raytheon Company. We believe that our outstanding management team will continue to drive our success in the future.

2. Diversification in Technology and Strong R&D Capability

The strengths of our Company's technical teams include high-level proprietary technologies; the ability to provide key technology manufacture services; and mastery of the HBT, pHEMT, BiHEMT, and GaN optical communications technologies. We can satisfy these application demands simultaneously, assist customers to rapidly develop new products, and provide one-stop shopping and total solution services to our customers.

3. Close Relationships with Industry Supply Chain

As GaAs comprised the key components for the communications industry; yield rate, quality stability, and rapid delivery have become standard requirements from the IC design houses and IDM companies. Due to the long period of time needed by customers to qualify a supplier and the risks of trade secret leakage, the costs to qualify a potential foundry is extremely high. Once the qualification has passed and the quality, delivery time, and manufacture capacity have all meet the requirements, the probability for the customer to switch to another foundry is very low. Therefore, once an IDM company has selected a foundry, it is not easy to make replacements. The quality of the Company's products has been affirmed by its downstream customers and has successively been certified by global IDMs, and we have built close relationships with industry leaders.

4. Capacity Scale

The Company has continued to invest in high-performance automation equipment. As of the end of 2018, the Company's Hwaya Fab A & B and the new Guishan Fab C have total capacity of 32,000 wafers per month. With solid management system and R&D investments, we can optimize the yield rate and produce high quality products in the shortest time possible, and reduce production costs to satisfy customer demands. Because we can provide adequate capacity, we can reduce the risk for customers to invest in capacity themselves.

5. High Product Quality and Market Awareness

The Company offers competitive prices, faster delivery, stable yield rate, and better foundry service quality to attract customers and strengthen the relationship with the customers through strategic alliances. The customer base of the Company includes IC design houses and IDMs, and we have successively passed the qualifications from numerous global companies. We are highly acclaimed for our quality, yield rate, prompt delivery, and cost advantages; and we have become the world's largest GaAs foundry service company since 2010.

6. Pure play Foundry Service Business Model

In addition to solidifying its smartphone market, the Company has continued to develop more cost-effective and higher value-added high frequency technologies to maintain its mid- and long-term competitive advantages. Since the Company is a pure-play foundry, the Company manufactures GaAs chips based on proprietary circuitry designs provided by customers. The company does not design its own GaAs chips and thus do not compete with its customers. Also, the foundry business model involves customers passing their proprietary design information to the Company for manufacturing, the Company's fabless and IDM customers do not perceive a conflict of interest in working with the Company and are more willing to share manufacturing know-how with the Company. The Company's pure-play model contributes to a higher degree of trust among customers and further strengthens the relationship with them.

7. Provide Customers with Value-added Services

The Company has established good partnership with its customers to provide efficient services and advanced technology, assist customers to resolve process technology related issues or quickly launch new products, and thereby seize market opportunities.

E. Favorable and Unfavorable Factors to Long-term Development and Response Measures

1. Favorable factors

(1) The Industry Has Growth Potential

GaAs devices are a key component in the wireless communications industry. They have become indispensable to mobile phones and WLAN in recent years as the industry is going through rapid growth and communication devices are becoming lighter, thinner, shorter, and smaller. Despite the slower growth in global smart phone shipments, VCSEL applications in smart phones and the arrival of the 5G era will only increase the use of GaAs devices. The popularization of UHF communication and rise of optical communication applications will create strong demand on GaAs components, and related process technologies often require special process equipment and production processes, which is one of our niches.

(2) IDMs' outsourcing trend

Due to considerations to reduce capital expenditures and lower costs and risks, major IDMs around the world are beginning to outsource to GaAs foundries and are seeking to form strategic alliances with GaAs foundries.

(3) Excellent proprietary technologies

Our management and R&D personnel all have years of experience in the field of GaAs, and have a profound understanding of the industry's environment and trends. Since the company was established, we have grasped the development trends and key technologies of the industry. We have the ability to independently develop new technologies and mass produce products to meet the needs of our customers.

(4) Firm belief in producing and selling high quality products

High product quality is the key to a company's survival and development, and GaAs's quality requirements are even stricter. We have been recognized by numerous multinational corporations for the stability and superiority of our product quality, which has allowed us to gain customers' trust and approval.

2. Unfavorable Factors and Response Measures

(1) Competition from Substitutes

The mature mass production of 8-12 inch silicon wafers has created the impression that wafers are small, low cost, and highly integrated, especially when CMOS replaced GaAs in Wi-Fi 802.11b, 802.11g, and a small portion of the 2G market during early periods. Since then, the threat of CMOS to GaAs has always lingered. The entire GaAs industry was shook several years ago when the global leader in smart phone baseband announced that it will be using the most advanced silicon process to make RF front-end modules. Even though CMOS has lower cost per chip, it will not necessarily have the advantage over GaAs when it comes to modules, and its performance is far worse than GaAs. Moreover, rapid developments have been made in GaAs technologies, and CMOS power amplifiers eventually fell to the excellent performance of GaAs. Hence, customers eventually choose to work with GaAs foundries for GaAs technology solutions.

Response measures: Utilize superior R&D capabilities to provide highly integrated process technologies, and dedicate efforts to developing products that can lower cost, so that we will gain greater market differentiation and product competitiveness. Accelerate customers' product release by providing value-added design services, and thereby gain greater market opportunities. Since customers will be able to design modules that lower their overall cost, they will not need to give up on GaAs products, which offer higher power efficiency and linearity, when making decisions between the performance and cost of individual devices.

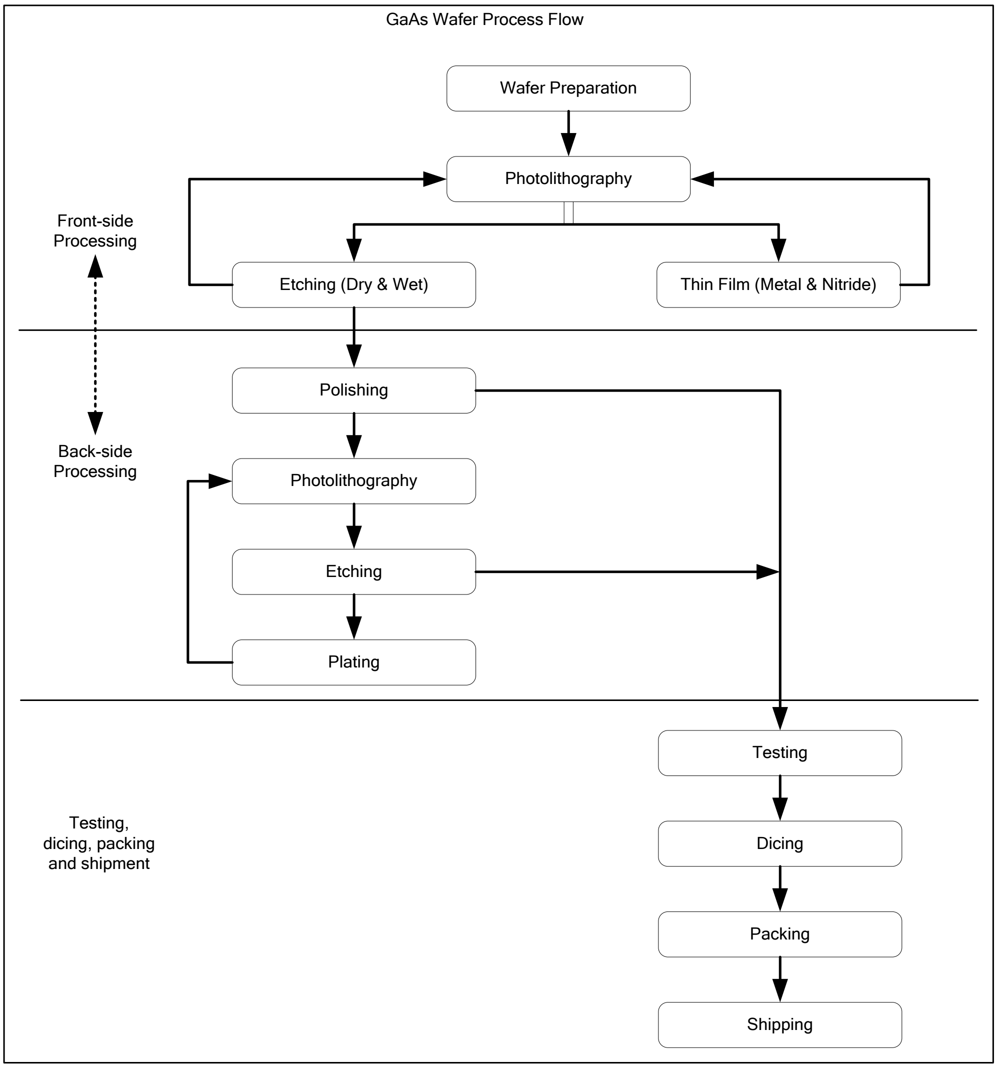
Important Purpose and Production Process of the Main Products

A. Important Purpose of the Main Products

Market Applications	Device Technology
Cable TV Amplifier	pHEMT
Optical Modulator Driver	pHEMT

Market Applications	Device Technology
Cellular Power Amplifier	HBT, BiHEMT
Base Station Power Amplifier	GaN HEMT
Wireless LAN (WLAN)	HBT, BiHEMT
Point-to-Point Radio	pHEMT
GPS Amplifier	pHEMT
Very Small Aperture Terminal (VSAT)	pHEMT, GaN HEMT
Broadband Satellite Communication	pHEMT
Automotive Radar	pHEMT, HBT
Optical Communication Laser	GaAs, InP Laser Diodes
Optical Communication Photo Detector	GaAs, InP Laser Diodes

B. Manufacturing Process



Raw Materials and Suppliers

Major types of raw materials used in our manufacturing process include GaAs epitaxial wafers, and precious metals. We seek to establish long-term relationships with stable and reliable suppliers to ensure uninterrupted supply of these raw materials on mutually satisfactory price, quality and delivery terms.

Most of our raw materials are available from several sources. We maintain several sources for each raw material so that a quality or delivery problem with any one supplier will not adversely affect our operations.

A List of Any Customers and Suppliers Accounting For 10 Percent or More of the Annual Net Revenue in Either of the 2 Most Recent Fiscal Years

A. Customers that Accounted for at Least 10% of Annual Net Revenue

Unit: NT$ thousand; %

Year	2017			2018			
Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN	Customer	Net Revenue	As % of Total Net Revenue	Relation to WIN
Customer B	3,634,444	21.27	None	Customer A	2,875,850	16.61	None
Customer A	2,024,175	11.85	None	Customer B	2,788,677	16.61	None
Customer D	1,998,397	11.69	None	Customer C	1,969,031	11.38	None
Customer E	1,697,935	9.94	None	Customer D	1,315,655	7.60	None
Customer C	829,043	4.85	None	Customer E	11	—	None
Others	6,902,361	40.40	—	Others	8,361,492	48.30	—
Total Net Revenue	17,086,355	100.00	—	Total Net Revenue	17,310,716	100.00	—
Although some customer made inventory adjustment in 2018, an increase in optical components contributed to the slight sales growth compared to the previous year.							

B. Suppliers Accounted for at Least 10% of Annual Net Procurement

Unit: NT$ thousand; %

Year	2017			2018			
Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN	Supplier	Procurement Amount	As % of Total Net Procurement	Relation to WIN
Supplier A	882,337	11.28	None	Supplier A	1,287,778	18.62	None
Supplier B	828,664	10.60	None	Supplier B	473,483	6.85	None
Others	6,107,595	78.12	—	Others	5,153,150	74.53	—
Total Net Procurement	7,818,596	100.00	—	Total Net Procurement	6,914,411	100.00	—
The company dynamically adjusts the suppliers according to the business needs on customer demands and raw material inventory status. In addition, the procurement amount decreased in 2018 due to some customers made inventory adjustment.							

Production in the Last Two Years

Capacity/Output Unit: Pieces; Amount Unit: NT$ thousand

Year	2017			2018		
Item / Products	Capacity	Output	Amount	Capacity (Note)	Output (Note)	Amount
Wafers	270,765	262,925	10,382,905	350,000~370,000	245,000~260,000	11,821,311
Total	270,765	262,925	10,382,905	350,000~370,000	245,000~260,000	11,821,311

Note: 6-inch HBT equivalent wafers.

Shipments and Net Revenue in the Last Two Years

Unit: Pieces; NT$ thousand

Item / Product	2017				2018			
	Export		Domestic (Note)		Export		Domestic (Note)	
	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue	Shipment	Net Revenue
Wafers	209,902	13,330,993	45,683	2,755,287	209,765	14,821,468	36,112	2,110,862
Others	0	916,667	0	83,408	0	357,455	0	20,931
Total	209,902	14,247,660	45,683	2,838,695	209,765	15,178,923	36,112	2,131,793

Note: Domestic means revenues from Taiwan.

5.3. The Number of Employees Employed, Average Years of Service of Employees Employed, Average Age of Employees Employed, and Education Levels of Employees Employed

A. The Company:

Year		December 31, 2017	December 31, 2018	April 30, 2019
Number of Employees	Executive Officer	266	311	312
	Staff	1,049	1,131	1,114
	Direct Employees	1,220	1,322	1,284
	Total	2,535	2,764	2,710
Average Age		33.70	34.15	33.04
Average Years of Service (Years)		4.34	4.72	5.08
Education Ratio (%)	Ph.D.	1.50%	1.41%	1.37%
	Masters	21.46%	22.18%	22.40%
	Bachelor’s Degree	62.05%	61.18%	61.88%
	Senior High School	14.99%	15.23%	14.35%
	Total	100%	100%	100%

B. The number of employees employed in all consolidated entities in 2017 and 2018 were 2,672 and 3,016, respectively.

5.4. Environmental Protection Expenditure Information

The total amount of losses (including compensation) and fines due to environmental pollution in the last year and as of the publication date of this annual report, future countermeasures (including improvement measures), and possible expenditures (including the anticipated loss, disposition, and compensation amounts incurred for not adopting the response measures; for amounts that cannot be reasonably estimated, please explain why):

There were 2 violations of environmental protection regulations in 2018:

1. Department of Environmental Protection, Taoyuan audited air pollution control equipments in the night of December 18, 2017. The pressure monitoring pipelines of air

pollution control equipments could not drain the water in time after several days of rain, so the pressure difference operating parameters did not meet the operating permit. We received an official letter for violating Section 2, Article 24 of the Air Pollution Control Act on January 26, 2018, and was fined NT$100,000. Improvements for non-conforming pressure difference were completed on December 18, 2017. We adopted management and improvement measures and also implemented the measures in other factories: (1) On-duty personnel conduct enhanced inspections and immediately handle the situation when operating parameters do not meet our operating permit. (2) Equipments are regularly cleaned and maintained according to the annual maintenance plan, so that operations are according to our operating permit.

2. Violation of Article 18 of the Toxic and Concerned Chemical Substances Control Act found by the Department of Environmental Protection, Taoyuan: Toxic professional technical management personnel can't concurrently hold other specialist positions specified by other than environmental protection related regulations, and we were thus fined NT$60,000 on November 19, 2018. We completed improvements by changing our toxic professional technical management personnel on November 26. We also reviewed the licenses held by other management specialists and in other factories.

We invest a considerable amount of resources into environmental protection and the improvement of pollution prevention facilities. Besides daily maintenance and management of existing equipment, we continue to procure wastewater, waste gas, and special chemical prevention equipment, as well as local exhaust treatment.

We have obtained the ISO14001 and OHSAS18001 Environmental and Occupational Health and Safety Management Systems certification for many years, and we continue to improve the environmental safety system and culture in our factories each year. We began compiling GHG inventories of the previous year starting in 2014, and passed the inspection of an external verification company for ISO14064 as part of our efforts to achieve our environmental health and safety policy.

5.5. Employee Relations

Employee Welfare

Human resources are WIN's most important asset, as well as the driving force behind WIN's growth. We provide employees with National Health Insurance, Labor Insurance, pension contributions, contributions to the Overdue Wages Repayment Fund, and Occupational Injury and Disease Insurance in accordance with the Labor Standards Act and related laws and regulations. We also provide numerous benefits to care for employees' needs, and provide employees with a comprehensive health maintenance and promotion plan, as well as injury and illness care services, offering an environment with good work-life balance. We also have an Employee Welfare Committee that organizes a variety of employee welfare activities. Our welfare measures for employees are as follows:

1. Insurance: apart from the labor insurance and national health insurance required by law, employees are enrolled in the group comprehensive insurance policy.
2. Free regular medical checkups for employees. Healthcare, including visits from medical specialists. Employee health promotion and awareness events.
3. Meal subsidies and employee dormitory.
4. New employees are entitled to 4 days of paid leave after an employment period of three months and after passing their performance appraisals.
5. Offer employees' compensations and employee stock ownership trusts program, in the hope

that the Company enjoys profits with our employees.
6. Employee wedding, funeral service, hospitalization, and childbirth subsidies.
7. Birthday cash gift, Labor Day cash gift, cash gift for shopping during the three major traditional holidays, and year-end party prize drawing.
8. Employee travel allowance and health promotion program.
9. Offer various types of clubs with subsidies, including badminton, yoga, aerobic combat sports, jogging and table tennis.
10. Independent and private medical and lactation (breastfeeding) room.
11. Massage services from people with visual impairments.

Employee Education and Training

WIN strives to create a diverse learning environment that offers rich and interesting contents. By establishing the "Education and Training Procedures," the Company has systematically integrated both internal and external resources, thus providing a complete talent development strategy as well as cultivating and improving employees' skills and capabilities so that they can grow with the Company and together create a mutually beneficial relationship.

WIN's talent cultivation is divided into three contexts, formulating professional training roadmaps based on the department in which employee belongs, the job position, the expertise and familiarity required to be successful in the role. Examples include: classroom-based courses, on-the-job training and coaching, and online English language training. The objective is to develop a blueprint for each employee's future development through a comprehensive training program. Additionally, the HR Division plans and organizes all types of professional training courses that meet the requirements to help employees adapt and learn the skills they need at work.

- Specialized role: Cultivate employees who wish to refine their knowledge and skills to become an expert in certain fields;
- Managerial role: Cultivate leadership in management of different levels, including entry level, mid-level, and top level managers.
- Project-based role: Generally involves technical managers in charge of projects or customer project managers with a background in technological R&D.

In order to meet the diverse requirements of our employees and to achieve the long-term objectives of training and development, WIN makes available a variety of training opportunities and avenues, including abundant internal and external training resources. The Training Development team under the Human Resource Division is responsible for planning and promoting various learning programs and talent development projects.

Training Development Action Plan

- Management skills and development: The supervisor's leadership quality and capabilities is an important ingredient of what propels the organization toward excellence. Therefore, WIN greatly values leadership in executive management. The Company offers compulsory training courses for all levels of management to enhance and refine the supervisors' managerial capabilities. These courses include: topics for newly promoted and entry-level managers, performance interview, interview skills, and coaching skills, regulatory notices for managerial officers, talent retention, and strategy establishment. During 2018, WIN organized 13 training classes, which were attended by supervisors a total of 317 times.

- Orientation: Helping new employees understand the history of WIN, its current advantages, and future challenges. Department functions and experiences are introduced to help new employees understand WIN's culture and core values of Integrity and Accountability, Innovation, Customer Satisfaction, and Quality Foremost, which enable them to quickly adapt to the work environment. In addition, we provide environmental safety-related training courses, such as basic fire-prevention and firefighting concepts, general information about hazards and general labor safety and health training, the purpose of which is to provide a safe and worry-free workplace environment.

- Internal/on-the-job training for all business divisions: Apart from learning in a classroom setting, learning by doing is the most important means of building skills. WIN provides a series of on-the-job training programs for new hires. Based on the different needs of each department, we provide tailor-made courses to train new employees on the job, which is an important notion we embrace. We require new employees to complete training within 3 months to enable them to build on their professional expertise in a systematic manner.
- General knowledge training/Lifestyle talks: Based on government regulations and company policies, general knowledge training courses for the company have been arranged, including environmental safety and health, emergency response training, quality management, and workplace ethics. In addition, the Company has also setup talks by experts in health, parent-child relations, gender relations, travelling, and lifestyle-related topics, injecting positive energy among employees to encourage them to find a balance between their body and mind outside of work.
- Enhancing individual job performance: Self-management general knowledge courses that are available to all employees were provided to help employees improve their job performance and potential through the learning of soft skills.
- Language training:

  With WIN's rapid growth in recent years, the sources of our customers have also become more diversified. To improve our employees' abilities in foreign languages, the Company has developed a comprehensive language training/subsidy program. We provide:

  - English language workshops: By organizing work-related language topics (such as tips on oral presentation in English, business correspondence skills, and English for meetings), which are open to all anyone who is interested, our employees can apply what they have learned in the workshops and apply these new skills in the workplace—a win-win for everyone involved. In 2018, WIN organized a total of 3 English language workshops that focused on business English (covering all four language skills). They attracted a total of 158 participations.
  - English simulation tests are provided for employees to determine their English proficiency and devise self-learning plans
  - Online English courses are offered to help employees who need to communicate in English at work to expand their business vocabulary. Totally 54 participants attended the courses in 2018.
  - Employees with specific job requirements are tutored in small groups on English or Japanese.
  - Official TOEIC test subsidies.
- Training for direct employees involved in production: We help assistant engineers in charge of production to acquire necessary knowledge and skills. By combining the certification

mechanism with machinery operation training, trainees are able to obtain the required permits to operate machinery. Also with regular retraining, employees will be able to complete their tasks successfully.

- Industry-academia collaboration: In-service training is provided at flexible work hours to support employees' continuing education.

In 2018, 11,823 attendees underwent 416 training sessions for a total of 37,706 training hours, which averaged 13.64 hours per employee. This represents growth for the third consecutive year, and the total training costs around NT$4 million, which 30% more than the previous year and attested to the value WIN places on talent cultivation.

Number of training hours in 2018 by gender:

Gender	Male	Female	Total
Total training hours	21,509	16,197	37,706
Number of employees	1,318	1,446	2,764
Average training hours per employee	16.32	11.20	13.64

Number of training hours in 2018 by personnel category and gender:

Category	Total training hours	Average training hours per employee (Male)	Average training hours per employee (Female)
Managers	5,937	17.66	25.74
Professionals	21,100	18.00	20.86
Technicians	10,669	6.72	8.30

Number of training hours in 2018 by personnel category:

Category	Managers	Professionals	Technicians	Total
Total training hours	5,937	21,100	10,669	37,706
Number of employees	311	1,131	1,322	2,764
Average training hours per employee	19.09	18.66	8.07	13.64

Training hours in 2018 by course category:

Item	Session	Total number of people (Internal and external training)	Total participation hours
1. Orientation	47	513	3,655
2. Management skills training	13	360	2,068
3. Professional quality control training	93	1,565	2,513
4. Environment, health and safety training	99	2,237	7,252
5. Technical engineering training	17	826	4,480
6. Professional competency training	3	82	892
7. Corporate culture and general knowledge training	141	3,939	12,532
8. External language courses	2	54	3,753
9. Annual training	1	2,247	562
Total	416	11,823	37,706

WIN provides courses and also focuses on actual implementation status after courses. We use the four levels in the Kirkpatrick Model to assess the performance of the training on different levels.

