Stock Code: 3265

Winstek Semiconductor Co., Ltd.

2018
Annual Report

Published on April 30, 2019

Check the annual report at: http://mops.tse.com.tw

I. Name, Job title, Contact telephone number and email of the Company's Spokesperson and Deputy Spokesperson:

Name of Spokesperson	:	Liu Kuei Chu
Job Title of Spokesperson	:	Deputy Director of Finance Division
Contact Number	:	03-5936565 ext.133
Email Address	:	kevin.liu@winstek.com.tw
Name of Deputy Spokesperson	:	Chao Tzu Chieh
Job Title of Deputy Spokesperson	:	Assistant General Manager of Business Development Division
Contact Number	:	03-5936565 ext.612
Email Address	:	matt.chao@winstek.com.tw

II. Addresses and Telephone Numbers of Corporate Headquarters, Subsidiaries and Factories

Corporate Headquarters Address	:	No.176-5, Luliao Pit, 6 Ling, Hualung Chun, Chiung Lin, 307 Hsin-Chiu Hsien, Taiwan
Phone	:	03-5936565
Factory Address	:	No.176-5, Luliao Pit, 6 Ling, Hualung Chun, Chiung Lin, 307 Hsin-Chiu Hsien, Taiwan
Tel	:	03-5936565

III. The name, address, telephone number and website of the shares transfer agent:

Name	:	Yuanta Securities Co., Ltd.
Address	:	B1 No.210, Section 