- Reaction (Level 1): Evaluate the participants' satisfaction rate of the courses by using methods such as questionnaires after courses. This is used mainly for orientation.
- Learning (Level 2): Evaluate the degree to which participants acquire the intended knowledge in the course such as tests for professional courses (e.g. DOE).
- Behavior (Level 3): After evaluating participants' studies, we review the actual application status after they return to their work posts. This method is mostly used for project or management courses. In the case of project management courses, WIN uses behavioral assessment to investigate participants' applications after courses. We invite supervisors to evaluate participants' improvement in project management. Among the managers who have responded in 2018, 100% of the managers believe that the course can effectively improve students' project management skills.
- Results (Level 4): We evaluate the benefits of courses on participants' personal performance or organizational performance. This is used for internal instructor training. Trainees not only must pass education assessments but must also lecture in actual courses. They are subject to trainees' satisfaction rate reviews in the courses.

Seven of WIN's courses were evaluated based on Level 3 or Level 4 mechanisms in 2018 which accounted for 58.3% of all project courses. This showed WIN's commitment to the effectiveness of the courses.

In the succession plan of WIN, the successor must have excellent work ability, values that match the Company's values, and must be honest and have integrity. The Company's talent cultivation is as described above. Since most employees are relatively young between the ages 31 and 35, our goal is to establish a talent evaluation and development system in 2022, so that we can develop even more employees to become important members of management. In terms of Directors, we have developed four employees into Directors, and arrange for Directors above to participate in annual director training courses. Please refer to pages 37~39 and 43~44 for the education/training records of Directors in 2018.

In addition, WIN continues to promote its core values of "integrity and accountability, innovation, customer satisfaction, and quality foremost" through different training courses and incentive measures.

Cultivate the Accountability Culture

WIN continues to promote its core values of Accountability and Innovation through different training courses and incentive measures, including accountability courses for new comers, lectures for raising employees' accountability awareness, and internal lecturer training. These efforts facilitate implementing the spirit of accountability and encourage concrete actions within the departments. Furthermore, WIN has established incentive mechanisms such as monthly accountability rewards and yearly accountability awards.

Cultivation of an Innovative Culture

We encourage employees to show their creative thinking and actions during work to create an atmosphere that encourages innovation in the organization. We continue to offer innovative thinking training, such as innovation workshops, innovation lectures, and WIN Talks; we also established patent rewards for R&D personnel and rewards for proposals by entry-level assistant engineers. We continue to hold annual innovation competitions. The proposals are impartially reviewed by a committee, which selects winners of the annual innovation award, and hands out trophies and monetary awards.

Furthermore, WIN organizes annual roundtable sharing events, and award winners share report their award winning topic to management and employees in the form of a science fair and results presentation. The event allows everyone to understand the motive and breakthrough of various innovations, and exchange technologies and success stories. The event was organized in coordination with the Q&A Contest, which asks employees simple questions that they can find the answer to in exhibited works, making innovative thinking more appealing by providing education through entertainment.

Employee Certifications Relating to Information Transparency

- The Company’s accounting officer is certified by Accounting Research and Development Foundation as an accounting officer of public traded company.
- The Company has one employee in accounting division with Certified Internal Auditor (CIA).
- The Company has one employee in accounting division with Certified Public Accountant (CPA).
- The Company has two employees in auditing office with certificate issued by Securities and Futures Institute.

Retirement System

The Company appropriated pension plan in accordance with the Labor Standard Law every year. The Company commissions professional actuaries to calculate pension reserve funds to ensure that full coverage of pension is reserved. Pension is calculated based on the employee's years of service and the average salary in the six months prior to retirement. The Company contributes pension reserve equivalent to 2% of the employees’ salary each month to a special account in Bank of Taiwan. As of December 31, 2018, the fair value of plan assets was NT$42,653 thousand. Future amounts of pensions that need to be paid as required by law have been included in the pension liability. The balance as at the end of 2018 was NT$98,466 thousand. In addition, the Company appropriates pension funds equivalent to 6% of the employee’s salary to the dedicated personal pension account of the Bureau of Labor Insurance based on the Labor Pension Act. The number of years worked by employees hired before July 1, 2005 shall be reserved. The amount of pension expenses in 2018 totaled NT$93,963 thousand.

We established the “Regulations for Management of the Retirement of Commissioned Managers” for commissioned managers to feel secure about their retirement and maintain harmonious relationships, which will improve our business performance.

Employee Communications Channel

WIN integrates harmonious labor-management relations in the Company’s human resource management strategy as a testament to the high level of importance we attach to friendly management.

To ensure gender equality and the dignity employees are entitled at work, WIN combines existing laws and regulations such as the Act of Gender Equality in Employment to establish the

Company’s procedures for protecting female workers and regulations governing the prevention and handling of sexual harassment. The sexual harassment hotline and email are set up to protect employees’ rights and safety in the workplace.

Meeting between employer and employees convenes quarterly, in the meetings employee representatives voice their opinions and advice on matters that are of concern to employees. The Employee Welfare Committee convenes quarterly meetings to inform committee members of any employee welfare events and current status on the use of welfare funds. For foreign employees, every quarter communication meetings are held in the dormitory, where they can provide feedback and receive updates on laws or welfare measures. Interpreters also attend such meetings to facilitate communication.

The Company has established the handbook of “Employee Work Rules” for new employees, which are given to them when they report for duty. These handbooks introduce employees to the Company’s code of conduct. Furthermore, various types of communication links are provided on the Company's website to facilitate the acceptance and handling of employee feedback.

Working Environment and Employee Safety Protection Measures

We have established an internal management system and factory pollution prevention, health, and safety facilities in accordance with environmental protection, occupational safety and health, fire safety, and ionizing radiation related regulations. We have adopted improvements or control measures for operations that are identified or assessed as having a significant impact on the environment or high risk based on the logic of management system operations, to achieve pollution prevention and personnel health and safety protection.

Our main environmental, health, and safety objectives for 2018 are to increase the efficiency of energy use and reduce waste emissions through process and engineering improvements. Results are as follows:

Item	Reduction objective	Performance
Electricity consumption (kW / 6”e wafer)	309.68	370.84
PFCs emissions (ton CO2e / 6”e wafer)	0.192	0.228

Electricity and water consumption during the past three years are shown in the table below:

Year / Total consumption	2016	2017	2018
Electricity consumption (10,000 kW)	7,491.72	9,452.32	13,171.23
Water consumption (km^3)	634.45	815.76	870.17

Note: Total electricity and water consumption increased in 2018 due to production and expansion requirements of our Guishan Fab C.

In addition to achieving the abovementioned EHS objectives in 2018, key results of other routine EHS management measures are as follows:

Objective	Description	Result
Drinking water testing	To maintain the quality of drinking water and employee health, we conduct sampling inspections of e-coli bacterial colony in water dispensers every three months in accordance with the Regulations for the Use, Maintenance, and Management of Stationary Continuous Drinking Water Supply Equipment.	Number of water dispensers tested: 40. Pass rate: 100%.

Objective	Description	Result
Workplace environmental monitoring	We test workplaces for CO2, noise and chemical substances every six months in accordance with the Regulations for Workplace Environmental Monitoring. For machines, equipments, operations, or environments that use or store chemicals, we sample and analyze the concentration of chemical substances in the environment to protect employees from physical and chemical harm. Tested a total of 1,436 items.	Pass rate: 100%.
Health examination	Employees receive general and special health examination every year: General health examination: 1,993 employees Special health examination: 1. Arsenide (As) and its compounds: 1,249 employees 2. Ionizing radiation: 259 employees	Work related abnormal results in health examination : 0 (There were no class 3 and class 4 management abnormalities).
Environmental protection and labor safety training	The following education and training was provided in accordance with the Occupational Safety and Health Education and Training Rules to protect employee safety and health: 1. Occupational safety and health training for new employees: Establish employees' safety and health awareness. 2. Supervisor occupational safety and health training: Establish supervisors' safety and health awareness. 3. Liberal hazardous chemicals Training for new employees: Establish employees' hazards of chemical substances awareness and how to use personal protection equipment. 4. On-the-job labor safety / fire safety / fire extinguisher / emergency evacuation training. 5. Quarterly emergency response drills at each factory. 6. Six scooter safety lectures were organized.	Enhanced protection of employee safety and health.
On-site inspections, safety inspections, and internal audits	1. Daily EHS related on-site inspections. 2. Implementation of high-risk machinery safety inspections. 3. EHS Management System internal audits.	Active and systematic problem finding to reduce the potential risks.
GHG emission control management	Besides conducting inventories for GHG emission and commissioning a certifying body recognized by the Environmental Protection Administration in accordance with regulations each year, we also evaluate the economic and technical feasibility of reducing GHG emissions.	The inventories are reported in accordance with the law and serve as the basis for reducing GHG emissions.

Labor-Management Dispute Loss in 2018 and as of the Publication Date of the Annual Report:

We have not sustained any losses due to labor-management disputes. In the future, we will continue to uphold our principles and continue to improve employee welfare measures, maintain smooth channels of communication, and maintain good labor-management relationships and consensus. Hence, there are no concerns for labor-management disputes in the future.

5.6. Important Contracts

Type	Contractual Parties	Commencement Date and Expiration Date	Subject	Restriction
Technology Cooperation Agreement	Industrial Technology Research Institute	12/01/2008 ~ 11/30/2018	1. Licensing of antenna switch MMIC design 2. Joint development of integrated RF module	None
Construction Agreement	Terms and conditions cannot be disclosed according to the confidentiality obligation under the agreement	08/26/2013 ~ expiration date of warranty period	Reconstruction of Fab C	None
Technology Licensing Agreement	Terms and conditions cannot be disclosed according to the confidentiality obligation under the agreement	11/11/2010 ~ each expiration date of patents and know-how under the agreement	Licensing of packaging technology	None
Capital Equipment Transfer Agreement	Avago Technologies Wireless, (U.S.A.) Manufacturing, LLC	02/01/2019 ~ completion of the installation and testing by WIN	Obtain a batch of machinery and equipment	None

VI. FINANCIAL STATUS

6.1. Five-Year Financial Summary

A. Condensed Balance Sheets - IFRSs

Unit: NT$ thousand

Item		Consolidated Financial Statements					Parent-Company-Only Financial Statements				
		Five-Year Financial Summary (Note 1)					Five-Year Financial Summary (Note 1)				
	Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Current Assets		7,124,744	6,984,103	7,819,409	16,787,114	11,334,529	6,587,454	6,762,413	6,546,222	15,330,143	9,129,539
Property, plant and equipment		11,652,510	11,623,190	13,348,978	14,468,268	15,568,252	11,652,290	11,622,870	13,181,802	14,163,365	14,784,516
Intangible Assets		54,422	62,370	229,539	257,844	586,953	54,422	62,370	73,352	81,879	94,261
Other Assets		2,984,232	5,441,810	5,012,713	5,514,226	7,969,869	3,497,146	5,629,110	5,790,520	7,084,055	11,040,335
Total Assets		21,815,908	24,111,473	26,410,639	37,027,452	35,459,603	21,791,312	24,076,763	25,591,896	36,659,442	35,048,651
Current Liabilities	Before Distribution	2,748,606	4,605,604	4,194,420	5,077,465	3,828,383	2,724,010	4,570,894	4,067,122	4,969,052	3,648,259
	After Distribution	2,897,285	4,903,937	6,006,419	8,036,130	(Note 2)	2,872,689	4,869,227	5,879,121	7,927,717	(Note 2)
Non-current Liabilities		3,127,652	2,296,769	3,898,335	6,145,242	6,026,835	3,127,652	2,296,769	3,898,335	6,121,175	6,020,685
Total Liabilities	Before Distribution	5,876,258	6,902,373	8,092,755	11,222,707	9,855,218	5,851,662	6,867,663	7,965,457	11,090,227	9,668,994
	After Distribution	6,024,937	7,200,706	9,904,754	14,181,372	(Note 2)	6,000,341	7,165,996	9,777,456	14,048,892	(Note 2)
Total Equity Attributable to Owners of Parent		15,939,650	17,209,100	17,626,439	25,569,215	25,379,707	15,939,650	17,209,100	17,626,439	25,569,215	25,379,707
Share Capital		7,422,377	5,965,641	4,076,664	4,226,664	4,238,144	7,422,377	5,965,641	4,076,664	4,226,664	4,238,114
Capital Surplus		3,768,620	3,815,017	3,758,737	9,052,896	9,199,357	3,768,620	3,815,017	3,758,737	9,052,896	9,199,357
Retained Earnings	Before Distribution	4,527,782	7,045,498	9,376,801	10,821,687	11,178,324	4,527,782	7,045,498	9,376,801	10,821,687	11,178,324
	After Distribution	4,379,103	6,747,165	7,564,802	7,863,022	(Note 2)	4,379,103	6,747,165	7,564,802	7,863,022	(Note 2)
Other Equity		220,871	382,944	761,897	1,467,968	763,882	220,871	382,944	761,897	1,467,968	763,882
Treasury Shares		0	0	(347,660)	0	0	0	0	(347,660)	0	0
Non-controlling Interests		0	0	691,445	235,530	224,678	0	0	0	0	0
Total Equity	Before Distribution	15,939,650	17,209,100	18,317,884	25,804,745	25,604,385	15,939,650	17,209,100	17,626,439	25,569,215	25,379,707
	After Distribution	15,790,971	16,910,767	16,505,885	22,846,080	(Note 2)	15,790,971	16,910,767	15,814,440	22,610,550	(Note 2)

Note 1: The financial information has been audited by independent auditors.
Note 2: The appropriation of earnings for 2018 shall be determined by the 2019 Annual Shareholders' Meeting.

B. Condensed Statements of Comprehensive Income - IFRSs

Unit: NT$ thousand, except for earnings per share

Item	Consolidated Financial Statement					Parent-Company-Only Financial Statement				
	Five-Year Financial Summary (Note)					Five-Year Financial Summary (Note)				
Year	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Operating Revenue	9,910,010	12,015,747	13,623,076	17,086,355	17,310,716	9,776,226	11,904,017	13,299,527	16,477,395	16,757,646
Gross Profit	3,509,596	4,761,031	4,989,252	6,327,970	5,415,171	3,384,889	4,712,349	4,885,266	6,109,465	5,304,319
Net Operating Income	2,314,692	3,510,364	3,494,602	4,569,335	3,205,342	2,277,533	3,556,040	3,526,852	4,590,484	3,453,510
Non-operating Income and Expenses	114,262	(76,726)	392,942	(40,656)	529,281	151,361	(122,657)	376,732	(12,924)	339,101
Profit before Tax	2,428,954	3,433,638	3,887,544	4,528,679	3,734,623	2,428,894	3,433,383	3,903,584	4,577,560	3,792,611
Profit from Continuing Operations	1,963,469	2,671,627	3,096,305	3,715,295	3,066,062	1,963,469	2,671,627	3,112,774	3,764,200	3,124,454
Profit from Discontinued Operations	0	0	0	0	0	0	0	0	0	0
Profit	1,963,469	2,671,627	3,096,305	3,715,295	3,066,062	1,963,469	2,671,627	3,112,774	3,764,200	3,124,454
Other Comprehensive Income, after Tax	124,517	156,841	340,654	743,099	(365,577)	124,517	156,841	367,600	706,238	(312,936)
Comprehensive Income	2,087,986	2,828,468	3,436,959	4,458,394	2,700,485	2,087,986	2,828,468	3,480,374	4,470,438	2,811,518
Profit, Attributable to Owners of Parent	1,963,469	2,671,627	3,112,774	3,764,200	3,124,454	1,963,469	2,671,627	3,112,774	3,764,200	3,1244,454
Profit, Attributable to Non-controlling Interests	0	0	(16,469)	(48,905)	(58,392)	0	0	0	0	0
Comprehensive Income, Attributable to Owners of Parent	2,087,986	2,828,468	3,480,374	4,470,438	2,811,518	2,087,986	2,828,468	3,480,374	4,470,438	2,811,518
Comprehensive Income, Attributable to Non-controlling Interests	0	0	(43,415)	(12,044)	(111,033)	0	0	0	0	0
Earnings Per Share (expressed in dollars)	2.65	3.97	6.04	9.34	7.39	2.65	3.97	6.04	9.34	7.39

Note: The financial information has been audited by independent auditors.

C. Auditors' Opinions in the Past Five Years

Year	CPA's Name	CPA Firm	Auditing Opinion
2014	Mei-Yen Chen and Pei-Chi Chen	KPMG	Unqualified opinion
2015	Mei-Yen Chen and Pei-Chi Chen	KPMG	Unqualified opinion
2016	Ya-Ling Chen and Mei-Yen Chen	KPMG	Unqualified opinion
2017	Ya-Ling Chen and Mei-Yen Chen	KPMG	Unqualified opinion
2018	Ya-Ling Chen and Mei-Yen Chen	KPMG	Unqualified opinion

6.2. Five-Year Financial Analysis

A. Financial Analysis of Financial Statements - IFRSs

Item (Note 2)	Year	Consolidated Financial Statements					Parent-Company-Only Financial Statements				
		Financial Analysis in the Past Five Years (Note 1)					Financial Analysis in the Past Five Years (Note 1)				
		2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Financial Structure (%)	Debt Ratio	26.94	28.63	30.64	30.31	27.79	26.85	28.52	31.12	30.25	27.59
	Long-term Funds to Property, Plant and Equipment	163.63	167.82	166.43	220.83	203.18	163.64	167.82	163.29	223.75	212.39
Solvency (%)	Current Ratio	259.21	151.64	186.42	330.62	296.07	241.83	147.95	160.95	308.51	250.24
	Quick Ratio	202.49	94.60	115.00	250.51	185.80	184.60	90.48	91.12	229.41	140.17
	Times Interest Earned Ratio	34.34	63.29	76.33	60.07	56.40	34.34	63.28	76.65	60.71	57.27
Operating Ability	Accounts Receivable Turnover (turns)	14.79	17.29	15.40	13.04	11.64	23.29	21.78	15.37	11.79	10.36
	Days to Collect Accounts Receivable (day)	25	21	24	28	31	16	17	24	31	35
	Average Inventory Turnover (turns)	4.87	3.65	3.32	3.32	3.11	4.87	3.62	3.24	3.21	3.01
	Accounts Payable Turnover (turns)	8.18	6.48	7.56	8.05	8.52	8.17	6.42	7.47	7.90	8.29
	Average Days to Sell Inventory	75	100	110	110	117	75	101	113	114	121
	Property, Plant and Equipment Turnover (turns)	0.82	1.03	1.09	1.23	1.15	0.81	1.02	1.07	1.21	1.16
	Total Assets Turnover (turns)	0.46	0.52	0.54	0.54	0.48	0.46	0.52	0.54	0.53	0.47
Profitability	Return on Total Assets (%)	9.33	11.68	12.32	11.86	8.51	9.34	11.70	12.60	12.24	8.77
	Return on Equity (%)	12.74	16.12	17.87	17.43	12.27	12.74	16.12	17.87	17.43	12.27
	Profit before Tax to Issued Capital (%)	32.72	57.56	95.36	107.15	88.12	32.72	57.55	95.75	108.30	89.49
	Profit to Sales (%)	19.81	22.23	22.73	21.74	17.71	20.08	22.44	23.41	22.84	18.64
	Earnings Per Share (NT$)	2.65	3.97	6.04	9.34	7.39	2.65	3.97	6.04	9.34	7.39
Cash Flow	Cash Flow Ratio (%)	139.34	106.23	90.27	116.08	143.13	145.47	101.11	93.91	113.61	157.88
	Cash Flow Adequacy Ratio (%)	102.97	117.83	147.08	140.15	124.01	103.65	117.07	142.20	144.33	131.34
	Cash Flow Reinvestment Ratio (%)	10.07	16.19	10.43	9.02	5.31	10.56	15.27	10.75	8.52	5.93
Leverage	Operating Leverage	2.56	2.15	2.42	2.29	3.19	2.56	2.11	2.36	2.17	2.85
	Financial Leverage	1.02	1.00	1.01	1.01	1.01	1.02	1.00	1.01	1.01	1.01

Analysis of financial ratio change in the last two fiscal years: (If the difference does not exceed 20%, the analysis is not required)

1. Solvency: The lower quick ratio in 2018 was mainly due to a decrease in cash resulting from increasing capital expenditure and "current available-for-sale financial assets" was re-recognized as "non-current financial assets at fair value through other comprehensive income" in accordance with IFRS 9.
2. Profitability: Return on total assets, return on equity and EPS decreased in 2018 mainly due to decreases in gross margin and net income after tax resulting from lower utilization rate.
3. Cash Flow:
   (1) The higher cash flow ratio in 2018 was mainly due to a decrease in accounts payable from decreasing procurements and a decrease in long-term liabilities-current portion.
   (2) The lower cash flow reinvestment ratio in 2018 was mainly due to an increase in cash dividend payment from profit growth in 2017.
4. Leverage: The higher operating leverage in 2018 was mainly due to a decrease in operating income resulting from lower utilization rate.

Note 1: The financial information has been reviewed or audited by independent auditors.

Note 2: The Formula of Financial Analysis:

1. Financial Structure Analysis (%)
   (1) Debt Ratio = Total Liabilities / Total Assets
   (2) Long-term Funds to Property, Plant and Equipment = (Total Equity + Non-current Liabilities) / Property, Plant and Equipment, Net
2. Solvency (%)
   (1) Current Ratio = Current Assets / Current Liability
   (2) Quick Ratio = (Current Assets - Inventories - Prepaid Expenses) / Current Liability
   (3) Times Interest Earned Ratio = Profit before Credit for Income Tax / Current Interest Expense
3. Operating Ability
   (1) Accounts Receivable Turnover = Sales / Average Accounts Receivable
   (2) Days to Collect Accounts Receivable = 365 / Accounts Receivable Turnover
   (3) Average Inventory Turnover = Cost of Sales / Average Inventories
   (4) Accounts Payable Turnover = Cost of Sales / Average Accounts Payable
   (5) Average Days to Sell Inventory = 365 / Average Inventory Turnover
   (6) Property, Plant and Equipment Turnover = Sales / Average Property, Plant and Equipment, Net
   (7) Total Assets Turnover = Sales / Total Assets
4. Profitability
   (1) Return on Total Assets = [Profit + Interest Expense X (1 - Tax Rate)] / Average Assets
   (2) Return on Equity = Profit / Average Total Equity
   (3) Profit before Tax to Issued Capital = Profit before Tax / Issued Capital
   (4) Profit to Sales = Profit / Sales
   (5) Earnings Per Share = (Equity Attributable to Owners of Parent - Dividend-preferred stock) / Weighted Average Outstanding Shares
5. Cash Flow
   (1) Cash Flow Ratio = Net Cash Flows from Operating Activities / Current Liability
   (2) Cash Flow Adequacy Ratio = 5-year Net Cash Flows from Operating Activities / 5-year (Capital Expense + Increase in Inventories + Cash Dividend)
   (3) Cash Flow Reinvestment Ratio = (Net Cash Flows from Operating Activities - Cash Dividend) - (Property, Plant and Equipment, Net + Long-term Investments + Other Non-current Assets + Operating Capital)
6. Leverage
   (1) Operating Leverage = (Net Sales – Variable Operating Costs and Expenses) / Operating Income
   (2) Financial Leverage = Operating Income / (Operating Income – Interest Expenses)

6.3. Audit Committee' Report for the Most Recent Year

2018 AUDIT COMMITTEE'S REVIEW REPORT

The Board of Directors has prepared the Company's 2018 Business Report, Financial Statements (parent-company-only & consolidated), and proposal for allocation of earnings. The CPA firm of KPMG was retained to audit WIN's Financial Statements and has issued an audit report relating to the Financial Statements.

The Business Report, Financial Statements, and earnings allocation proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of WIN Semiconductors Corp. According to relevant Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Law, we hereby submit this report.

WIN Semiconductors Corp.
Chairman of the Audit Committee: Chin-Shih Lin

March 21, 2019

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

Please refer to pages 132~229 of this annual report.

6.5. Parent-Company-Only Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

Please refer to pages 230~327 of this annual report.

6.6. If the Company or Its Affiliates Have Experienced Financial Difficulties in the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report, the Annual Report Shall Explain How Said Difficulties Will Affect the Company's Financial Situation

None

VII.REVIEW OF FINANCIAL CONDITIONS, OPERATING RESULTS, AND RISK MANAGEMENT

7.1. Financial Status

Analysis of Financial Status

Unit: NT$ thousand

Item \ Year	2017	2018	Difference	
			Amount	%
Current Assets	16,787,114	11,334,529	(5,452,585)	-32%
Property, Plant and Equipment	14,468,268	15,568,252	1,099,984	+8%
Intangible Assets	257,844	586,953	329,109	+128%
Other Assets	5,514,226	7,969,869	2,455,643	+45%
Total Assets	37,027,452	35,459,603	(1,567,849)	-4%
Current Liabilities	5,077,465	3,828,383	(1,249,082)	-25%
Non-current Liabilities	6,145,242	6,026,835	(118,407)	-2%
Total Liabilities	11,222,707	9,855,218	(1,367,489)	-12%
Share Capital	4,226,664	4,238,144	11,480	+0.3%
Capital Surplus	9,052,896	9,199,357	146,461	+2%
Retained Earnings	10,821,687	11,178,324	356,637	+3%
Other Equity Interest	1,467,968	763,882	(704,086)	-48%
Equity Attributable to Owners of Parent	25,569,215	25,379,707	(189,504)	-1%
Total Equity	25,804,745	25,604,385	(200,360)	-1%

Effect of Change on the Company's Financial Condition

1. The decrease in current assets was mainly due to a decrease in cash from increasing capital expenditure and "current available-for-sale financial assets" was re-recognized as "non-current financial assets at fair value through other comprehensive income" in accordance with IFRS 9.
2. The increase in intangible assets was mainly due to an increase in goodwill resulting from obtaining control over subsidiaries.
3. The increase in other assets was mainly due to "current available-for-sale financial assets" was re-recognized as "non-current financial assets at fair value through other comprehensive income" in accordance with IFRS 9 and an increase in prepayments for business facilities to support capacity expansion.
4. The decrease in current liabilities was mainly due to a decrease in accounts payable from decreasing procurements, and a decrease in long-term liabilities-current portion.
5. The decrease in other equity interest was due to an increase unrealized valuation loss on financial assets at fair value through other comprehensive income from decreased market price of financial assets.

Future Response Actions

The above-mentioned changes on financial condition have no significant impact on the Company.

7.2. Finance Performance

Analysis of Finance Performance

Unit: NT$ thousand

Item \ Year	2017	2018	Difference	
			Amount	%
Operating Revenue	17,086,355	17,310,716	224,361	+1%
Operating Costs	10,758,385	11,895,545	1,137,160	+11%
Gross Profit from Operations	6,327,970	5,415,171	(912,799)	-14%
Operating Expenses (Note)	1,758,635	2,209,829	451,194	+26%
Net Operating Income	4,569,335	3,205,342	(1,363,993)	-30%
Non-operating Income and Expenses	(40,656)	529,281	569,937	+1402%
Profit before Tax	4,528,679	3,734,623	(794,056)	-18%
Tax Expense	813,384	668,561	(144,823)	-18%
Profit	3,715,295	3,066,062	(649,233)	-17%
Other Comprehensive Income, Net	743,099	(365,577)	(1,108,676)	-149%
Comprehensive Income	4,458,394	2,700,485	(1,757,909)	-39%
Total Equity Attributable to Owners of Parent	3,764,200	3,124,454	(639,746)	-17%
Comprehensive Income Attributable to Owners of Parent	4,470,438	2,811,518	(1,658,920)	-37%

Effect of Change on the Company's Financial Condition

1. The increase in operating expenses was mainly due to increase in personnel cost from increasing employees and R&D expenditure to support consistently developing projects.
2. The decrease in operating income was mainly due to the revenue growth was lower than our expectation resulting in lower utilization rate.
3. The increase in non-operating income and expenses was due to an increase in foreign exchange gain from the depreciation of the NTD against the USD, and an increase gains on disposal of financial assets.
4. The decrease in other comprehensive income was due to an increase in unrealized valuation loss on financial assets at fair value through other comprehensive income from decreased market price of financial assets.

Effect of Change on the Company's Future Business and Future Response Plans

The Company is not required to disclose its financial forecast but has set up its internal target based on industrial environment and market demand. The Company will also keep investing in new technologies, quality improvement and cost-down to achieve the target of profitability.

7.3. Cash Flow

Cash Flow Analysis for the Current Year

Item \ Year	2017	2018	Variance (%)
Cash Flow Ratio (%)	116.08%	143.13%	+23.30%
Cash Flow Adequacy Ratio (%)	140.15%	124.01%	-11.52%
Cash Flow Reinvestment Ratio (%)	9.02%	5.31%	-41.13%

Analysis of financial ratio change: 1. The higher cash flow ratio was mainly due to a decrease in accounts payable from decreasing procurements, and a decrease in long-term liabilities-current portion. 2. The lower cash flow reinvestment ratio in 2018 was mainly due to an increase in cash dividend payment from profit growth in 2017.

Remedy for Cash Deficit and Liquidity Analysis

None

Cash Flow Analysis for the Coming Year

Unit: NT$ thousand

Estimated Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Cash Outflow	Cash Balance	Leverage of Cash Surplus (Deficit)	
				Investment Plans	Financing Plans
3,474,932	6,936,683	(7,530,425)	2,881,190	—	—

• Analysis of change in cash flow in the coming year: (1) Operating Activities: The cash inflow will be generating from operating profit. (2) Cash flow from (used in) investment and financing activities: Investment Activities: The cash outflow will be mainly due to the capital expenditure arising from capacity expansion. Financing Activities: The cash will be mainly use in cash dividends payment and proceeds from bank loans. • Remedy for Cash Deficit and Liquidity Analysis: None.

7.4. The Effect on Finance and Sales of Major Capital Expenditure for the Most Recent Year

The 2018 capital expenditures was NT$5,591,706 thousand, which were primarily for capacity expansion in facilities, machine and equipment. The source of funds came from working capital and borrowings from financial institutions. The above-mentioned capital expenditures were to spend for future growth in operation, capacity and profitability by reducing unit cost from scale.

7.5. Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year

Investment Policy

To secure our current market position and explore new competitive advantage to sustain the future growth momentum, the Company investment strategy is focusing on wireless communications, green energy, biotechnology and hog farming technology in addition to the existing field of compound semiconductors.

Main Causes for Profits or Losses and the Improvement Plans in Last Year

The Company's investment loss, totaling NT$117,837 thousand, mainly due to the market price decreasing in hogs and the slower capacity expansion than expected in hog farming field.

The Investment Plans for the Coming Year

The Company will carefully evaluate investment plans as needed and implement them accordingly.

7.6. Risk Management

Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

A. Interest Rates

The Company's interest rate risks mainly derive from loans with floating interest rates. Assume that the interest rate increases (decrease) by 0.5% while all other variables remain unchanged, the Company's net profit after tax will decrease (increase), by NT$11,299 thousand and NT$12,933 thousand for the years ended December 31, 2018 and 2017, respectively. The Company regularly assesses interest rates of the monetary market and information on financial markets and uses appropriate response measures to lower the impact of interest rate fluctuation on the Company.

B. Foreign Exchange Rates

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, notes and accounts receivable, other receivable, financial assets at fair value through profit or loss (which were classified as available-for-sale financial assets on December 31,2017), notes payable and other payables that denominated in foreign currency. A strengthening (weakening) 5 % of appreciation (depreciation) of the NTD against the USD, EUR, GBP, JPY, HKD and RMB etc for the years ended December 31, 2018 and 2017 would have increased (decreased) the net profit after tax by NT$220,129 thousand and NT$125,856 thousand, respectively. The analysis assumes that all other variables remain constant.

The Company's products are mainly sold in US dollars, and raw materials and mechanical equipment are typically purchased in US dollars. The resulting offsets of recurrent purchases and sales generate a certain degree of natural hedging that can mitigate the influence that exchange rate fluctuation has on the Company's business results. The Company has dedicated personnel to stay abreast of exchange rate trends and international markets as a way of monitoring changes in the foreign exchange rate. Furthermore, we stays in close contact with financial institutions to facilitate the timely adoption of response measures, such as adjustment of foreign currency assets and liabilities or operation of foreign currency hedging instruments.

C. Inflation

The impact of inflation does not currently have a significant impact on the Company's profits and business operations.

Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

The Company has promulgated its "Procedures for Acquisition or Disposal of Assets", "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement & Guarantee", and asked its subsidiaries to promulgate the relevant procedures. The Company and its subsidiaries shall follow the relevant procedures to protect the Company's equity. The Company did not engage in any high-risk or high-leveraged investments during the most recent fiscal year or during the current fiscal year up to the date of printing of the annual report. The transactions and procedures related to lending and endorsement are based on the Company's "Procedures for Lending Funds to Other Parties" and "Procedures for Endorsement & Guarantee." We audit related transactions periodically and files public disclosure.

Future Research & Development Projects and Corresponding Budget

1. New Products Planned for Development

    (1) Next generation HBT epitaxial structure and process development
    (2) High integration and uniformity PINHEMT epitaxial structure and process development

(3) 0.15μm GaN HEMT technology development
(4) 25 Gbps DFB laser epitaxial structure development

2. Estimated Spending on Research & Development

The GaAs industry is characterized by frequent and rapid changes in technology. We aggressively invest in technology research and development, based on our current achievements, we aim to provide our customers with more competitive processing technologies and to further strengthen our leading position in the GaAs foundry industry. We expect optical devices and 5G communications to be our chief engines of growth during the next few years. In the case of optical devices, we will continue to team up with customers to jointly develop new 3D sensing technology for use in handheld devices. We are also developing technologies for data center, AR/VR, and LiDAR related applications, and are being qualified by some of our customers. As for 5G communications applications, our microwave communications technology roadmap spans both the sub-6GHz and millimeter waves. We began developing relevant processes as early as several years ago, and our products are currently being qualified by our customers. In 2018, the R&D expenditures was NT$973,921 thousand. We has consistently focused on developing new manufacturing technology and the R&D expenditures expect to increase to NT$1,141,932 thousand in 2019, which will be adjusted from time to time.

Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The Company consults lawyers and accountants regarding significant amendments to domestic and foreign policies and laws. When necessary, it commissions these experts to evaluate, advise, and plan response measures in order to meet legal compliance and lower the adverse influence of these changes on the Company's financial operation. The changes in related laws had not had a significant impact on our operations.

Effects of and Response to Changes in Technology and in Industry Relating to Corporate Finance and Sales

Technological and industry changes have not impacted our finance position and business operations. We closely monitor industry conditions and relevant emerging technologies to provide immediate responses to any challenges arising from technology or industry-related changes. We will not only continuously increase R&D investments, but also make appropriate business adjustments, and maintain steady and flexible financial management to face the challenges of technological changes.

The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since the Company was established we have actively strengthened our internal business management, continued to improve production and quality management capabilities, and proposed plans for developing the capital market and along with the growth in the GaAs industry and the dramatic improvement to our market share and profitability, it has positively influencing the Company's image. There have been no negative changes to our corporate image, and there have been no reports in the market that negatively affect our corporate image.

Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The Company has no ongoing merger and acquisition activities.

Expected Benefits from, Risks Relating to and Response to Facility Expansion Plans

Fab C in Guishan was planned with sufficient space to meet our current and future business and human resource requirements. The allocation of office space was carefully evaluated and analyzed to satisfy the requirements of our operations and employees' work. The effectiveness

of space allocation has met our expectations. In the future, we will adopt the most suitable business strategies for capacity expansion or production adjustment based on customers' needs, market supply and demand, and source of funding.
Potential risks include supply exceeding demands in the market. In addition to increasing production lines in batches in response to market changes, we will actively solicit new customers, develop new process technologies, and improve yield rate and cost reduction, with the hope of maximizing the benefits of capacity expansion and building a long lasting competitive edge.

Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

A. Concentration of Purchasing Sources
Please refer to "suppliers accounted for at least 10% of annual net procurement", page 96. The Company is a pure-play GaAs MMIC foundry, providing optimized solutions for power amplifiers and related radio frequency components. The key materials, epitaxial wafers, were purchasing from several of domestic and foreign vendors. WIN has a broad portfolio of advanced technologies, and is able to engage in frequent technological exchange with its suppliers, indicating that the Company is capable of dispersing supplies. Therefore, the Company is not subject to risks of centralized procurements.
B. Customer Concentration
Please refer to "customers that accounted for at least 10% of annual net revenue", page 96. Our top three customers accounted for about 44% of our total revenues in 2018 and 2017. The high concentration of sales is attributed to the characteristics of the overall GaAs industry. Approximately 67% of the global GaAs devices market is controlled by three international IDM companies. In addition to maintaining existing customers, we also actively develop new processes and new customers to reduce sales concentration.

Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors or Shareholders with Shareholdings of over 10%
There have been no major transfers or swaps of shares by Directors or shareholders with shareholdings of over 10%.

Effects of, Risks Relating to and Response to Changes in Control over the Company
There is no change in control over the Company, and we continually strength our corporate governance and operation to achieve excellent performance in shareholders' equity.

Litigation or Non-litigation Matters
(1) Major ongoing lawsuits, non-lawsuits or administrative lawsuit: None.
(2) Major ongoing lawsuits, non-lawsuits or administrative lawsuits caused by directors or shareholders with over 10% shareholdings: None.

Other Important Risks and Mitigation Measures Being or to be Taken
None

7.7. Other Important Matters
None

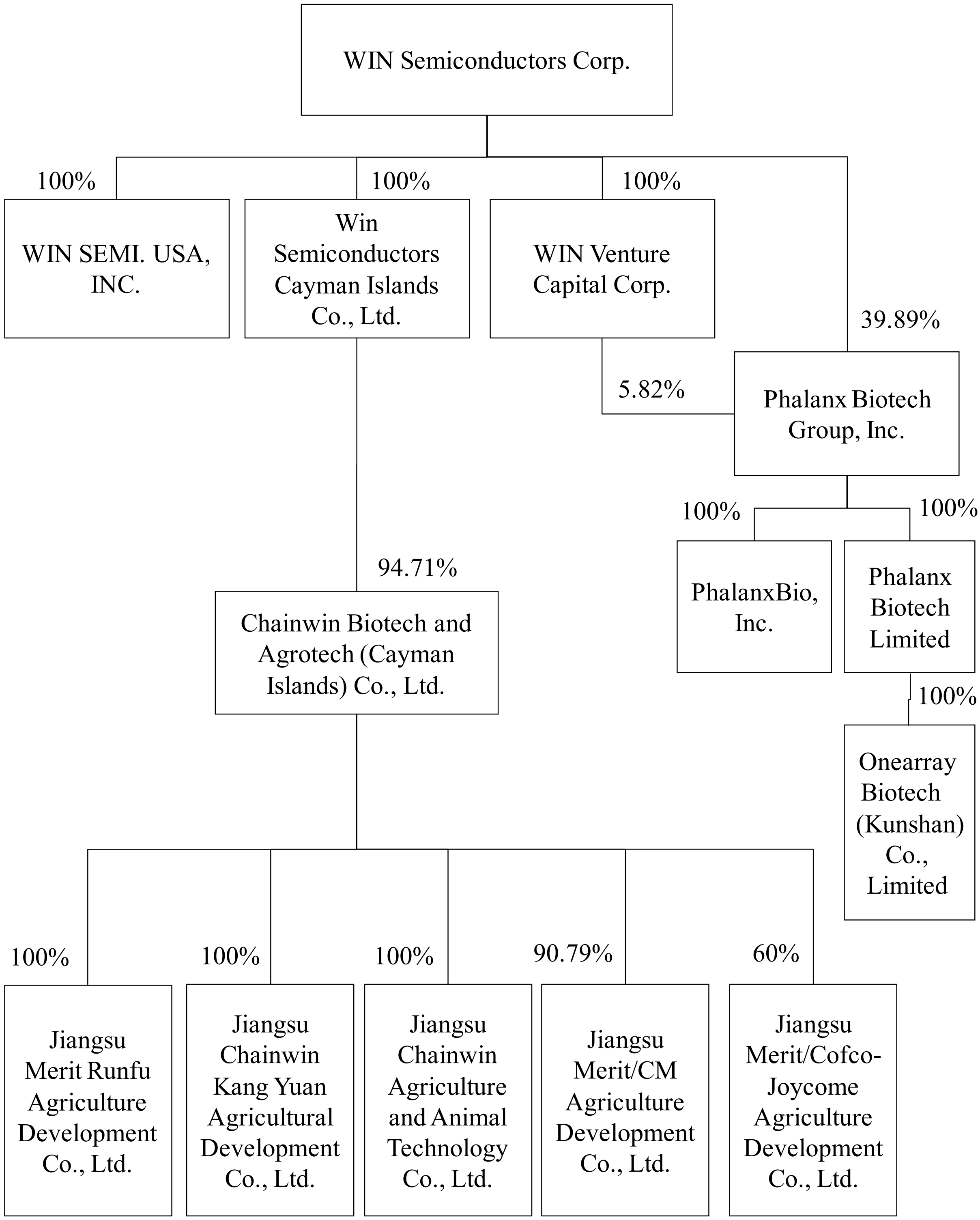
VIII. SPECIAL DISCLOSURE

8.1. Information Regarding Affiliates

Summary of Affiliates

A. Affiliates Overview

(1) Organization of Affiliates: Dec. 31, 2018



(2) Basic Information on Affiliates

Name of Affiliate	Date of Incorporation	Place of Registration	Paid-in Capital	Main Business
WIN SEMI. USA, INC.	10/03/2000	California, USA	USD 312 thousand	Market research
Win Semiconductors Cayman Islands Co., Ltd.	09/14/2007	Cayman Islands	USD 114,000 thousand	Selling GaAs wafers
WIN Venture Capital Corp.	04/25/2014	Taiwan, R.O.C.	NTD 250,000 thousand	Investment activities
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	01/07/2010	Cayman Islands	USD 61,825 thousand	Investment activities
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	03/22/2012	Jiangsu, China	RMB 214,669 thousand	Developing hog farming technology and trading
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	11/02/2016	Jiangsu, China	USD 9,790 thousand	Farm feed development and trading
Jiangsu Merit/CM Agriculture Development Co., Ltd.	01/14/2016	Jiangsu, China	USD 15,200 thousand	Developing hog farming technology and trading
Jiangsu Merit/Cofco-Joycome Agriculture Development Co., Ltd.	06/17/2016	Jiangsu, China	USD 4,800 thousand	Developing hog farming technology and trading
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	03/14/2012	Jiangsu, China	RMB 16,177 thousand	Developing hog farming technology and trading
Phalanx Biotech Group, Inc.	06/06/2002	Taiwan, R.O.C.	NTD 618,000 thousand	Researching, manufacturing and selling of high density gene chips and testing service
PhalanxBio, Inc.	04/27/2004	California, USA	USD 4,075 thousand	Selling of high density gene chips and testing service
Phalanx Biotech Limited	08/09/2011	Hong Kong	USD 300 thousand	Investment activities
Onearray Biotech (Kunshan) Co., Limited	03/05/2012	Jiangsu, China	RMB 1,898 thousand	Selling of high density gene chips and testing service

(3) Controlling and Subsidiary Shareholder Information: None.

(4) The industries covered by the business operated by the affiliates overall: The main operation of the Company and its subsidiaries are (a) researching, developing, manufacturing, and

selling of GaAs wafers, (b) developing hog farming technology and trading, and (c) researching, manufacturing and selling of high density gene chips, biochip optical readers and micro-electrophoresis analyzers.

(5) Directors, Supervisors, Presidents of Affiliates

Unit: Shares in thousands; %

Company	Title	Name or Representative	Shareholding	
			Shares	%
WIN SEMI. USA, INC.	Director	Chin-Tsai Chen, Yu-Chi Wang	0	0%
	CEO	Yu-Chi Wang		
Win Semiconductors Cayman Islands Co., Ltd.	Director	Chin-Tsai Chen	0	0%
WIN Venture Capital Corp.	Director	Chin-Tsai Chen, Representative of WIN Semiconductors Corp. Shun-Ping Chen, Representative of WIN Semiconductors Corp. Mei-Juan Chen, Representative of WIN Semiconductors Corp.	25,000	100%
	Supervisor	Ching-Tsou Tsen (Joe Tsen), Representative of WIN Semiconductors Corp.		
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Director	Chin-Tsai Chen, Yun-Hsuan Wu, Chueh-Chien Chang, Chia-Hsin Huang, Hui-Jen Lo, Ching-Tsou Tsen (Joe Tsen)	0	0%
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	Director	Chin-Tsai Chen, Chueh-Chien Chang, Xin-Ciao Li	0	0%
	Supervisor	Ching-Tsou Tsen (Joe Tsen)	0	0%
	CEO	Chueh-Chien Chang	0	0%
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Director	Chin-Tsai Chen, Chueh-Chien Chang, Xin-Ciao Li	0	0%
	Supervisor	Ching-Tsou Tsen (Joe Tsen)		
	CEO	Chueh-Chien Chang		
Jiangsu Merit/CM Agriculture Development Co., Ltd.	Director	Chin-Tsai Chen, Chueh-Chien Chang, Xin-Ciao Li, Chia-Nung Hsu, Chih-Li Li	0	0%
	Supervisor	Yi-Shiung Chen, Lien-Sheng Tsung		
	CEO	Chueh-Chien Chang		
Jiangsu Merit/Cofco-Joycome Agriculture Development Co., Ltd.	Director	Chin-Tsai Chen, Chueh-Chien Chang, Xin-Ciao Li, Chia-Nung Hsu, Chih-Li Li	0	0%
	Supervisor	Yi-Shiung Chen, Lien-Sheng Tsung		
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Executive Director & CEO	Chueh-Chien Chang	0	0%
	Supervisor	Ching-Tsou Tsen (Joe Tsen)		
Phalanx Biotech Group, Inc.	Director	Gui-Hua Yang	1,017	1.65%
		Li-Chen Lin	0	0%
		Chih-Hsiang Lai	0	0%
		Kuo-Liang Yu	0	0%
		Industrial Technology Investment Corporation	2,239	3.62%
	Supervisor	Song-Chi Tsai, Representative of WIN Venture Capital Corp.	3,600	5.82%
		Zhi-Zhong Lu	30	0.05%
PhalanxBio, Inc.	CEO	Chin-Nan Kao	0	0%

Company	Title	Name or Representative	Shareholding	
			Shares	%
Phalanx Biotech Limited	Director	Chin-Nan Kao	0	0%
Onearray Biotech (Kunshan) Co., Limited	Executive Director	Chin-Nan Kao	0	0%
	Supervisor	Cheng-Hsing Kao	0	0%
	CEO	Chin-Nan Kao	0	0%

B. Operation Status of Affiliates: Fiscal Year 2017

Unit: NT$ thousand

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Equity	Sales	Operating Income (Losses)	Net Profit (Loss)	EPS after Income Tax (NT dollars)
WIN SEMI. USA, INC.	8,203	21,787	110,413	11,374	779,594	4,692	4,533	4.53 (Note 1)
Win Semiconductors Cayman Islands Co., Ltd.	3,503,656	4,837,956	989,726	3,848,230	8,439,387	17,342	(200,462)	(1.76) (Note 2)
WIN Venture Capital Corp.	250,000	172,995	180	172,815	4,766	(36,240)	12,978	0.52 (Note 3)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	1,899,264	2,982,661	11,332	2,971,329	0	(74,964)	(257,508)	(4.17) (Note 4)
Jiangsu Chainwin Kang Yuan Agricultural Development Co., Ltd.	959,571	1,059,005	93,454	965,551	353,128	(94,425)	(87,944)	Not applicable
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	300,749	285,439	4,236	281,203	0	(13,084)	(12,108)	Not applicable
Jiangsu Merit Runfu Agriculture Development Co., Ltd.	72,313	58,380	1,567	56,813	0	(1,115)	(3)	Not applicable

Name of Affiliate	Capital	Total Assets	Total Liabilities	Net Equity	Sales	Operating Income (Losses)	Net Profit (Loss)	EPS after Income Tax (NT dollars)
Jiangsu Merit/CM Agriculture Development Co., Ltd.	466,944	459,835	2,841	456,994	0	(3,261)	(5,672)	Not applicable
Jiangsu Merit/Cofco-Joycome Agriculture Development Co., Ltd.	147,456	138,257	0	138,257	0	(5,283)	(561)	Not applicable
Phalanx Biotech Group, Inc.	618,000	224,193	51,019	173,174	38,743	(108,554)	(117,589)	(1.90) (Note 5)
PhalanxBio, Inc.	129,207	567	1,860	(1,293)	1,852	(3,148)	(3,139)	Not applicable
Phalanx Biotech Limited	8,784	0	23,953	(23,953)	0	0	(6,906)	Not applicable
Onearray Biotech (Kunshan) Co., Limited	8,784	17,539	41,492	(23,953)	8,763	(7,145)	(6,906)	Not applicable

Note 1: Imputed based on 1,000 thousand shares of WIN SEMI. USA, INC.
Note 2: Imputed based on 114,000 thousand shares of Win Semiconductors Cayman Islands Co., Ltd.
Note 3: Imputed based on 25,000 thousand shares of WIN Venture Capital Corp.
Note 4: Imputed based on 61,825 thousand shares of Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.
Note 5: Imputed based on 61,800 thousand shares of Phalanx Biotech Group, Inc.

Affiliates Consolidated Financial Statement
Please refer to page 133 of this annual report.

Relationship Report
None

8.2. Related-party Transactions

Name and Relationship with Related Parties
The followings are entities that have had transactions with related party during the periods covered in 2018 consolidated financial statements:

Name of related party	Relationship
Jiangsu CM/Merit Agriculture Development Co., Ltd	Associates
Wiresp INC.	Associates
Chainwin i-Management (Shanghai) Co., Ltd Huaian Branch	Other related parties

Significant Transactions with Related Parties

A. Loans to Related Parties
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. provided an unsecured loan, with

an interest rate of 4.35% to its associates, Jiangsu CM / Merit Agriculture Development Co., Ltd. At December 31, 2017, the outstanding balance of the loan amounted to US$6,000 thousand (NT$178,560 thousand). Also, the amount of interest receivable arising from the aforementioned loan were US$124 thousand (NT$3,689 thousand) for the year ended December 31, 2017. Jiangsu CM/Merit Agriculture Development Co., Ltd. had repaid the loan on February 2018.
The amount of interest revenue arising from the aforementioned loan was US$30 thousand (NT$892 thousand) and US$124 thousand (NT$3,734 thousand) for the years ended December 31, 2018 and December 31, 2017, respectively.

B. Purchases

The amounts of significant purchases by the Company and its subsidiaries from related parties were as follows:

(NT$ thousand)

	2018	2017
Other related parties	$ 786	—

C. Receivables from Related Parties

(NT$ thousand)

Account	Relationship	2018	2017
Other receivables-related parties	Associates-Jiangsu CM / Merit Agriculture Development Co., Ltd.	$ —	182,249

D. Guarantee

As of December 31, 2018, Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. had provided a guarantee for loans amounting to US$7,350 thousand (NT$225,792 thousand) to its associate, Jiangsu CM/Merit Agriculture Development Co., Ltd. There was no such transaction at December 31, 2017.

E. Property Transactions

In 2018, the prepayments were amounting to US$704 thousand (NT$21,617 thousand) due to Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. purchase property, plant and equipment from its associates, Winresp INC. There was no such transaction for the year ended December 31, 2017.

Transactions with Key Management Personnel

Key management personnel compensation were comprised as below:

(NT$ thousand)

	2018	2017
Short-term employee benefits	$ 396,899	385,172
Post-employment benefits	802	766
	$ 397,701	**385,938**

8.3. Private Placement Securities in the Most Recent Year

Item	2017 1st Private Placement Date of issuance: January 17, 2018
Securities under private placement	Common shares
Date of resolution and approved quantity	June 16, 2017, not exceeding 40,000,000 shares
Basis and rationality of price setting	1. In accordance with “Directions for Public Companies Conducting Private Placements of Securities”, the higher of the following two calculations shall be the reference price: (a) the simple average closing price of the common shares of the Company for either the 1, 3, or 5 business days, or (b) for the 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction. 2. The actual issuance price shall no lower than the reference price. 3. The pricing date is the Board meeting date on December 8, 2017. The simple average closing price of the common shares of the Company for the 1, 3, or 5 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction is NT$267.50, NT$268.17 and NT$283.60, respectively, the closing price for 1 business day, NT$267.50, has been chosen. In addition, the simple average closing price of the common shares of the Company for 30 business days before the price determination date, after adjustment for any distribution of stock dividends, cash dividends, or capital reduction is NT$276.92. The higher of the two prices, that is, NT$276.92 is the reference price. The actual issuance price, NT$277, is not lower than the reference price and meets the 2017 AGM resolutions.
Method of selection of specified parties	The strategic investors have the priority to be considered as Specific Persons for private placement if (i) being qualified for the rules in Article 43-6, Security and Exchange Act and relevant regulations, (ii) can meet the Company’s business needs in terms of developing new market, expanding operation scale and generating direct or indirect benefits for future operations. The major targets will be the Company’s customers and shall not be insiders or related parties of the Company. It is proposed to authorize the Company’s Board to determine the Specific Persons for private placement.

<table>
<tr><td>The reasons for private placement</td><td colspan="5">Considering the effectiveness, feasibility and costs to raise capital, the Company proposes to raise funds by way of issuance of common shares through private placement. Also, it is proposed to authorize the Company’s Board to implement the private placement based on the capital market status and Company’s actual needs, which can increase the flexibility and effectiveness. Fundraising through private placement with the imposed trading limitation period of 3 years can ensure more long-term cooperation between the Company and the strategic investors.</td></tr>
<tr><td>Date of payment and completion</td><td colspan="5">The aggregate subscription price NT$5,540,000,000 was fully received on December 22, 2017.</td></tr>
<tr><td rowspan="2">Information of contributing parties</td><td>Target</td><td>Eligibility</td><td>Quantity purchased</td><td>Relationship with the company</td><td>Participation in company operations</td></tr>
<tr><td>Avago Technologies General IP (Singapore) Pte. Ltd.</td><td>Subparagraph 2, Paragraph 1, Article 43-6 of Security and Exchange Act</td><td>20,000,000 shares</td><td>Non related-party of the Company</td><td>No</td></tr>
<tr><td>Actual purchase price</td><td colspan="5">NT$277</td></tr>
<tr><td>Difference between the actual purchase price and the reference price</td><td colspan="5">The actual issuance price, NT$277, is not lower than the reference price and meets the 2017 AGM resolutions.</td></tr>
<tr><td>Impact of private placement on shareholder’s equity</td><td colspan="5">Shares of private placement to total ordinary shares is 4.72% as of December 31, 2017.</td></tr>
<tr><td rowspan="5">Use of funds from private placement and the progress of proposed plans</td><td colspan="5">The Board of Directors has resolved to issue 20,000,000 shares on December 8, 2017, the fundraising amount has been fully paid on December 22, 2017. Therefore, the Board has resolved to terminate the remaining 20,000,000 shares for private placement during the remaining period on December 29, 2017. The execution report was as follows:</td></tr>
<tr><td>Project name</td><td>Projected amount</td><td colspan="2">Actual amount</td><td>Achievement</td></tr>
<tr><td>Capital expenditure</td><td>NT$1,277,163,603</td><td colspan="2">NT$1,277,163,603</td><td>100%</td></tr>
<tr><td>Research & development expenses and working capital</td><td>NT$4,262,836,397</td><td colspan="2">NT$4,262,836,397</td><td>100%</td></tr>
<tr><td>Total</td><td>NT$5,540,000,000</td><td colspan="2">NT$5,540,000,000</td><td>100%</td></tr>
<tr><td>Effectiveness of private placement</td><td colspan="5">The capital usage plan and projected benefits of private placement: Proceeds raised will be used as capital expenditure, research & development expenses and working capital. The private placement will reinforce the financial structure and contribute to the stability of the Company’s growth, which can benefit shareholders’ equity.</td></tr>
</table>

8.4. The Shares in the Company Held or Disposed of by Subsidiaries in the Most Recent Year

None

8.5. Other Required Supplementary

A. Procedures for the Prevention of Insider Trading

WIN Semiconductors Corp.
Procedures for the Prevention of Insider Trading

Article 1 (Purpose of the Procedures)
The Procedures are established to prevent likely violations by insiders of the Company of relevant requirements with respect to insider trading by negligence as he or she is not familiar with related regulations which may result in legal actions against the Company or such insider and damage the Company's reputation.

Article 2 (Scope of application)
The Procedures shall apply to all directors, supervisors, managerial officers, and any shareholder holding more than ten (10) percent of the shares of the Company.
The Company shall ensure that any other person who acquires knowledge of the Company's material inside information due to their position, profession, or relationship of control shall comply with the applicable provisions of the Procedures.

Article 3 (Scope of material inside information that will have a material impact on price of the securities)
Information that will have a material impact on the price of the securities shall mean information relating to finances or business of the Company, or supply and demand of securities of the Company on the market, or tender offer of such securities, the specific content of which will have a material impact on the price of the securities, or will have a material impact on the investment decision of a reasonable prudent investor. The scope of the information shall be prescribed by the competent authority.

Article 4 (Responsible unit in charge of the handling of material inside information)
The Company establishes a unit charged with handling material inside information. The responsible unit is composed of spokesperson, deputy spokesperson, head of legal, head of finance and head of accounting, and adequate personnel in accordance with the business conditions, and operation needs of the Company. The unit shall have the following functions and authorities:

1. Responsibility for formulating drafts of the Procedures and any amendments to them, and designing a system for preserving all documents, files, electronic records, and other materials related to the Procedures.
2. Responsibility for receiving inquiries in connection with the methods of handling material inside information, and for consultation, review, and recommendations relating to the Procedures.
3. Responsibility for receiving reports on unauthorized disclosures of material inside information and formulation of corresponding measures.
4. Other activities related to the Procedures.

Article 5 (Measures for preventing trading before the public disclosure of material inside information that will have a material impact on price of securities)

Upon knowing of any information that will have material impact on the price of the securities of the Company, prior to the public disclosure of such information or within twelve (12) hours after its public disclosure, the persons listed in Article 2 of the Procedures shall not purchase or sell securities of the Company that are listed on an exchange or an over-the-counter market, or any other equity-type security of the Company.

Article 6 (Confidentiality operations before the public disclosure of material inside information that will have a material impact on price of securities)

1. The Company's insiders shall exercise the due care and fiduciary duty of a good administrator and act in good faith when performing their duties, and shall sign confidentiality agreements.
   No insider with knowledge of material inside information of the Company may divulge the information to others.
   No insider of the Company may inquire about or collect any non-public material inside information of the Company not related to their respective duties from a person with knowledge of such information, nor may they disclose to others any non-public material inside information of the Company of which they become aware for reasons other than performance of their duties.
2. Proper protection of confidentiality shall be given to files and documents containing the Company's material inside information when transmitted in written form. When transmitted by e-mail or other electronic means, such files and documents must be processed with appropriate security technology such as encryption or electronic signatures.
   Files and documents containing the Company's material inside information shall be backed up and stored in a safe location.

3. Any organization or person outside of the Company that is involved in any corporate action of the Company relating to a merger or acquisition, major memorandum of understanding, strategic alliance, other business partnership plans, or signing of a major contract shall be required to sign a nondisclosure agreement, and may not disclose to another party any material inside information of the Company's thus acquired.

Article 7 (Principles of disclosure of material inside information)

The Company shall comply with the following principles when making public disclosures of material inside information:

1. The information disclosed shall be accurate, complete, and timely.
2. There shall be a well-founded basis for the information disclosure.
3. The information shall be disclosed fairly.

Article 8 (Content, time, method and personnel of the public disclosure of information that will have a material impact on the price of securities)

Any disclosure of the Company's material inside information, except as otherwise provided by law or regulation, shall be made by the Company's spokesperson, or by a deputy spokesperson acting in such capacity in a confirmed sequential order. When necessary, the disclosure may be made directly by a responsible person of the Company. The Company's spokesperson or deputy spokesperson shall communicate to outside parties only information within the scope authorized by the Company, and no personnel of the Company other than those serving as the Company's responsible person, spokesperson, or deputy spokesperson may disclose any material inside information of the Company to outside parties without authorization.

Article 9 (Record of disclosure of material inside information)

The Company shall keep records of the following in respect of any disclosure of information to outside parties:

1. The person who discloses the information, the date and the time.
2. How the information is disclosed.
3. What information is disclosed.
4. What written material is delivered.
5. Any other relevant details.

Article 10 (Response to false media coverage)

If a media agency releases information that is in any respect inconsistent with material information disclosed by the Company, the Company shall promptly issue a clarification on the Market Observation Post System (MOPS) and request the media agency to correct the information.

Article 11 (Reporting of unusual events)

Any director, supervisor, managerial officer, or employee of the Company that becomes aware of any unauthorized disclosure of the Company's material inside information shall report to the responsible unit and the internal audit department of the Company as soon as practicable.

Upon receipt of a report made pursuant to the preceding paragraph, the responsible unit shall formulate corresponding measures. When necessary, it may invite members from the internal audit and other departments to meet for discussion of the measures, and shall keep a record of the results of the measures for future reference. The internal auditors shall also perform such audits as their duties may require.

Article 12 (Disciplinary measures)

The Company shall take measures to discover those responsible and take appropriate legal action against any personnel under either of the following circumstances:

1. Personnel of the Company disclose material inside information without authorization to any outside party, or otherwise violate the Procedures or any other applicable law or regulation.
2. A spokesperson or deputy spokesperson of the Company communicates to any outside party any information beyond the scope authorized by the Company, or otherwise violates the Procedures or any other applicable law or regulation.
3. If any person outside the Company divulges any material inside information of the Company, thereby causing damage to any property or interest of the Company, the Company shall pursue appropriate measures to hold the person divulging the information legally liable.

Article 13 (Awareness programs)

The Company shall conduct educational campaigns to promote awareness among all persons with respect to the Procedures and related laws and regulations.

Article 14 (Effective date and amendment)

The Procedures, and any amendments to them, shall be implemented upon approval by the Board of Directors.

B. Guidelines for the Code of Ethical Conduct

WIN Semiconductors Corp.

Guidelines for the Code of Ethical Conduct

Article 1 (Purpose of and basis for adoption)

These Guidelines are adopted for the purpose of encouraging directors, supervisors, and managerial officers of the Company (including general managers or their equivalents, vice general managers or their equivalents, associate general managers or their equivalents, chief financial and chief accounting officers, and other persons authorized to manage affairs and sign documents on behalf of the Company) to act in line with ethical standards, and to help interested parties better understand the ethical standards of the Company.

Article 2 (Content of the code)

1. Prevention of conflicts of interest:

Conflicts of interest occur when personal interest intervenes or is likely to intervene in the overall interest of the Company, as for example when a director, supervisor, or managerial officer of the Company is unable to perform their duties in an objective and efficient manner, or when a person in such a position takes advantage of their position in the Company to obtain improper benefits for either themselves or their spouse, parents, children, or relatives within the third degree of kinship. The Company shall pay special attention to loans of funds, provisions of guarantees, and major asset transactions or the purchase (or sale) of goods involving the affiliated enterprise at which a director, supervisor, or managerial officer works. The Company shall establish a policy aimed at preventing conflicts of interest, and shall offer appropriate means for directors, supervisors, and managerial officers to voluntarily explain whether there is any potential conflict between them and the Company.

2. Minimizing incentives to pursue personal gain:

The Company shall prevent its directors, supervisors, or managerial officers from engaging in any of the following activities: (1) Seeking an opportunity to pursue personal gain by using company property or information or taking advantage of their positions. (2) Obtaining personal gain by using company property or information or taking advantage of their positions. (3) Competing with the Company. When the Company has an opportunity for profit, it is the responsibility of the directors, supervisors, and managerial officers to maximize the reasonable and proper benefits that can be obtained by the Company.

3. Confidentiality:

The directors, supervisors, and managerial officers of the Company shall be bound by the obligation to maintain the confidentiality of any information regarding the Company itself or its suppliers and customers, except when authorized or required by law to disclose such information. Confidential information includes any undisclosed information that, if exploited by a competitor or disclosed, could result in damage to the Company or the suppliers and customers.

4. Fair trade:

Directors, supervisors, and managerial officers shall treat all suppliers and customers, competitors, and employees fairly, and may not obtain improper benefits through manipulation, nondisclosure, or misuse of the information learned by virtue of their positions, or through misrepresentation of important matters, or through other unfair trading practices.

5. Safeguarding and proper use of company assets:

All directors, supervisors, and managerial officers have the responsibility to safeguard company assets and to ensure that they can be effectively and lawfully used for official business purposes; any theft, negligence in care, or waste of the assets will all directly impact the Company’s profitability.

6. Legal compliance:

The Company shall strengthen its compliance with the Securities and Exchange Act and other applicable laws, regulations and bylaws.

7. Encouraging reporting on illegal or unethical activities:

The Company shall raise awareness of ethics internally and encourage employees to report to a company supervisor, managerial officer, chief internal auditor, or other appropriate individual upon suspicion or discovery of any activity in violation of a law or regulation or the code of ethical conduct. To encourage employees to report illegal conduct, it is advisable that the Company adopts relevant procedures or mechanisms for such reporting and makes employees aware that the Company will use its best efforts to ensure the safety of informants and protect them from reprisals.

8. Disciplinary measures:

When a director, supervisor, or managerial officer violates the code of ethical conduct, the Company shall, depending on the level of violation, handle the matter in accordance with the resolution of the Board of the Directors without the violator, and shall without delay disclose on the Market Observation Post System (MOPS) the name and title of the violator, the date of the violation, reasons for the violation, the provisions of the code violated, and the disciplinary actions taken. The violator may file a complaint for review of the disciplinary action through normal complaint system.

Article 3 (Procedures for exemption)

The code of ethical conduct adopted by the Company must require that any exemption for directors, supervisors, or managerial officers from compliance with the code be adopted by a resolution of the Board of Directors, and that information on the name and title of the person entitled to such exemption, the date on which the board of directors adopted the resolution for exemption, and the period of, reasons for, and principles behind the application of the exemption be disclosed without delay on the MOPS, in order that the shareholders may evaluate the appropriateness of the board resolution to forestall any arbitrary or dubious exemption from the code, and to safeguard the interests of the company by ensuring appropriate mechanisms for controlling any circumstance under which such an exemption occurs.

Article 4 (Method of disclosure)

The Company shall disclose the code of ethical conduct it has adopted, and any amendments to it, in its annual reports and prospectuses and on the MOPS.

Article 5 (Enforcement)

This code of ethical conduct, and any amendments thereto, shall enter into force after it has been adopted by the board of directors, delivered to each supervisor, and submitted to a shareholders' meeting.

C. Commitment to the Taipei Exchange, R.O.C.

IPO Date: 12/13/2011

IPO Commitment	Status
WIN commit to add the Article "The Company shall not waive subsequent right(s) of subscribing stock in WIN SEMI. USA, INC. and Win Semiconductors Cayman Islands Co., Ltd. newly issued for the purpose of capital increase. In case any strategic alliance or other waiving of such right that is approved the ROC Taipei Exchange, special resolution of the Board of Directors shall be obtained for waiving the right" in its "Procedures for Acquisition or Disposal of Assets." If any amendments to the Procedures, it shall be announced on the Market Observation Post System (MOPS) and reported to the Taipei Exchange, R.O.C.	The Article has been added in "Procedures for Acquisition or Disposal of Assets" which has been approved by the Board of Directors on Oct. 27, 2011 and Shareholders' Meeting on June 5, 2012.

IX. If Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, Has Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year up to the Date of Printing of the Annual Report

None

APPENDIX I:

WIN SEMICONDUCTORS CORP. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

With Independent Auditors' Report

For the Years Ended December 31, 2018 and 2017

Representation Letter

The entities that are required to be included in the combined financial statements of WIN Semiconductors Corp. as of and for the year ended December 31, 2018, under the "Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises" are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 endorsed by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, WIN Semiconductors Corp. and its subsidiaries do not prepare a separate set of combined financial statements.

Company name: WIN Semiconductors Corp.
Chairman: CHEN, CHIN-TSAI
Date: March 21, 2019

Independent Auditors' Report

To the Board of Directors of WIN Semiconductors Corp.:

Opinion

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (" IFRSs"), International Accounting Standards (" IASs"), interpretations as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In our judgment, the key audit matters we communicated in the auditors' report were as follows:

1. Evaluation of inventory

   Please refer to Note 4(h) " Inventories" for accounting policies, Note 5(a) for accounting assumptions, judgments and estimation uncertainty of inventories, and Note 6(e) for the amount of loss on valuation of inventories of the consolidated financial statements.

Due to the high industry demand and rapid fluctuation of the price of precious metals, the Group stored a significant volume of the said material, which resulted in slow turnover of inventories. Therefore, the Group 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 a 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.

2. Business combination

Please refer to Note 4(u) " Business combination" for accounting policies, Note 5(b) for accounting assumptions, judgments and estimation uncertainty of assessment of business combination, and Note 6(j) for the illustration of business combination of consolidated financial statements.

Since the Group had controlled over Phalanx Biotech Group, Inc., the Group subscribed the new shares contributed by Phalanx Biotech Group, Inc. and became its largest shareholder on July 12, 2018. For the requirement of the accounting policies regarding business combination, the management of WIN Semiconductors Corp. and its subsidiaries made judgments in determining the fair value of the consideration transferred, assets acquired and non-controlling interest. There is a significant judgment involved in determining the fair value if pre-existing of the acquiree, assets acquired and liabilities assumed given the specialized nature of the acquired businesses and their related technologies. Thus, the business combination is identified as a key matter in our audit.

How the matter was addressed in our audit:

Our principal audit procedures included: Challenging the valuation assumptions and methodologies, which were derived from the independent external purchase price allocation report, with the assistance of our own valuation specialists, to assess the asset valuation models used and their key inputs. Enquiring from management its performance of operation to verify whether or not it is consistent with the input assumptions on external market information in order to identify the reasonableness of assumptions underlying the identification of the fair value if the separate identifiable assets acquired and liabilities assumed in the independent external purchase price allocation report.

Other Matter

WIN Semiconductors Corp. has prepared its parent-company-only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unmodified opinion.

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

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

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

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Ya-Ling Chen and Mei-Yen Chen.

KPMG

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

Notes to Readers

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

The independent auditors' report and the accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated 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))	$ 5,462,173	16	7,849,123	21
1110	Current financial assets at fair value through profit or loss (note 6(b))	103,263	-	1,301,307	3
1125	Current available-for-sale financial assets (note 6(b))	-	-	1,661,562	5
1170	Notes and accounts receivable, net (notes 3(a), 6(c) and 6(w))	1,422,365	4	1,551,390	4
1210	Other receivables due from related parties (notes 6(d) and 7)	-	-	182,249	1
1310	Inventories (note 6(e))	3,907,390	11	3,744,681	10
1400	Current biological assets (note 6(f))	103,289	-	96,738	-
1470	Other current assets (notes 6(d) and 6(n))	336,049	1	400,064	1
	Total current assets	11,334,529	32	16,787,114	45
	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))	2,356,132	7	-	-
1523	Non-current available-for-sale financial assets (note 6(b))	-	-	1,793,869	5
1535	Non-current financial assets at amortized cost (note 6(b))	29,900	-	-	-
1543	Non-current financial assets at cost (note 6(b))	-	-	22,915	-
1546	Non-current investments in debt instrument without active market (note 6(b))	-	-	62,200	-
1550	Investments accounted for using equity method (note 6(g))	532,808	2	327,269	1
1600	Property, plant and equipment (notes 6(j), 6(k) and 8)	15,568,252	44	14,468,268	39
1760	Investment property (notes 6(l) and 8)	1,421,528	4	1,441,902	4
1780	Intangible assets (notes 6(j) and 6(m))	586,953	2	257,844	1
1830	Non-current biological assets (note 6(f))	31,059	-	37,450	-
1840	Deferred tax assets (note 6(s))	135,802	-	77,200	-
1915	Prepayments for business facilities (note 7)	2,643,202	7	1,640,765	5
1990	Other non-current assets (notes 6(n) and 8)	97,033	-	110,656	-
	Total non-current assets	24,125,074	68	20,240,338	55
	Total assets	$ 35,459,603	100	37,027,452	100

	Liabilities and Equity	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liabilities:				
2170	Notes and accounts payable	1,093,074	3	1,698,485	4
2200	Other payables (note 7)	2,469,630	7	2,802,419	8
2320	Long-term liabilities, current portion (notes 6(p) and 8)	-	-	352,056	1
2399	Other current liabilities (notes 3(a) and 6(w))	265,679	1	224,505	1
	Total current liabilities	3,828,383	11	5,077,465	14
	Non-Current liabilities:				
2540	Long-term borrowings (notes 6(p) and 8)	5,802,600	16	5,905,480	16
2570	Deferred tax liabilities (note 6(s))	-	-	33,489	-
2600	Other non-current liabilities (note 6(r))	224,235	1	206,273	-
	Total non-current liabilities	6,026,835	17	6,145,242	16
	Total liabilities	9,855,218	28	11,222,707	30
	Equity (notes 3(a), 6(b), 6(h), 6(r), 6(s), 6(t) and 6(u)):				
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	31	10,821,687	29
3400	Other equity interests	763,882	2	1,467,968	4
	Total equity attributable to owners of parent	25,379,707	71	25,569,215	69
36XX	Non-controlling interests	224,678	1	235,530	1
	Total equity	25,604,385	72	25,804,745	70
	Total liabilities and equity	$ 35,459,603	100	37,027,452	100

See accompanying notes to financial statements.

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated 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 (note 6(w))**	$ 17,310,716	100	17,086,355	100
5000	**Operating costs (notes 6(e), 6(f), 6(g), 6(k), 6(m), 6(q), 6(r), 6(u), 6(x), 7 and 12)**	(11,895,545)	(69)	(10,758,385)	(63)
	Gross profit from operating	5,415,171	31	6,327,970	37
	Operating expenses (notes 6(c), 6(k), 6(l), 6(m), 6(q), 6(r), 6(u), 6(x), 7 and 12):				
6100	Selling expenses	(238,957)	(1)	(197,524)	(1)
6200	Administrative expenses	(997,791)	(6)	(868,302)	(5)
6300	Research and development expenses	(973,921)	(5)	(692,809)	(4)
6450	Gains (losses) on expected credit impairment	840	-	-	-
	Total operating expenses	(2,209,829)	(12)	(1,758,635)	(10)
	Net operating income	3,205,342	19	4,569,335	27
	Non-operating income and expenses (notes 6(c), 6(g), 6(i), 6(j), 6(q), 6(y) and 7):				
7010	Other income	245,718	1	202,740	1
7020	Other gains and losses	415,834	2	(30,093)	-
7050	Finance costs	(22,456)	-	(54,946)	-
7770	Shares of losses of associates and joint ventures accounted for using equity method	(109,815)	-	(158,357)	(1)
	Total non-operating income and expenses	529,281	3	(40,656)	-
7900	**Profit before tax**	3,734,623	22	4,528,679	27
7950	**Total tax expense (note 6(s))**	(668,561)	(4)	(813,384)	(5)
	Profit	3,066,062	18	3,715,295	22
8300	**Other comprehensive income:**				
8310	**Components of other comprehensive income that will not be reclassified to profit or loss (notes 6(r), 6(s) and 6(t)):**				
8311	Remeasurements of defined benefit plans	(34,051)	-	201	-
8316	Unrealized losses from investments in equity instruments measured at fair value through other comprehensive income	(352,044)	(2)	-	-
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(g), 6(s) and 6(t)):**				
8361	Exchange differences on translation of foreign financial statements	46,105	-	(74,329)	(1)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	807,998	5
8370	Shares of other comprehensive income of associates and joint ventures accounted for using equity method	(33,317)	-	9,263	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Total components of other comprehensive income (loss) that will be reclassified to profit or loss	12,788	-	742,932	4
8300	**Other comprehensive income, net**	(365,577)	(2)	743,099	4
8500	**Total comprehensive income**	**$ 2,700,485**	**16**	**4,458,394**	**26**
	Profit (loss) attributable to:				
8610	Profit attributable to owners of parent	3,124,454	18	3,764,200	22
8620	Losses attributable to non-controlling interests	(58,392)	-	(48,905)	-
		$ 3,066,062	**18**	**3,715,295**	**22**
	Comprehensive income (loss) attributable to:				
8710	Comprehensive income, attributable to owners of parent	$ 2,811,518	16	4,470,438	26
8720	Comprehensive loss, attributable to non-controlling interests	(111,033)	-	(12,044)	-
		$ 2,700,485	**16**	**4,458,394**	**26**
	Earnings per common share (expressed in dollars)(note 6(v))				
9750	Basic earnings per share	**$ 7.39**		**9.34**	
9850	Diluted earnings per share	**$ 7.35**		**9.30**	

See accompanying notes to financial statements.

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent													
			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 attributable to owners of parent	Non-controlling interests	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	691,445	18,317,884
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)	-	(1,811,999)
	-	-	311,277	(2,123,276)	(1,811,999)	-	-	-	-	-	-	(1,811,999)	-	(1,811,999)
Profit (losses) for the year ended December 31, 2017	-	-	-	3,764,200	3,764,200	-	-	-	-	-	-	3,764,200	(48,905)	3,715,295
Other comprehensive income for the year ended December 31, 2017	-	-	-	167	167	(101,927)	-	807,998	-	706,071	-	706,238	36,861	743,099
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	(12,044)	4,458,394
Issue of shares	200,000	5,340,000	-	-	-	-	-	-	-	-	-	5,540,000	-	5,540,000
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-	(96,317)	(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)	-	(159,346)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(443,871)	(443,871)
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	235,530	25,804,745
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	235,530	25,804,745
Appropriation and distribution of retained earnings:														
Legal reserve appropriated	-	-	376,420	(376,420)	-	-	-	-	-	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	(2,958,665)	(2,958,665)	-	-	-	-	-	-	(2,958,665)	-	(2,958,665)
	-	-	376,420	(3,335,085)	(2,958,665)	-	-	-	-	-	-	(2,958,665)	-	(2,958,665)
Profit (losses) for the year ended December 31, 2018	-	-	-	3,124,454	3,124,454	-	-	-	-	-	-	3,124,454	(58,392)	3,066,062
Other comprehensive income for the year ended December 31, 2018	-	-	-	(26,321)	(26,321)	65,429	(352,044)	-	-	(286,615)	-	(312,936)	(52,641)	(365,577)
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	(111,033)	2,700,485
Disposal of investments accounted for using equity method	-	(21,163)	-	-	-	(1,421)	-	-	-	(1,421)	-	(22,584)	-	(22,584)
Changes in ownership interests in subsidiaries	-	-	-	(40,573)	(40,573)	-	-	-	-	-	-	(40,573)	-	(40,573)
Adjustment to share of changes in equities associates	-	635	-	-	-	-	-	-	-	-	-	635	-	635
Issuance of restricted shares of employees	11,480	163,877	-	-	-	-	-	-	(175,357)	(175,357)	-	-	-	-
Compensation cost arising from restricted shares of stock issued to employees	-	-	-	-	-	-	-	-	17,049	17,049	-	17,049	-	17,049
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	96,486	96,486
Stock option compensation cost of subsidiary	-	3,112	-	-	-	-	-	-	-	-	-	3,112	3,695	6,807
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**	**224,678**	**25,604,385**

See accompanying notes to financial statements.

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

WIN Semiconductors Corp. and Subsidiaries

Consolidated 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	$ 3,734,623	4,528,679
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	3,158,550	2,514,612
Amortization expense	63,588	47,398
Reversal of expected credit gains	(840)	-
Net losses on financial assets or liabilities at fair value through profit or loss	57,848	16,411
Interest expense	22,456	54,946
Interest income	(59,064)	(26,121)
Dividend income	(101,910)	(87,859)
Compensation cost arising from share-based payments	23,856	-
Shares of losses of associates and joint ventures accounted for using equity method	117,837	166,787
(Gains) losses on disposal of property, plant and equipment	(2,210)	1,809
Gains on disposal of investments	(286,514)	(163,028)
Impairment losses on financial assets	-	2,635
Changes in biological assets at fair value	(1,139)	17,455
Prepayments for business facilities transferred to expenses	15	-
Total adjustments to reconcile profit (loss)	2,992,473	2,545,045
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets at fair value through profit or loss	23,485	(831)
Decrease (increase) in notes and accounts receivable	135,566	(482,676)
Increase in inventories	(150,018)	(1,026,689)
Increase in biological assets	(12,397)	(92,323)
Decrease (increase) in other current assets	81,000	(105,198)
Total changes in operating assets	77,636	(1,707,717)
Changes in operating liabilities:		
Increase (decrease) in notes and accounts payable	(607,933)	912,344
Increase in other payables	143,905	371,790
Increase in other current liabilities	10,804	2,397
Increase in other non-current liabilities	1,827	1,361
Total changes in operating liabilities	(451,397)	1,287,892
Total changes in operating assets and liabilities	(373,761)	(419,825)
Cash inflow generated from operations	6,353,335	6,653,899
Dividends received	4,642	5,200
Income taxes paid	(878,459)	(765,072)
Net cash flows from operating activities	5,479,518	5,894,027
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	244,675	-
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)	(1,200,963)
Proceeds from disposal of financial assets at fair value through profit or loss	1,486,555	109,289
Proceeds from disposal of current available-for-sale financial assets	-	181,000
Acquisition of non-current available-for-sale financial assets	-	(229,014)
Proceeds from disposal of non-current available-for-sale financial assets	-	150,745
Proceeds from disposal of investments in debt instrument without active market	-	30,400
Acquisition of investments accounted for using equity method	(389,970)	(30,330)
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
Acquisition of property, plant and equipment	(3,188,631)	(2,694,713)
Proceeds from disposal of property, plant and equipment	4,334	3,947
Decrease (increase) in other receivables due from related parties	181,200	(181,200)
Acquisition of intangible assets	(46,528)	(83,782)
Net cash inflows (outflows) from business combination	56,790	(36,959)
Acquisition of investment properties	-	(1,258)
Decrease (increase) in other non-current assets	24,295	(8,784)
Increase in prepayments for business facilities	(2,403,075)	(1,299,756)
Interest received	63,792	22,232
Dividends received	97,268	82,659
Net cash flows used in investing activities	(4,377,367)	(5,146,654)
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)
Increase (decrease) in other non-current liabilities	(617)	14,255
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	(22,945)	(53,096)
Changes in non-controlling interests	(68,770)	(462,802)
Net cash flows from (used in) financing activities	(3,506,022)	4,754,364
Effect of exchange rate changes on cash and cash equivalents	16,921	(40,757)
Net increase (decrease) in cash and cash equivalents	(2,386,950)	5,460,980
Cash and cash equivalents at beginning of period	7,849,123	2,388,143
Cash and cash equivalents at end of period	**$ 5,462,173**	**7,849,123**

See accompanying notes to financial statements.

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

WIN Semiconductors Corp. and Subsidiaries

Notes to the Consolidated 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 main operation the Company and its subsidiaries (together referred to as “the Group”) are as follows:

(a) Researching, developing, manufacturing, and selling of GaAs wafers.

(b) Developing hog farming technology and trading.

(c) Researching, manufacturing and selling of high density gene chips, biochip optical readers and micro-electrophoresis analyzers.

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

These consolidated 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

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 Group 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 Group 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 Group 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 Group’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 Group expect no significant influences on its profit or loss and cash flows.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

2) Impacts on financial statements

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

Impacted items on the consolidated balance sheet	December 31, 2018 Balance prior to the adoption of IFRS 15	December 31, 2018 Impact of changes in accounting policies	December 31, 2018 Balance upon adoption of IFRS 15	January 1, 2018 Balance prior to the adoption of IFRS 15	January 1, 2018 Impact of changes in accounting policies	January 1, 2018 Balance upon adoption of IFRS 15
Notes and accounts receivable, net	$ 1,388,115	34,250	1,422,365	1,551,390	41,966	1,593,356
Impact on assets		**34,250**			**41,966**	
Current refund liabilities (Note)	$ -	34,250	34,250	-	41,966	41,966
Deferred revenue (Note)	112,694	(112,694)	-	99,514	(99,514)	-
Current contract liabilities (Note)	-	112,694	112,694	-	99,514	99,514
Impact on liabilities		**34,250**			**41,966**	

(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 Group 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 Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please refer to note 4(g).

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

The adoption of IFRS 9 did not have any a significant impact on the Group'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(g).

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 Group 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 Group's financial assets as of January 1, 2018.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Cash and cash equivalents	Loans and receivables (Note 5)	$ 7,849,123	Amortized cost	$ 7,849,123
Debt instruments	Fair value through profit or loss	1,164,777	Fair value through profit or loss	1,164,777
	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)	136,530	Fair value through profit or loss	136,530
	Available-for-sale (Note 4)	2,842,453	Fair value through other comprehensive income	2,842,453
	Financial assets at cost (Note 4)	22,915	Fair value through other comprehensive income	22,915
Trade and other receivables-net	Loans and receivables (included related parities) (Note 5)	1,949,638	Amortized cost	1,949,638
Other financial assets (Refundable deposits)	Loans and receivables (Note 5)	51,748	Amortized cost	51,748

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	$ 1,301,307	-	-	1,301,307	-	-
Debt instruments-from available-for-sale (Note 1)	-	612,978	-	612,978	19,854	(19,854)
Total	**$ 1,301,307**	**612,978**	**-**	**1,914,285**	**19,854**	**(19,854)**
Fair value through other comprehensive income						
Available-for-sale (including measured at cost)	$ 3,478,346	(3,478,346)	-	-	-	-
Available-for-sale (including measured at cost) to FVOCI (Note 4)	-	2,865,368	-	2,865,368	146,483	(146,483)
Total	**$ 3,478,346**	**(612,978)**	**-**	**2,865,368**	**146,483**	**(146,483)**

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 Group 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.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

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 Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group 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 $146,483 thousand in retained earnings and other equity interest, respectively.

Note 5: Cash and cash equivalents, notes and accounts receivable, other receivables (including related parties) 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 Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ac).

(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

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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 Group 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 Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The Group 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 Group 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.

(Continued)

- 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 Group will have to recognize the right-of-use assets and the lease liabilities for the operating leases of its lands, staff dormitories, parking lot, offices and factories. The Group estimated that the right-of-use assets and the lease liabilities to increase by $337,816 thousand and $290,061 thousand respectively, and prepaid rent expenses, guarantee deposits and intangible assets decrease by $13,939 thousand, $1,902 thousand and $31,914 thousand, respectively.

   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 of the following IFRSs that have been issued by the IASB, but not yet 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 Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

The accompanying consolidated 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 consolidated financial statements, the Chinese version shall prevail.

The significant accounting policies presented in the consolidated financial statements are summarized below. Except for those specifically indicated, the following accounting policies were applied consistently throughout the periods presented in the consolidated financial statements.

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as “the Regulations”) and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations endorsed and issued into effect by the Financial Supervisory Commission, R.O.C..

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(b) Basis of preparation

(i) Basis of measurement

Except for the following significant accounts, the consolidated financial statements have been prepared on a historical cost basis:

1) Financial instruments 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(r) less plan assets.

(ii) Functional and presentation currency

The functional currency of each Group entity is determined based on the primary economic environment in which the entity operates. The consolidated 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) Basis of consolidation

(i) Principles of preparation of the consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. When the Company is exposed to the variable remuneration from investing on other individual or sharing the rights of the remuneration, also, is able to influence the rewards, the Company controls the individual.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions, balances and any other unrealized profit or loss between the Company and other subsidiaries are all eliminated while preparing the consolidated financial reports. Comprehensive income (loss) of subsidiaries belongs to owner of the Company and the non-controlling interest respectively. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Financial reports of subsidiaries had been adjusted properly and the accounting policies used in subsidiaries are same to the Group's.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Differences between the amount paid or received from fair value and the adjustment of the non-controlling interest are directly realized to the equity and belong to the owners of the Company.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(ii) Losing control of subsidiaries

When the Group loses control of its subsidiaries, the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost will be derecognized and any investment retained in the former subsidiary at its fair value at the date when control is lost will be remeasured in the consolidated financial statement.

The difference of disposal gain or loss is between the aggregate of (i) the fair value of the consideration received and any investment retained in the former subsidiary at its fair value at the date when control is lost and (ii) the assets (including goodwill) and liabilities and any non-controlling interests of the former subsidiary at their carrying amounts at the date when control is lost. The Group accounts for all amounts recognized in other comprehensive income in relation to that subsidiary on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

(iii) List of subsidiaries in the consolidated financial statements:

			Shareholding	
Name of investor	Name of subsidiary	Principal activity	December 31, 2018	December 31, 2017
The Company	WIN SEMI. USA, INC.	Marketing	100.00 %	100.00 %
The Company	Win Semiconductors Cayman Islands Co., Ltd. (abbrev. Win Cayman)	Selling of GaAs wafers	100.00 %	100.00 %
The Company	WIN Venture Capital Corp. (abbrev. WVC)	Investment activities	100.00 %	100.00 %
The Company	Phalanx Biotech Group, Inc. (abbrev. PBL)	Researching, manufacturing and selling of high density gene chips and testing service	39.89 % (Note 1)	-
WVC	Phalanx Biotech Group, Inc. (abbrev. PBL)	Researching, manufacturing and selling of high density gene chips and testing service	5.82 % (Note 1)	-
Win Cayman	Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. (abbrev. Chainwin Cayman) (Note 4)	Investment activities	94.71 % (Note 3)	88.14 % (Note 2)
Chainwin Cayman	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 %	100.00 %
Chainwin Cayman	Jiangsu Merit / CM Agriculture Development Co., Ltd.	Developing hog farming technology and trading	90.79 % (Note 5)	60.00 %
Chainwin Cayman	Jiangsu Merit / Cofcojoycome Agriculture Development Co., Ltd.	Developing hog farming technology and trading	60.00 % (Note 6)	60.00 %
Chainwin Cayman	Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed development and trading	100.00 %	100.00 %
Chainwin Cayman	Formosa Fortune Group Co., Ltd. (abbrev. Fortune BVI)	Investment activities	- % (Note 7)	100.00 %
Chainwin Cayman	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	100.00 % (Note 8)	50.44 %
Fortune BVI	Jiangsu Merit Runfu Agriculture Development Co., Ltd.	Developing hog farming technology and trading	- (Note 8)	49.56 %
PBL	PhalanxBio, Inc.	Selling of high density gene chips and testing service	100.00 %	-
PBL	Phalanx Biotech Limited Inc. (abbrev. PBL (HK))	Investment activities	100.00 %	-
PBL (HK)	Onearray Biotech (Kunshan) Co., Ltd.	Selling of high density gene chips and testing service	100.00 %	-

Note 1: The Company and WVC do not hold more than half of the equity shares of PBL. However, 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 Group since then. Please refer to note 6(j) for the further information.

Note 2: On July 1 and October 6, 2017, Win Cayman subscribed the new shares contributed by Chainwin Cayman for USD $5,067 thousand (NTD $154,149 thousand) and USD $20,000 thousand (NTD $603,400 thousand), respectively. Also, Win Cayman acquired issued shares of Chainwin Cayman amounting to USD 19,153 thousand (NTD 569,983 thousand) on December 18, 2017. Please refer to note 6(h) for the further information.

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Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

Note 3: On January 19 and August 24, 2018, Win Cayman subscribed the new shares contributed by Chainwin Cayman for USD $11,888 thousand (NTD $346,297 thousand) and USD $40,000 thousand (NTD $1,228,800 thousand), respectively. Plus, on January 22 and December 27, 2018, Chainwin Cayman repurchased its own shares amounting to USD $100 thousand (NTD $2,913 thousand) and USD $2,250 thousand (NTD $69,120 thousand), respectively, which were cancelled afterwards. Please refer to note 6(h) for the further information.

Note 4: Chainwin Agriculture and Animal Technology (Cayman Islands) Ltd. renamed Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd. in June 2018.

Note 5: On September 26 and November 29, 2018, Chainwin Cayman subscribed new share contributed by Jiangsu Merit / CM Agriculture Development Co., Ltd. for USD $1,900 thousand (NTD $58,007 thousand) and USD $9,800 thousand (NTD $302,134 thousand). Please referred to note 6(h) for the further information.

Note 6: 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.

Note 7: Formosa Fortune Group Co., Ltd. has been liquidated on November 30, 2018.

Note 8: Due to its organization restructuring, Chainwin Cayman acquired 49.56% of the equity of Jiangsu Merit Runfu Agriculture Development Co., Ltd. from Fortune BVI for USD $1,271 thousand in the third quarter of 2018.

(iv) List of subsidiaries which are not included in the consolidated financial statements: None.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group 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;
- A 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 that the hedge is effective.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(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 consolidated 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 consolidated 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 Group 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 Group 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.

(e) 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.

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.

(f) 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.

(g) Financial instruments

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

The Group 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 Group 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 both of the following conditions are met 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.

(Continued)

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 Group 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 other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income of debt investments are reclassified to profit or loss. However, gains and losses accumulated in other comprehensive income of equity investments are reclassified to retained earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group'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 above are measured at FVTPL, including derivative financial assets. On initial recognition, the Group 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.

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.

(Continued)

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 Group 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 Group 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 Group’s claim to cash flows from specified assets (e.g. non-recourse features)

5) Impairment of financial assets

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

The Group 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.

Loss allowance for accounts receivable 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 Group 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 Group 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 Group's historical experience and informed credit assessment, as well as forward-looking information.

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

The Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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 becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset 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.

(Continued)

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group 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 Group's procedures for recovery of amounts due.

6) Derecognition of financial assets

Financial assets are derecognized when the contractual rights of the cash inflow from the assets are terminated, or when the Group 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 debt instrument other than in its entirety, the Group 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 Group 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.

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.

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 Group 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.

(Continued)

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 Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group 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 Group 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 designed 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 Group 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 Group presents financial assets and liabilities on a net basis when the Group 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 Group 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.

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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.

(h) 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.

(i) Biological assets

Biological assets are measured at fair value less costs to sell on initial recognition, with any change therein recognized in profit or loss at the end of each reporting period. Costs to sell include all costs that would be necessary to sell the assets, excluding finance costs and tax expenses. Biological asset does not have a quoted market price in an active market and for which alternative fair value measurements are determined to be clearly unreliable. In such case, the asset is measured at cost less accumulated depreciation and impairment losses.

(j) Investment in associates

Associates are those entities in which the Group 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 consolidated financial statements include the Group'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 Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group'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 Group has an obligation or has made payments on behalf of the investee.

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When the Group 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 Group's proportionate interest in the net assets of the associate. The Group 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 Group'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.

(k) 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.

(l) 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.

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 Group. 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 by using straight-line basis. 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.

(m) 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.

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(ii) Lessee

Leases in terms of which the Group 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 Group'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.

(n) Intangible assets

(i) Goodwill

1) Initial Recognition

Goodwill arising from the acquisition has been recognized as intangible assets. The initial measurement and recognition of Goodwill please refer to note 6(j)(iii).

2) Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

(ii) Other intangible assets

Subsequent to the initial recognition, an intangible asset is measured at cost, less any accumulated amortization and any accumulated impairment losses.

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:

1) Technical know-how: 12 years

2) Computer software and information systems: 1 to 10 years

3) Land use rights: 50 years

4) Others: 1.5~5 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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(o) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, deferred tax assets, assets arising from employee benefits and biological assets, 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 Group 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 Group 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.

(p) 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. If there are insufficient capital reserves to be offset against, then such losses should be accounted for under retained earnings. Losses on cancellation of treasury shares should be offset against existing capital reserves.

(q) Revenue

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

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group 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 Group’s main types of revenue are explained below:

1) Sale of goods

The Group 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 Group has objective evidence that all criteria for acceptance have been satisfied.

The Group 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 Group has a right to an amount of consideration that is unconditional.

2) Financing components

The Group 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 Group 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.

(r) 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 Group’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 Group’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 Group, 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 Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

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 Group 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 Group 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.

(s) 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 Group inform their employees about the exercise price and shares.

(t) 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)

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 reevaluated 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.

(u) Business combinations

The Group treats the business combination as acquisition. Goodwill is measured at the consideration transferred less the amounts of the identifiable assets acquired and liabilities assumed (generally at fair value) at the acquisition date. If the amount of net assets acquired and liabilities assumed exceeds the acquisition price, the Group re-assesses whether it has correctly identified all of the assets acquired and liabilities assumed, and recognize a gain for the excess.

All transaction cost relating to a business combination are recognized immediately as expense when incurred, except for the issuance of debt or equity instruments.

The Group shall measure any non-controlling interests in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets, if the non-controlling interests are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other non controlling interests are evaluated by their fair value or by another basis permitted by the IFRSs endorsed by the FSC.

In a business combination achieved in batches, the previously held equity interest in the acquiree at its acquisition-date fair value is remeasured, and the resulting gain or loss, if any, is recognized in profit or loss. In prior reporting periods, the Group may have recognized changes in the value of its equity interest in the acquire in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the Group had directly disposed the previously held equity interest. If the disposal of the equity interest required a reclassification to profit or loss, such an amount shall be reclassified to profit or loss.

(v) Earnings per share

The Group 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 stock options and employee remuneration.

(w) Operating segment

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the IFRSs endorsed by the FSC requires 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 accounting policies do not have significant effects on the amounts recognized in the consolidated financial statements.

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

(Continued)

(a) Valuation of inventories

As inventories are stated at the lower of cost or net realizable value, the Group 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).

(b) Business combinations

The related accounting of the business combinations, including consideration transferred, recognized amounts of assets acquired and liabilities assumed at the acquisition date are measured on the basis of market unobservable data. It depends on the management's subjective judgment and causes higher uncertainty. For further information, please refer to note 6(j)

The accounting policy and disclosure of the Group include that measuring the financial assets and financial liabilities at fair value. The Group 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 Group regularly revises the inputs and any essential adjustments on the fair value to confirm that evaluation results is reasonable. The Group regularly evaluates investment property using the evaluation methods and parametric assumptions announced by FSC.

When measuring the fair value of an asset or a liability, the Group 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:

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

(d) 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).

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

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

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

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

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

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(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 702	286
Cash in bank	5,191,898	3,738,352
Time deposits	269,573	4,110,485
	$ 5,462,173	7,849,123

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

(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	$ 96,955	-
Private fund (Note)	722,405	-
Money market funds	6,308	-
Financial assets held-for-trading:		
Stocks listed on domestic markets	-	136,530
Money market funds, equity funds and bond funds	-	1,164,777
Total	**$ 825,668**	**1,301,307**
Current	$ 103,263	1,301,307
Non-current	722,405	-
	$ 825,668	1,301,307

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

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

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

	December 31, 2018
Stocks listed on domestic markets	$ 1,205,785
Stocks listed on foreign markets	585,861
Non-public stocks	564,486
	$ 2,356,132

(Continued)

The Group 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 and financial assets at cost on December 31, 2017.

The Group 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 $244,675 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
Stocks listed on foreign markets	$ 573,401
Non-public stocks	607,490
Private fund (Note)	612,978
	$ 1,793,869

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

Refer to note 6(y) 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.

(v) Non-current financial assets at cost:

	December 31, 2017
Foreign unlisted stocks	$ 22,915
Less: accumulated impairment	-
Total	**$ 22,915**

(Continued)

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The aforementioned investments held by the Group were measured at cost less any impairment loss as of December 31, 2017, given the range of reasonable fair value estimates is large and the probability for each estimate cannot be reasonably determined; therefore, the Group's management had determined that the fair value cannot be measured reliably. These investments were classified as fair value through other comprehensive income as of December 31, 2018. Please refer to note 6(b)ii.

(vi) 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 Group 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 Group 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) vii.

(vii) 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

(viii) 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%	$ 70,684	2,909	103,663	39,039
Decreasing 3%	$ (70,684)	(2,909)	(103,663)	(39,039)

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

(c) Notes and accounts receivable, net

	December 31, 2018	December 31, 2017
Notes receivable	$ 459	-
Accounts receivable	1,424,223	1,553,476
Less：allowance for doubtful accounts	(2,317)	(2,086)
	$ 1,422,365	1,551,390

(Continued)

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The Group 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, notes and 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 for the segment of foundry and agriculture technology 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	$ 1,203,680	0%	-
Past due 1~60 days	196,437	0%	-
Past due 61~120 days	14,825	0%	-
Past due 121~180 days	3,148	0%~32.14%	-
Past due more than 181 days	-	100%	-
	$ 1,418,090		**-**

The loss allowance provision for the segment of gene chips testing service 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	$ 2,708	0%~7.29%	63
Past due 1~60 days	1,053	7.33%~18.55%	119
Past due 61~120 days	563	14.96%~24.59%	129
Past due 121~180 days	482	34.42%~67.65%	220
Past due more than 181 days	1,786	100%	1,786
	$ 6,592		**2,317**

As of December 31, 2017, the Group 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	$ 75,864
Past due 61~180 days	5,385
Past due more than 181 days	-
	$ 81,249

(Continued)

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The movements of allowance for doubtful accounts were as follows:

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Beginning balance	$ 2,086	3,223	-
Acquisition through business combinations	3,294	-	-
Impairment loss reversed, net	(840)	(962)	-
Amount written off	(2,173)	-	-
Effect of changes in foreign exchange rates	(50)	(175)	-
Ending balance	**$ 2,317**	**2,086**	**-**

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

Assessment method:

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

(ii) The Group 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 Group also considered the fluctuation of the economic circumstances and historical collection to determine the recognition of impairment.

The Group 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 Group 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 notes and accounts receivable were not pledged.

(d) Other receivables

	December 31, 2018	December 31, 2017
Other receivables－loans to associates	$ -	182,249
Others (recognized as other current assets)	125,288	174,033
Less: allowance for doubtful accounts	-	-
	$ 125,288	**356,282**

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

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

(Continued)

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(e) Inventories

	December 31, 2018	December 31, 2017
Raw materials, supplies and spare parts	$ 2,641,108	2,321,414
Work in process	793,552	1,222,193
Finished goods	472,730	201,074
	$ 3,907,390	**3,744,681**

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)	**$ 39,227**	**(29,288)**
Unallocated overheads	**$ 15,156**	**-**
Revenues from sale of scraps	**$ (13,524)**	**(12,534)**
Loss (gain) on physical inventory	**$ (619)**	**801**

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

(f) Biological assets

(i) List of biological assets:

	December 31, 2018	December 31, 2017
Consumable biological assets	**$ 103,289**	**96,738**
Bearer biological assets	**$ 31,059**	**37,450**

(ii) Change in biological assets:

	2018	2017
Beginning balance	$ 134,188	181,319
Increase due to purchase	5,374	46,509
Input costs	405,013	404,325
Depreciation expenses	(10,903)	(9,840)
Decrease due to sales	(397,990)	(358,511)
Changes in fair value less costs to sell due to price changes	1,139	(17,455)
Effect of changes in consolidated entities	-	(104,745)
Effect of changes in foreign exchange rates	(2,473)	(7,414)
Ending balance	**$ 134,348**	**134,188**
Current	$ 103,289	96,738
Non-current	31,059	37,450
	$ 134,348	**134,188**

(Continued)

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For the years ended December 31, 2018 and 2017, the (losses) gains of $1,139 thousand and $(17,455) thousand, respectively, was recognized as operating costs of the consolidated statement of comprehensive income as a result of the remeasurement of biological assets at the (lower) higher of its carrying amount or fair value less costs to sell.

(iii) As of December 31, 2018 and 2017, the numbers of the biological assets were as follows:

	December 31, 2018	December 31, 2017
Farrows, hogs and breeders	32,659	31,455

(iv) Fair value

The Group uses valuation method to measure its biological assets to determine the fair value of the hogs and the farrows (which are required to reach a certain weight), less, cost to sell at the end of the reporting period. If biological asset does not have a quoted market price in an active market, the asset is measured at cost less accumulated depreciation and impairment losses.

Costs of the biological assets include all of the costs within the growth cycle, such as the cost of new-born farrows, the feed and the raising farm. The cost of the productive biological assets shall be depreciated on a straight-line basis over the producible term. The amortized term are within 24 to 36 months. For the years ended December 31, 2018 and 2017, the depreciation expenses of biological assets (which will be converted into its breeding biological assets) were $10,903 thousand and $9,840 thousand, respectively.

(v) The Group is exposed to the following risks relating to its hog farming:

1) Regulations and environmental risks

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at complying with the local environment and other laws. Management performs regular reviews to identify environmental risks and to ensure that systems in place are adequate to manage those risks.

2) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of hogs. When possible, the Group manages this risk by aligning its farming volume with market supply and demand. Management performs regular industry trend analyses to ensure that the Group's pricing structure is in line with the market and to ensure that projected farming volumes are consistent with the expected demand.

3) Climate and other risks

The Group's hog farming is exposed to the risk of damage from climate change, diseases, and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular pig health inspections and industry pest and disease surveys.

(Continued)

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

(vii) Fair value valuation technique of biological assets used inputs that were categorized in level 3. Please refer to the table above regarding the movement of biological assets for a reconciliation beginning from the opening balance to the closing balance for level 3 fair value. In this period the fair value hierarchy of the biological assets were not transferred into or out of level 3. The valuation technique and significant unobservable inputs were as follows:

Items	Fair value valuation technique	Significant unobservable inputs	Relationship between significant unobservable inputs and fair value
Hogs in China	Price comparison: Estimated value of price comparison is compared with the biological assets of different type, quality and kinds, etc.	Evaluate the quality	Evaluate the changes in fair value, according to the quality of biological assets.

(g) 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
Associates	$ 532,808	327,269

(i) Associates

In the first quarter of 2018, the Group subscribed the new shares contributed by Jiangsu CM / Merit Agriculture Development Co., Ltd. for $349,970 thousand in cash, and therefore, has significant influence on it. The equity shares held by the Group were not changed by the abovementioned transaction.

Affiliates which are material to the Group consisted of the followings:

Name of Affiliates	Nature of Relationship with the Group	Main operating location/ Registered Country of the Company	Proportion of Shareholding and Voting Rights	
			December 31, 2018	December 31, 2017
Jiangsu CM / Merit Agriculture Development Co., Ltd. (Note)	Developing hog farming technology and trading	China	49 %	49 %

(Note) Since June 2017, Jiangsu CM/Merit Agriculture Development Co., Ltd. is no longer included in the consolidated financial statements. Please refer to note 6(i) of the consolidated financial statements for other related information.

The following consolidated financial information of significant affiliates has been adjusted according to individually prepared IFRS financial statements of these affiliates.

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The financial information of Jiangsu CM/Merit Agriculture Development Co., Ltd.:

	December 31, 2018
Current assets	$ 234,687
Non-current assets	1,374,095
Current liabilities	(407,284)
Non-current liabilities	(313,098)
Net assets	**$ 888,400**
Net assets attributable to non-controlling interests	**$ 433,761**

	2018
Operating revenue	**$ 144,230**
Loss from continuing operations	$ (187,990)
Other comprehensive income	-
Total comprehensive income	**$ (187,990)**

	2018
Shares of net assets of affiliates as of January 1, 2018	$ 185,537
Loss attributable to the Group	(92,115)
Exchange differences on translation of foreign financial statements attributable to the Group	(33,366)
Shares of net assets of affiliates as of December 31, 2018	60,056
Add: Issuance of shares in cash	349,970
Effect of changes in foreign exchange rates	23,735
Carrying amount of equity of affiliate attributable to the Group	**$ 433,761**

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 consolidated financial statements of the Group:

	December 31, 2018	December 31, 2017
Total equity of the individually insignificant investments in associates	**$ 99,047**	**327,269**

	2018	2017
Attributable to the Group:		
Net loss	$ (25,722)	(166,787)
Other comprehensive income	49	9,263
Total comprehensive loss	**$ (25,673)**	**(157,524)**

(Continued)

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(ii) Pledge to secure

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

(h) Acquisition of non-controlling interests

(i) Chainwin Cayman

On January 19 and August 24, 2018, the Group subscribed the new shares contributed by Chainwin Cayman for $346,297 thousand and $1,228,800 thousand in cash, respectively. Plus, On January 22 and December 27, 2018, Chainwin Cayman repurchased its own shares amounting to $2,913 thousand and $69,120 thousand, respectively, and cancelled afterwards; therefore, the Group increased its ownership from 88.14% to 94.71%.

On July 1 and October 6, 2017, the Group subscribed the new shares contributed by Chainwin Cayman for $154,149 thousand and $603,400 thousand in cash, respectively, increasing its ownership from 43.75% to 62.25%, successively. On December 18, 2017, the Group acquired the shares of Chainwin Cayman amounting to $569,983 thousand, increasing its ownership from 62.25% to 88.14%.

Based on the afore mentioned transactions, the effects of the changes in shareholdings were as follows:

	2018	2017
Carrying amount of interest on acquisition	$ 1,537,267	1,168,186
Consideration paid	(1,575,097)	(1,327,532)
Retained earnings changes in ownership interests in subsidiaries	**$ (37,830)**	**(159,346)**

(ii) Jiangsu CM/Merit Agriculture Development Co., Ltd.

On September 26 and November 29, 2018, the Group subscribed the new shares contributed by Jiangsu CM/Merit Agriculture Development Co., Ltd. for $58,007 thousand and $302,134 thousand, respectively, in cash, increasing its ownership from 60% to 90.79%, successively. For the year ended December 31, 2017, there was no such transaction.

(Continued)

Based on the aforementioned transactions, the effects of the changes in shareholdings were as follows:

		2018
Carrying amount of interest on acquisition	$	357,398
Consideration paid		(360,141)
Retained earnings changes in ownership interests in subsidiaries	**$**	**(2,743)**

(i) Losing control of subsidiary

The Group did not take part in the issuance of common stock for cash of Jiangsu CM / Merit Agriculture Development Co., Ltd. at the second quarter of 2017. Therefore, the percentage of the Group's ownership was reduced to 49%, and the Group lost its control over Jiangsu CM / Merit Agriculture Development Co., Ltd.

The related disposal loss which was $1,991 thousand was recognized as other gains and losses in consolidated statements of comprehensive income.

The carrying amount of assets and liabilities of Jiangsu CM / Merit Agriculture Development Co., Ltd. on May 31, 2017 was as follows:

Cash and cash equivalents	$	36,959
Inventories		9,176
Other current assets		14,539
Property, plant and equipment		358,353
Biological assets		104,745
Other non-current assets		21,452
Notes and accounts payable		(189,337)
Other payables		(8,540)
Other current liabilities		(118)
Carrying amount of net assets	**$**	**347,229**

(j) Acquisition of subsidiary

On July 12, 2018, the Group became the largest shareholder of PBL and obtained control over it since then, increasing its ownership from 37.88% to 45.71%. PBL is mainly engaged in researching, manufacturing and selling of high density chips and providing testing service.

From the acquisition date to December 31, 2018, PBL contributed revenue and net loss of $20,038 thousand and $63,847 thousand, respectively. If the acquisition had occurred on January 1, 2018, the management estimates that consolidated revenue would have been $41,567 thousand and the consolidated net loss would have been $117,589 thousand. The abovementioned influences do not include adjustments on fair value.

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The acquisition-date fair value of major class of consideration transferred were as follows:

(i) Consideration transferred

The Group subscribed the new shares contributed by PBL and became the largest shareholder of PBL, and obtained control over it since then. The Group expects PBL's future generated cash flow in accordance with the income approach that reflects the time value of investment and the risk of the discounted cash flow, and evaluates the implied consideration transferred of controlling over PBL.

The fair value measurement for the controlling interests has been categorized as a Level 3 fair value based on the inputs to the valuation technique used. The key assumptions are as follows:

1) The discount rate is based on the weighted-average cost of capital that computed by PBL and its comparable capital structures and corresponded by the market value;

2) Seven years of cash flows were included in the discounted cash flow model. Budgeted annual earnings after tax, before interest, depreciation and amortization was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth.

The shares of PBL held by the Group were measured and the fair value per share was $15 at the acquisition date.

(ii) The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	$ 180,540
Notes and accounts receivable	5,651
Inventories	19,984
Other current assets	24,281
Property, plant and equipment (note 6(k))	15,881
Intangible assets (note 6(m))	842
Other non-current assets	11,240
Notes and accounts payable	(2,522)
Other payables	(13,156)
Other current liabilities	(13,071)
Total identifiable net assets acquired	**$ 229,670**

(Continued)

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(iii) Goodwill arising from the acquisition has been recognized as follows:

Consideration transferred	$	123,750
Fair value of pre-existing interest in Phalanx Biotech Group, Inc.		300,000
Non-controlling interest in the acquire (proportionate share of the fair value of the identifiable net assets)		124,683
Less: Fair value of identifiable net assets		(229,670)
Goodwill (note 6(m))	**$**	**318,763**

The Group re-measured the fair value of its existing equity interest in PBL before the business combination, and the resulting gain of $273,432 thousand was recognized as " gains on disposals of investment".

Goodwill mainly attributed to the profitability in the microarray services market and the know-how of PLB work force.

(k) Property, plant and equipment

The cost and accumulated depreciation of the property, plant and equipment of the Group 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	2,153,117	17,777,113	4,255,435	363,944	649,245	27,745,388
Acquisitions through business combinations	-	-	22,975	-	2,708	-	25,683
Additions	-	16,608	1,549,416	84,393	163,532	1,243,747	3,057,696
Reclassification (Note 1)	-	19,798	1,197,356	33,775	58,127	(146,002)	1,163,054
Disposals	-	(124)	(404,674)	(130,889)	(79,577)	-	(615,264)
Effect of changes in foreign exchange rates	-	(964)	(188)	(749)	(924)	(1,295)	(4,120)
Balance as of December 31, 2018	**$ 2,546,534**	**2,188,435**	**20,141,998**	**4,241,965**	**507,810**	**1,745,695**	**31,372,437**
Balance as of January 1, 2017	$ 2,546,534	2,130,540	15,179,485	4,050,349	285,457	359,902	24,552,267
Additions	-	41,307	1,847,437	99,983	110,590	751,766	2,851,083
Reclassification (Note 2)	-	(18,646)	1,131,654	112,066	400	(105,387)	1,120,087
Disposals	-	-	(381,463)	(6,621)	(28,134)	-	(416,218)
Effect of changes in consolidated entities	-	-	-	-	(4,028)	(354,533)	(358,561)
Effect of changes in foreign exchange rates	-	(84)	-	(342)	(341)	(2,503)	(3,270)
Balance as of December 31, 2017	**$ 2,546,534**	**2,153,117**	**17,777,113**	**4,255,435**	**363,944**	**649,245**	**27,745,388**

(Continued)

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	Land	Buildings and structures	Machinery and equipment	Factory and equipment	Other equipment	Construction in progress	Total
Accumulated depreciation：							
Balance as of January 1, 2018	$ -	584,763	10,563,890	1,956,057	172,410	-	13,277,120
Acquisitions through business combinations	-	-	8,267	-	1,535	-	9,802
Depreciation	-	104,835	2,465,639	416,731	140,068	-	3,127,273
Reclassification	-	-	-	(1,228)	1,228	-	-
Disposals	-	(124)	(399,874)	(130,885)	(78,418)	-	(609,301)
Effect of changes in foreign exchange rates	-	(138)	(36)	(291)	(244)	-	(709)
Balance as of December 31, 2018	$ -	689,336	12,637,886	2,240,384	236,579	-	15,804,185
Balance as of January 1, 2017	$ -	485,288	9,058,857	1,560,930	98,214	-	11,203,289
Depreciation	-	99,495	1,879,612	404,550	100,960	-	2,484,617
Reclassification	-	-	3,076	(3,076)	-	-	-
Disposals	-	-	(377,655)	(6,290)	(26,517)	-	(410,462)
Effect of changes in consolidated entities	-	-	-	-	(208)	-	(208)
Effect of changes in foreign exchange rates	-	(20)	-	(57)	(39)	-	(116)
Balance as of December 31, 2017	$ -	584,763	10,563,890	1,956,057	172,410	-	13,277,120
Carrying value：							
Balance as of December 31, 2018	$ 2,546,534	1,499,099	7,504,112	2,001,581	271,231	1,745,695	15,568,252
Balance as of January 1, 2017	$ 2,546,534	1,645,252	6,120,628	2,489,419	187,243	359,902	13,348,978
Balance as of December 31, 2017	$ 2,546,534	1,568,354	7,213,223	2,299,378	191,534	649,245	14,468,268

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. Also, property, plant and equipment were adjusted by using the constructional 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 and line of credit, the collateral for these long-term borrowings was disclosed in note 8.

(ii) Property, plant and equipment under construction

The Group rented some pieces of land and entered into different agreements for the construction of its new factories on the said lands. As of December 31, 2018, the Group has partially paid the price of $375,281 thousand.

(iii) 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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(l) 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 amount:				
Balance at December 31, 2018	$	**963,127**	**458,401**	**1,421,528**
Balance at January 1, 2017	$	**963,127**	**504,986**	**1,468,113**
Balance at 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 constructional refund.

When measuring the fair value of its investment property, the Group 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.

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	2018
Hsinchu	0.24%
Taoyuan	1.41%

(Continued)

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

(m) 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	Goodwill	Land use rights	Others	Total
Cost:							
Balance as of January 1, 2018	$	46,051	119,718	123,327	31,448	26,059	346,603
Acquisition from business combinations		-	1,802	318,763	-	-	320,565
Additions		-	53,679	-	1,765	3,853	59,297
Reclassification (Note)		(46)	9,957	-	-	-	9,911
Disposals		-	(34,465)	-	-	(4,944)	(39,409)
Effect of changes in foreign exchange rates		-	180	3,978	(622)	660	4,196
Balance as of December 31, 2018	$	**46,005**	**150,871**	**446,068**	**32,591**	**25,628**	**701,163**
Balance as of January 1, 2017	$	46,051	84,736	133,645	-	27,768	292,200
Additions		-	51,873	-	31,247	4,106	87,226
Reclassification (Note)		-	70	-	-	-	70
Disposals		-	(16,961)	-	-	(4,104)	(21,065)
Effect of changes in foreign exchange rates		-	-	(10,318)	201	(1,711)	(11,828)
Balance as of December 31, 2017	$	**46,051**	**119,718**	**123,327**	**31,448**	**26,059**	**346,603**
Amortization:							
Balance as of January 1, 2018	$	27,494	52,510	-	53	8,702	88,759
Acquisitions through business combination		-	960	-	-	-	960
Amortization		3,834	50,798	-	637	8,319	63,588
Reclassification		(19)	19	-	-	-	-
Disposals		-	(34,465)	-	-	(4,944)	(39,409)
Effect of changes in foreign exchange rates		-	60	-	(13)	265	312
Balance as of December 31, 2018	$	**31,309**	**69,882**	**-**	**677**	**12,342**	**114,210**
Balance as of January 1, 2017	$	23,656	34,930	-	-	4,075	62,661
Amortization		3,838	34,542	-	52	8,966	47,398
Disposals		-	(16,961)	-	-	(4,104)	(21,065)
Effect of changes in foreign exchange rates		-	(1)	-	1	(235)	(235)
Balance as of December 31, 2017	$	**27,494**	**52,510**	**-**	**53**	**8,702**	**88,759**
Carrying value:							
Balance as of December 31, 2018	$	**14,696**	**80,989**	**446,068**	**31,914**	**13,286**	**586,953**
Balance as of January 1, 2017	$	**22,395**	**49,806**	**133,645**	**-**	**23,693**	**229,539**
Balance as of December 31, 2017	$	**18,557**	**67,208**	**123,327**	**31,395**	**17,357**	**257,844**

Note: Other current asset were reclassified as intangible assets.

(Continued)

(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	$ 18,131	15,164
Operating expenses	45,457	32,234
	$ 63,588	**47,398**

(iii) Impairment testing for goodwill

1) Chainwin Cayman

The goodwill of $132,278 thousand was derived from the acquisition of and the control over Chainwin Cayman by the Group on August 19, 2016. The goodwill was mainly attributed to the profitability of the hog farming in Mainland China. Chainwin Cayman is regarded as a cash-generating units (the "CGU") to generate cash inflows that are independent of those from others. Therefore, the amount on impairment loss of goodwill, which was evaluated by using the value in use, exceeds the carrying amount of the net asset.

Also, the Group estimated its operating revenue for certain periods based on the purchase price allocation valuation report issued by the specialist, who was entrusted by the Group. The preceding estimation was analyzed based on the financial forecasts from 2016 to 2021. The construction of certain factory farms of Chainwin Cayman had been delayed, resulting in failure to increase the scale on farm raising. Therefore, the actual operating revenue for the year of 2018 and 2017 decreased by 88% and 58%, respectively, which were lower than the orginal forecast.

On December 31, 2018 and 2017, the recoverable amount determined by the value-in-use for the cash-generating unit is higher than the carrying amount. Therefore, there is no impairment loss should be recognized.

The total amount of goodwill has been allocated to the agriculture technology for the Group' s impairment testing purpose. The CGU are used as the minimum level for investment return of goodwill supervised by the management.

The Group's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value-in-use. The key assumption used in the estimation of the value-in-use of the CGU were as follows:

a) The future cash flow was based on expectations of future operations, taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past year, and the estimated sales volume and price growth for the next five years. The assumptions were in line with the information obtained from external local market who publish a statistical analysis on market trends.

(Continued)

b) The assumption on before-tax discount rate is based on the weighted average cost of capital. As of December 31, 2018 and 2017, the applied before-tax discount rate of the recoverable amount of the units were 8.95% and 9.72%, respectively.

2) PLB

The goodwill of $318,763 thousand was derived from the Group became the largest shareholder of and obtained control over PBL on July 12, 2018. The goodwill was mainly attributed to the profitability in microarray services market and the know-how of PLB work force. PBL is regarded as a CGU to generate cash inflows that are independent of those from others. Therefore, the amount on impairment loss of goodwill, which was evaluated by using the value in use, exceeds the carrying amount of the net asset.

On December 31, 2018, the recoverable amount determined by the value-in-use for the cash-generating unit is higher than the carrying amount. Therefore, there is no impairment loss should be recognized.

The total amount of goodwill has been allocated to the gene chip testing service for the Group' s impairment testing purpose. The CGU are used as the minimum level for investment return of goodwill supervised by the management.

The Group's goodwill has been tested for impairment at the end of the annual reporting period and the recoverable amount is determined based on the value-in-use. The key assumption used in the estimation of the value-in-use of the CGU were as follows:

a) The future cash flow was based on expectations of future operations, taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past year, and the estimated sales volume and price growth for the next seven years.

b) The assumption on before-tax discount rate is based on the weighted average cost of capital. As of December 31, 2018, the applied before-tax discount rate of the recoverable amount of the units was 9.49%.

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

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(n) 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	70,603	123,967
Long-term prepaid rent	3,150	31,153
Prepayment for purchases and prepaid expenses	91,062	89,079
Restricted assets	41,799	25,655
Refundable deposits	46,556	51,748
Other receivables	16,550	14,415
Others	54,624	15,085
	$ 433,082	**510,720**

Long-term prepaid rent, which the Group signed agreements with agriculture developing committees and other institutions in China to acquire lands for lease and for hog farming purpose. The durations of the agreements are 5~30 years. The payments for rental were made in accordance with the signed agreements. The Group entered into land lease agreements amounting to RMB 78,366 thousand.

(o) 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%**

(p) 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**	**2018/2/1~2020/8/31**

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

Year due		Amount
October 1, 2020~December 31, 2020	$	1,558,800
October 1, 2021~December 31, 2021		2,495,600
October 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(o).

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

(q) Operating lease

(i) Lease-lessor

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

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 Group leases a number of factories, offices, parking lots and lands etc. under operating lease.

The leases typically run for a period of 1 to 30 years. For the years ended December 31, 2018 and 2017, the rent expenses amounted to $70,989 thousand and $51,158 thousand, respectively, which were recorded as operating costs and operating expenses.

(r) 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.

(Continued)

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The Group 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 Group 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 Group'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 Group 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**

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**

(Continued)

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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 Group 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**

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 Group 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.

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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 Group 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 Group set aside a fixed amount to the Bureau of Labor Insurance without the payment of additional legal or constructive obligations.

The Group set aside $93,963 thousand and $75,907 thousand, respectively, of the pension under the pension plan costs to the Bureau of Labor Insurance for the years ended December 31, 2018 and 2017.

(iii) The Group' s Mainland China subsidiaries have a defined contribution plan. Monthly contributions to an independent fund administered by the government in accordance with the pension regulations in the People's Republic of China (PRC) are based on certain percentage of employees' monthly salaries and wages. Other than the monthly contributions, the Group has no further obligations. For the years ended December 31, 2018 and 2017, the Group recognized the pension costs in accordance with the pension regulations and amounted to $3,397 thousand and $1,767 thousand, respectively.

(s) 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.

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(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 (benefit)			
Current period	$	764,816	815,583
Adjustment for prior periods		(11,894)	(80)
Subtotal		752,922	815,503
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		(77,567)	(2,119)
Adjustment in tax rate		(6,794)	-
Subtotal		(84,361)	(2,119)
Income tax expense	**$**	**668,561**	**813,384**

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	**$**	**3,734,623**	**4,528,679**
Estimated income tax calculated using the Company's domestic tax rate	$	746,924	769,875
Adjustment in tax rate		(6,794)	-
Tax-exempt income		(16,660)	(40,557)
Investment tax credits		(61,550)	(48,441)
Change in unrecognized deductible temporary differences		33,152	-
Change in provision in prior periods		(11,894)	(80)
10% surtax on unappropriated earnings		42,928	97,848
Others		(57,545)	34,739
	$	**668,561**	**813,384**

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(ii) Deferred tax assets and liabilities

1) Unrecognized deferred tax assets and liabilities

Deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018	December 31, 2017
Tax effect of deductible temporary differences	$ 51,984	-
The carry forward of unused tax losses	158,209	-
	$ 210,193	**-**

The R.O.C. Income Tax Act allows net losses, as assessed by the tax authorities, to offset taxable income over a period of ten years for local tax reporting purposes. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

As of December 31, 2018, the information of the Group's unutilized business losses for which no deferred tax assets were recognized are as follows:

Year of loss	Unutilized business loss	Expiry date
2009	$ 95,967	2019
2010	48,013	2020
2011	74,383	2021
2012	44,302	2022
2013	49,138	2023
2014	53,221	2024
2015	50,740	2025
2016	77,243	2026
2017	142,749	2027
2018	155,289	2028
	$ 791,045	

As of December 31, 2018 and 2017, there were no deferred tax liabilities have not been recognized.

(Continued)

2) 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.

(t) Capital and other equity

(i) Ordinary share issuance

As of December 31, 2018 and 2017, the Company's authorized share capital consisted of 10,000,000 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.

(Continued)

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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 thousand 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 full-time 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.

As of December 31, 2018, the Company has terminated the GDRs.

(Continued)

(ii) Capital surplus

Balance 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 associates and joint ventures accounted for using equity method	635	21,163
Employee stock options	3,810	698
Restricted shares of stock issued for employees	163,877	-
	$ **9,199,357**	**9,052,896**

In accordance with the 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.

(Continued)

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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 earnings for 2017 and 2016 had been approved in shareholders' meetings held on June 15, 2018 and June 16, 2017, respectively. The 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 article 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 the shares repurchased by the Company have 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.

(Continued)

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(v) Other equity interests, 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):				
The Group	95,350	-	-	-
Associates	(29,921)	-	-	-
Disposal of investments accounted for using equity method	(1,421)	-	-	-
Unrealized gain (losses) on equity instruments at fair value through other comprehensive income (net of tax)	-	(352,044)	-	-
Cumulative gains (losses) reclassified to retained earnings on 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):		
The Group	(110,108)	-
Associates	6,190	-
Changes in fair value of available-for-sale financial assets (net of tax)	-	973,961
Adjustments in reclassification of the impairment of available-for-sale financial assets (net of tax)	-	(7,908)
Cumulative gains (losses) reclassified to profit or loss upon disposal of available-for-sale financial assets (net of tax)	-	(158,055)
Other comprehensive income reclassified to profit or loss upon disposal of foreign operations	1,991	-
Balance as of December 31, 2017	**$ (100,208)**	**1,568,176**

(Continued)

(u) Share-based payment

(i) 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 full-time regular employees who meet specific requirements. The above transaction had been approved by the Financial Supervisory Commission. The Company decided 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 years ended December 31, 2018, the Company recognized the compensation cost of $17,049 thousand for the aforementioned RSA. There was no transaction in 2017.

(ii) The subsidiary of PBL of employee stock option plans (ESOPs)

	2018 ESOPs
Grant date	2018.4.20
Number of options granted (unit)	5,560
Number of common shares eligible (share)	1,000
Contract period	2018.4.20~2026.4.19
Vesting period	2018.4.20~2021.4.19
Recipients	Employees of PBL

(Continued)

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PBL used the Black-Scholes Model in measuring the fair value of its employee stock option at the date of grant. The main inputs to the valuation model were as follows:

	2018 employee stock options exercise in the 1st year	2018 employee stock options exercise in the 2nd year	2018 employee stock options exercise in the 3rd year
Fair value at grant date (dollars)	$ 3.93	$ 4.13	$ 4.32
Share price at grant date (dollars)	$ 11.29	$ 11.29	$ 11.29
Exercise price (dollars)	$ 11	$ 11	$ 11
Expected volatility	40%	40%	40%
Expected life	4.5 years	5 years	5.5 years
Risk-free interest rate	0.70%	0.74%	0.77%

Details of the employee stock options were as follows:

	December 31, 2018	
	Weighted average exercise price (expressed in dollars)	Number of options (expressed in thousands)
Outstanding at January 1	$ -	-
Granted during the year	11	5,560
Outstanding at December 31	11	5,560
Exercisable at December 31	-	-

From acquisition date to December 31, 2018, PLB recognized the compensation cost of $6,807 thousand for the aforementioned ESOPs. There was no transaction for the years ended December 31, 2017.

(v) 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
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

(Continued)

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For the years ended December 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.

(w) Revenue from contracts with customers

(i) Disaggregation of revenue

	2018		
	Segment-Foundry	**Segment-Other**	**Total**
Primary geographical markets:			
Asia	$ 10,011,798	357,206	10,369,004
Americas	4,169,406	-	4,169,406
Taiwan	2,111,067	20,726	2,131,793
Europe	640,513	-	640,513
	$ 16,932,784	**377,932**	**17,310,716**
Main product / services lines:			
Foundry	$ 16,932,330	-	16,932,330
Other	454	377,932	378,386
	$ 16,932,784	**377,932**	**17,310,716**

(ii) Balance of contracts

	December 31, 2018	**January 1, 2018**
Notes receivable	$ 459	-
Accounts receivable	1,424,223	1,595,442
Less: allowance doubtful for accounts	(2,317)	(2,086)
	$ 1,422,365	**1,593,356**
Contract liabilities (Note)	**$ 112,694**	**99,514**

(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 $84,264 thousand.

(Continued)

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(x) 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**

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.

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(y) 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	$	57,334	21,221
Interest income from financial assets at amortized cost		697	-
Interest income from investments in debt instrument without active market		-	1,143
Other interest income		1,033	3,757
Total interest income		59,064	26,121
Dividend income		97,268	82,659
Rent income		89,386	93,960
	$	**245,718**	**202,740**

(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 disposals of property, plant and equipment	$	2,210	(1,809)
Gains on disposals of investments		286,391	158,112
Foreign exchange gains (losses)		129,261	(174,496)
Losses on financial assets or liabilities at fair value through profit or loss		(32,394)	(34,768)
Others		30,366	22,868
	$	**415,834**	**(30,093)**

(iii) Finance costs

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

		2018	2017
Interest expenses	$	22,199	54,687
Other finance costs		257	259
	$	**22,456**	**54,946**

(Continued)

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(z) 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 Group's accounts receivable were concentrated on 4 and 3 customers, respectively, whose accounts represented 66% and 61% of the total accounts receivable, respectively. In order to reduce the credit risk on these accounts receivable, the Group continues to evaluate the financial status of these customers and request for collaterals when necessary.

3) Receivables and debt securities

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

All of these financial assets are considerated to have low risk, and thus, the impairment provision recognized during the periokd was limied 12 months expected losses.

(ii) Liquidity risk

The following were the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	Within 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
Notes and accounts payable	1,093,074	1,093,074	1,093,074	-	-	-
Other payables	880,314	880,314	880,314	-	-	-
Guarantee deposits received	143,068	143,068	17,487	9,431	116,150	-
	$ 7,919,056	8,128,471	2,061,006	1,628,753	3,673,720	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	1,698,485	1,698,485	1,698,485	-	-	-
Other payables	1,254,346	1,254,346	1,254,346	-	-	-
Guarantee deposits received	143,685	143,685	4,867	19,387	9,431	110,000
	$ 9,354,052	9,510,878	3,386,048	2,245,793	3,769,037	110,000

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The Group 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 Group'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	$ 191,938	30.72	5,896,330	140,645	29.76	4,185,590
EUR	172	35.20	6,038	531	35.57	18,902
JPY	3,014	0.2782	842	394,637	0.2642	104,265
GBP	11	38.88	428	12	40.11	481
HKD	62	3.92	241	62	3.81	237
RMB	8,884	4.47	39,713	-	-	-
			$ 5,943,592			$ 4,309,475
Non-monetary items						
USD	$ 6,312	30.72	$ 193,828	3,941	29.76	102,944
RMB	97,324	4.47	433,761	40,972	4.57	185,537
			$ 627,589			$ 288,481
Financial liabilities						
Monetary items						
USD	$ 17,126	30.72	526,123	36,711	29.76	1,092,511
EUR	509	35.20	17,922	680	35.57	24,170
JPY	328,936	0.2782	91,510	606,057	0.2642	160,121
RMB	37	4.47	167	-	-	-
			$ 635,722			$ 1,276,802

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, notes and accounts receivable, other receivables, financial assets at fair value through profit or loss (which were classified as available-for-sale financial assets on December 31, 2017), notes and 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, GBP, JPY, HKD, and the RMB etc. for the years ended December 31, 2018 and 2017 would have increased (decreased) the net profit after tax by $220,129 thousand and $125,856 thousand, respectively, and other comprehensive income would have increased (decreased) by $0 thousand and $16,773 thousand, respectively. The analysis assumes that all other variables remain constant.

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3) Exchange gains or losses

Since the Group has many kinds of functional currency, the information on foreign exchange gains (losses) 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 $129,261 thousand and $(174,496) thousand, respectively.

(iv) Interest rate risk

Please refer to the attached note for the liquidity risk and the Group'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 Group'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, respectively, all other variable factors that remain constant. This is mainly due to the Group's borrowing in floating rates.

(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 Group'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				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 96,955	96,955	-	-	96,955
Funds and investment	6,308	6,308	-	-	6,308
Private fund	722,405	-	-	722,405	722,405
Subtotal	**$ 825,668**	**103,263**	**-**	**722,405**	**825,668**
Financial assets at fair value through other comprehensive income					
Stocks listed on domestic and foreign markets	$ 1,791,646	1,791,646	-	-	1,791,646
Non-public stocks	564,486	-	-	564,486	564,486
Subtotal	**$ 2,356,132**	**1,791,646**	**-**	**564,486**	**2,356,132**
Financial assets measured at amortized cost					
Cash and cash equivalents (Note)	$ 5,462,173	-	-	-	-
Financial assets at amortized cost (Note)	29,900	-	-	-	-
Notes and accounts receivable (Note)	1,422,365	-	-	-	-
Other receivables (Note)	125,288	-	-	-	-
Subtotal	**$ 7,039,726**	**-**	**-**	**-**	**-**

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	December 31, 2018				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost					
Bank loans (Note)	$ 5,802,600	-	-	-	-
Notes and accounts payable (Note)	1,093,074	-	-	-	-
Other payables (Note)	880,314	-	-	-	-
Guarantee deposits received (Note)	143,068	-	-	-	-
Subtotal	**$ 7,919,056**	**-**	**-**	**-**	**-**

	December 31, 2017				
		Fair value			
	Carrying value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Stocks listed on domestic markets	$ 136,530	136,530	-	-	136,530
Funds and investment	1,164,777	1,164,777	-	-	1,164,777
Subtotal	**$ 1,301,307**	**1,301,307**	**-**	**-**	**1,301,307**
Available-for-sale financial assets					
Stocks listed on domestic and foreign markets	$ 2,234,963	2,234,963	-	-	2,234,963
Non-public stocks	607,490	-	607,490	-	607,490
Private fund	612,978	-	612,978	-	612,978
Subtotal	**$ 3,455,431**	**2,234,963**	**1,220,468**	**-**	**3,455,431**
Loans and receivables					
Cash and cash equivalents (Note)	$ 7,849,123	-	-	-	-
Financial assets at cost (Note)	22,915	-	-	-	-
Investments in debt instrument without active market (Note)	62,200	-	-	-	-
Accounts receivable (Note)	1,551,390	-	-	-	-
Other receivables (Note)	356,282	-	-	-	-
Subtotal	**$ 9,841,910**	**-**	**-**	**-**	**-**
Financial liabilities measured at amortized cost					
Bank loan (Note)	$ 6,257,536	-	-	-	-
Accounts payable (Note)	1,698,485	-	-	-	-
Other payables (Note)	1,254,346	-	-	-	-
Guarantee deposits received (Note)	143,685	-	-	-	-
Subtotal	**$ 9,354,052**	**-**	**-**	**-**	**-**

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 Group's financial instruments not valued at fair value by using the methods and assumptions are as follows:

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

(Continued)

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 Group 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.

(Continued)

When the financial instrument of the Group is not traded in an active market, its fair value is determined 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	630,405
Total gains or losses:		
Recognized in profit and loss	(18,166)	-
Recognized in other comprehensive income	-	(51,781)
Purchased	127,593	-
Derecognized	-	(15,837)
Effect of changes in foreign exchange rates	-	1,699
December 31, 2018	**$ 722,405**	**564,486**

(Continued)

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 Group 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)		(51,781)

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

The Group’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 1.34~3.50) ● 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

(Continued)

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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 Group' 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:

			Effects of changes in fair value on profit or loss		Effects of changes in fair value on other comprehensive income	
	Inputs	**Increase or decrease**	**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%	-	-	20,665	(20,665)
〃	Market liquidity discount rate	5%	-	-	20,665	20,665
〃	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.

(aa) Management of financial risk

(i) The Group 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 Group's objective, policies and process for managing risks and methods used to measure the risk arising from financial instruments.

(Continued)

(ii) Risk management framework

The Board of Directors is responsible for overseeing the Group's risk management framework. The Group' s internal auditor is responsible to identify and analyze the risks faced by the Group. The management of each division sets appropriate risk limits and controls, and monitor risks that follow the adherence to limits. The Group, 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 Group' s Audit Committee oversees how management monitors compliance with the Group' s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group' 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 Group if a customer or counterparty to financial instruments fails to meet it contractual obligations that arises principally from the Group' s accounts receivable, investments in securities and investments in bond.

1) Notes and accounts receivable

According to the credit policy, the Group analyze each new customer individually for their credit worthiness before granting the new customer standard payment terms and delivery terms. The Group' 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 Group' s finance department. Since the Group' 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

According to the Group's policy, the Group can only provide guarantees which are listed under the regulation. The Group did not provide any guarantee not listed under the regulation as of December 31, 2018 and 2017.

(iv) Liquidity risk

Liquidity risk is a risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group'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 Group's reputation.

The Group's financial department monitors cash flow requirements and optimizing its cash return on investments. The Group 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 Group 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 Group 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 Group'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 Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily the New Taiwan Dollars (NTD), US Dollars (USD) and Chinese Yen (RMB).

The policy of response to currency risk：

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

2) The Group 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 Group 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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(ab) 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 Group monitors the expansion plan as well as the level of dividends to ordinary shareholders.

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

	December 31, 2018	December 31, 2017
Debt ratio	27.79 %	30.31 %

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

(ac) 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
Guarantee deposit received	143,685	-	-	(617)	-	143,068
Total liabilities from financing activity	$ 6,401,221	4,891,000	(5,346,025)	(617)	89	5,945,668

(7) Related-party transactions

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements:

Name of related party	Relationship with the Group
Jiangsu CM / Merit Agriculture Development Co., Ltd.	Associates
Winresp INC.	〃
Chainwin i-Management (Shanghai) Co., Ltd. Huaian branch	Other related parties

(Continued)

(b) Significant transactions with related parties

(i) Loans to related parties were as follows:

Chainwin Cayman provided an unsecured loan, with an interest rate of 4.35% to its associates, Jiangsu CM / Merit Agriculture Development Co., Ltd. At December 31, 2017, the outstanding balance of the loan amounted to USD $6,000 thousand (NTD $178,560 thousand). Also, the amount of interest receivable arising from the aforementioned loan were USD $124 thousand (NTD $3,689 thousand) for the year ended December 31, 2017. Jiangsu CM/Merit Agriculture Development Co., Ltd. had repaid the loan on February 2018.

The amount of interest revenue arising from the aforementioned loan was USD $30 thousand (NTD $892 thousand) and USD $124 thousand (NTD $3,734 thousand) for the years ended December 31, 2018 and December 31, 2017, respectively.

(ii) Purchases

The amounts of significant purchases by the Group from related parties were as follows:

	2018	2017
Other related parties	$ 786	-

The terms and pricing of purchase transactions with related parties were not significantly different from those offered by other vendors. There was no such transaction at December 31, 2017.

(iii) Receivables from related parties

Account	Relationship	December 31, 2018	December 31, 2017
Other receivables－related parties	Associates-Jiangsu CM / Merit Agriculture Development Co., Ltd.	$ -	182,249

(iv) Guarantee

As of December 31, 2018, Chainwin Cayman had provided a guarantee for loans amounting to USD $7,350 thousand (NTD $225,792 thousand) to its associate, Jiangsu CM/Merit Agriculture Development Co., Ltd. There was no such transaction at December 31, 2017.

(v) Property transactions

In 2018, the prepayments were amounting to USD $704 thousand (NTD $21,617 thousand) due to Chainwin Cayman purchase property, plant and equipment from its associates, Winresp INC. There was no such transaction for the year ended December 31, 2017.

(Continued)

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(c) Transactions with key management personnel

Key management personnel compensation were comprised as below:

	2018	2017
Short-term employee benefits	$ 396,899	385,172
Post-employment benefits	802	766
	$ 397,701	**385,938**

(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	20,050	20,955
Other non-current assets	Government subsidy deposits	4,300	-
Other non-current assets	Plant deposits	12,749	-
Property, plant and equipment	Long-term borrowings and line of credit	2,759,181	2,858,234
Investment property	Long-term borrowings and line of credit	351,631	1,441,902
Total		**$ 3,152,611**	**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	**$ 4,726,547**	**6,114,772**

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

(Continued)

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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 Semiconductors Cayman Islands Co., Ltd., resolved to subscribe the new shares contributed by its subsidary, Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd, for the 22,000 thousand shares (upper limited), with par value of USD 2 per share, amounting to USD $44,000 thousand (upper limited) in cash.

(12) Others:

The followings were the summary statement 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	2,006,133	902,528	2,908,661	1,809,615	797,169	2,606,784
Labor and health insurance	168,800	44,871	213,671	132,238	40,809	173,047
Pension	76,207	23,711	99,918	60,578	19,543	80,121
Director remuneration	-	74,510	74,510	-	89,810	89,810
Others	62,014	15,454	77,468	52,062	13,433	65,495
Depreciation	2,922,094	236,456	3,158,550	2,334,089	180,523	2,514,612
Amortization	18,131	45,457	63,588	15,164	32,234	47,398

(Continued)

(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 Group:

(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)	Amount of used loan facilities	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		Individual funding loan limits (Note 4)	Maximum limit of fund financing (Note 4)
													Item	Value		
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%	1	-	Working Capital	-	None	-	Net equity 20%= 594,266	Net equity 40%= 1,188,532

Note 1: Company numbering as follows:

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 of dollars)

Number (Note 1)	Name of guarantor	Counter-party of guarantee and endorsement		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
		Name	Relationship with the Company (Note 2)										
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)	-	7.6 %	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.

(Continued)

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

(In thousands of New Taiwan Dollars)

				Ending balance				Highest	
Name of holder	Category and name of security	Relationship with company	Account title	Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	Percentage of ownership (%)	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	0.30	
WIN Venture Capital Corp.	Sercomm Corporation / Stock	〃	〃	1,238	79,480	0.50	79,480	0.50	
〃	Allianz Global Investors Taiwan Money Market Fund	〃	〃	132	1,656	-	1,656	-	
〃	Capital Money Market Fund	〃	〃	289	4,652	-	4,652	-	
					103,263		**103,263**		
The Company	MagiCapital Fund II L.P.	〃	Non-current financial assets at fair value through profit or loss	-	183,842	5.81	183,842	5.81	
〃	CDIB Capital Growth Partners L. P.	〃	〃	-	57,076	3.30	57,076	4.17	
〃	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	14.25	
〃	NFC Fund II LP	〃	〃	-	9,986	19.41	9,986	19.41	
					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	10.51	
〃	MagiCap Venture Capital Co., Ltd/ Preferred Stock A	〃	〃	1,000	93,780	4.58	93,780	4.58	
〃	CDIB Capital Creative Industries Limited / Stock	〃	〃	5,000	106,761	3.33	106,761	3.33	
〃	New Future Capital Co., Ltd./ Stock	〃	〃	10,000	100,554	15.87	100,554	15.87	
〃	Grand Fortune Venture Corp. / Stock	〃	〃	5,000	57,400	6.87	57,400	6.87	
〃	ITEQ CORPORATION / Stock	〃	〃	24,116	1,205,785	7.96	1,205,785	8.04	
Win Semiconductors Cayman Islands Co., Ltd.	Broadcom Ltd./ Stock	Subsidiary's main client	〃	75	585,861	0.02	585,861	0.02	
〃	Anokiwave Inc. / Series B Preferred Stock	Subsidiary's client	〃	1,264	63,829	7.93	63,829	10.05	
WIN Venture Capital Corp.	Nisho Image Technology Inc. / Stock	The Company's client	〃	3,300	-	8.09	-	8.09	
〃	MOAI Electronics Corporation/Stock	None	〃	300	-	0.92	-	0.92	
〃	Merit Biotech INC./Stock	〃	〃	1,320	-	2.93	-	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	4.78	
					2,356,132		**2,356,132**	-	
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)	15.75	

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 Group 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 of New Taiwan 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 1)
〃	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 1)
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 2)
〃	Jiangsu Chainwin Kang Yuan Agriculture Development Co., Ltd.	〃	-	Investment through subsidiary	-	321,285	-	643,600	-	-	-	-	-	965,551 (Note 1)
〃	Jiangsu Merit/CM Agriculture Development Co., Ltd.	〃	-	〃	-	62,496	-	360,141	-	-	-	-	-	414,902 (Note 1)

Note 1: The amount of ending balance was calculated using equity method. The amount of the transaction and the ending balance had been offset in the consolidated financial statements.

Note 2: 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 buildings	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 buildings	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.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(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 of New Taiwan 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%	(Note)
Win Semiconductors Cayman Islands Co., Ltd.	The Company	Parent Company	Purchase	8,264,249	100 %	1~2 Month	-	-	(938,048)	100%	(Note)

Note: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

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

(In thousands of New Taiwan Dollars)

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

Note: The amounts of the transaction and the ending balance had been offset in the consolidated financial statements.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars)

No. (Note 1)	Name of company	Name of counter-party	Nature of relationship (Note 2)	Intercompany transactions			
				Account name	Amount	Trading terms	Percentage of the consolidated net revenue or total assets
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Operating revenue	8,264,249	Note 3	47.74%
0	The Company	Win Semiconductors Cayman Islands Co., Ltd.	1	Accounts receivable－related parties	942,499	〃	2.66%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Accounts payable－related parties	938,048	〃	2.65%
1	Win Semiconductors Cayman Islands Co., Ltd.	The Company	2	Operating costs	8,264,249	〃	47.74%
1	Win Semiconductors Cayman Islands Co., Ltd.	WIN SEMI. USA, INC.	3	Operating expenses	79,594	〃	0.46%
2	WIN SEMI. USA, INC.	Win Semiconductors Cayman Islands Co., Ltd.	3	Operating revenue	79,594	〃	0.46%

Note 1: Company numbering as follows:

Parent company－0

Subsidiary starts from 1

Note 2: The numbering of the relationship between transaction parties as follows:

Parent company to subsidiary－1

Subsidiary to parent company－2

Subsidiary to subsidiary－3

Note 3: There is no significant difference from transaction terms with non-related parties.

(Continued)

WIN Semiconductors Corp. and Its Subsidiaries
Notes to Consolidated Financial Statements

(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 New Taiwan Dollars)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount: December 31, 2018	Original investment amount: December 31, 2017	Balance as of December 31, 2018: Shares (in thousands)	Balance as of December 31, 2018: Percentage of ownership	Balance as of December 31, 2018: Carrying value	Highest Percentage of ownership	Net income (losses) of investee	Share of profits (losses) of investee	Remark
The Company	WIN SEMI. USA, INC.	California USA	Marketing	8,203	8,203	1,000	100.00 %	11,374	100.00 %	4,533	4,533	(Note 1)
〃	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	100.00 %	(200,462)	(200,462)	(Note 1)
〃	Inventec Energy Corporation	Taiwan	Solar component module manufacturing	-	640,197	11,768	34.52 %	-	34.52 %	-	-	
〃	WIN Venture Capital Corp.	Taiwan	Investment activities	250,000	250,000	25,000	100.00 %	172,815	100.00 %	12,978	12,978	(Note 1)
〃	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	39.89 %	(117,589)	(41,928)	(Note 1)
〃	CSDC Private Limited	Singapore	Development and manufacturing of compound semiconductors technologies	-	-	0.25	25.00 %	-	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	6.82 %	(117,589)	(7,333)	(Note 1)
〃	Winresp INC.	Taiwan	Developing and selling of water treatment system and wholesaling of medical appliances	40,000	-	2,500	18.52 %	36,227	19.38 %	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	49.30 %	(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	94.71 %	(257,508)	(237,736)	(Note 1)
Chainwin Biotech and Agrotech (Cayman Islands) Co., Ltd.	Formosa Fortune Group Co., Ltd.	British Virgin Islands	Investment activities	-	38,573	-	-	-	100.00 %	156	156	(Note 2)
Phalanx Biotech Group, Inc.	Phalanx Biotech Limited	Hong Kong	Investment activities	8,784	8,784	-	100.00 %	(23,953)	100.00 %	(6,906)	(6,906)	(Note 1)
〃	PhalanxBio, Inc.	USA	Selling of high density gene chip and test service	208,110	208,110	2,550	100.00 %	(1,293)	100.00 %	(3,139)	(3,139)	(Note 1)

Note 1: The amount of the transaction had been offset in the consolidated financial statements.

Note 2: 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: Outflow	Investment flows: Inflow	Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Highest percentage of ownership	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
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 %	94.71 %	(87,944) (USD (2,920))	965,551 (USD 31,431)	-	(note 8)
Jiangsu Chainwin Agriculture and Animal Technology Co., Ltd.	Farm feed developing 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 %	94.71 %	(12,108) (USD (411))	281,203 (USD 9,154)	-	(note 8)
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 %	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 %	85.99 %	(4,788) (USD (156))	414,902 (USD 13,506)	-	(note 8)
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 %	56.83 %	(337) (USD (12))	82,954 (USD 2,700)	-	(note 7) (note 8)
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 %	94.71 %	(3) (USD (0.34))	56,813 (USD 1,849)	-	(note 8)
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 %	45.71 %	(6,906) (RMB (1,520))	(23,953) (RMB (5,359))	-	(note 8)

(Continued)

(ii) Limitation on investment in Mainland China:

(In thousands of dollars)

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

Note 2: The Group invested in Mainland China companies through Phalanx Biotech Limited (HK), 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.

Note 8: The amount of the transaction and the ending balance had been offset in the consolidated financial statements.

(iii) Significant transactions: None.

(14) Segment information:

(a) The Group’ s reportable segment is the foundry segment. The foundry segment engages mainly in researching, developing, manufacturing, and selling of GaAs wafers, etc.

Other operating segments are mainly engaged in investment activities agriculture technology and gene chip and testing, which do not exceed the quantitative thresholds to be reported.

(b) Operating segment profit or loss (includes reportable segment revenue and expenses), segment assets, segment liabilities, and their measurement and reconciliations for the years ended December 31, 2018 and 2017, the reportable amount is similar to that in the report used by the operating decision maker and the operating segment accounting policies are similar to the ones described in note 4 “significant accounting policies” were as follows:

2018	**Foundry**	**Other**	**Reconciliation and elimination**	**Total**
Revenue：				
Revenue from external customers	$ 16,932,784	377,932	-	17,310,716
Interest expenses	$ 22,456	-	-	22,456
Depreciation and amortization	$ 3,174,490	44,797	2,851	3,222,138
Shares of losses of associates and joint ventures accounted for using equity method	$ (17,701)	(100,136)	-	(117,837)
Reportable segment profit or loss	$ 3,496,670	(288,477)	(2,851)	3,205,342
Assets:				
Capital expenditures in noncurrent assets	$ 5,135,225	503,009	-	5,638,234

2017	**Foundry**	**Other**	**Reconciliation and elimination**	**Total**
Revenue：				
Revenue from external customers	$ 16,663,899	422,456	-	17,086,355
Interest expenses	$ 54,946	-	-	54,946
Depreciation and amortization	$ 2,529,494	29,639	2,877	2,562,010
Shares of losses of associates and joint ventures accounted for using equity method	$ (129,304)	(37,483)	-	(166,787)
Reportable segment profit or loss	$ 4,648,412	(59,939)	(19,138)	4,569,335
Assets:				
Capital expenditures in noncurrent assets	$ 3,548,838	530,671	-	4,079,509

(Continued)

The segment profit or loss, assets and liabilities of the operating segment above were consistent with the related accounts shown in the consolidated balance sheets and consolidated statements of comprehensive income of the Group.

(c) Segment information by products and services

The information from the product and the service segment coincides with the administrative segment, and its revenue from external customers was disclosed in Note 14(b).

(d) Geographic information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Revenue from external customers for the years ended December 31, 2018 and 2017 were as follows:

Area	2018	2017
External Customers:		
America	$ 4,169,406	3,141,216
Asia	10,369,004	10,564,507
Taiwan	2,131,793	2,838,695
Europe	640,513	540,249
Australia	-	1,688
Total	**$ 17,310,716**	**17,086,355**

Area	December 31, 2018	December 31, 2017
Non-current Assets:		
Taiwan	$ 18,991,047	17,327,761
Asia	782,588	357,399
America	232	292
Total	**$ 19,773,867**	**17,685,452**

Non-current assets include property, plant and equipment, investment property, intangible assets and prepayments for business facilities; not including financial instruments, goodwill and deferred tax assets.

(Continued)

Win Semiconductors Corp. and Subsidiaries
Notes to the Consolidated Financial Statements

(e) Major customers

For the years ended December 31, 2018 and 2017, sales to customers greater than 10% of net revenue were as follows:

	2018		2017	
	Net revenue amount	**Percentage of net revenue (%)**	**Net revenue amount**	**Percentage of net revenue (%)**
Operating revenue of the Group-A company	$ 2,875,850	17	2,024,175	12
Operating revenue of the Group-B company	2,788,677	16	3,634,444	21
Operating revenue of the Group-C company	1,969,031	11	829,043	5
Operating revenue of the Group-D company	1,315,655	8	1,998,397	12
Operating revenue of the Group-E company	11	-	1,697,935	10
	$ 8,949,224	**52**	**10,183,994**	**60**

APPENDIX II:

WIN SEMICONDUCTORS CORP.

Parent-Company-Only Financial Statements

With Independent Auditors' Report

For the Years Ended December 31, 2018 and 2017

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.

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

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

(Continued)

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

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.

(Continued)

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

2) Impacts on financial statements

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

Impacted items on the balance sheet	December 31, 2018 Balance prior to the adoption of IFRS 15	December 31, 2018 Impact of changes in accounting policies	December 31, 2018 Balance upon adoption of IFRS 15	January 1, 2018 Balance prior to the adoption of IFRS 15	January 1, 2018 Impact of changes in accounting policies	January 1, 2018 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).

(Continued)

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

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.

(Continued)

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

	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.

(Continued)

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

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

(Continued)

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

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.

(Continued)

- 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. ”

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(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;

(Continued)

- 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.

(Continued)

WIN Semiconductors Corp.
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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.

(Continued)

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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；

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- 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.

(Continued)

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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.

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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.

(Continued)

WIN Semiconductors Corp.
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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)

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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)

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.

(Continued)

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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.

(Continued)

(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.

(Continued)

(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.

(Continued)

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)

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.

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(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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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)

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

(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

(Continued)

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	**$ -**	**-**	**-**

(Continued)

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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**

(Continued)

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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.

(Continued)

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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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Notes to the Parent-Company-Only Financial Statements

(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.

(Continued)

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

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.

(Continued)

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

(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%**

(Continued)

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

(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.

(Continued)

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

(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)

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

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)

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

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.

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

(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)

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

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

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

(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.

(Continued)

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

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.

(Continued)

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

(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**

(Continued)

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

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

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

(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

(Continued)

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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)**

(Continued)

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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).

(Continued)

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Notes to the Parent-Company-Only Financial Statements

(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**

(Continued)

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.

(Continued)

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**

(Continued)

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

(Continued)

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: Favorable	Effects of changes in fair value on profit or loss: Unfavorable	Effects of changes in fair value on other comprehensive income: Favorable	Effects of changes in fair value on other comprehensive income: 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.

(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.

(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.

(Continued)

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

(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.

(Continued)

Win Semiconductors Corp.

Notes to the Parent-Company-Only Financial Statements

(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				Remark
				Shares/Units (in thousands)	Carrying value	Percentage of ownership (%)	Fair value	
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)

Win Semiconductors Corp.

Notes to the Parent-Company-Only Financial Statements

(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.

(Continued)

(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.

(Continued)

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

(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.

Chairman: Chin-Tsai Chen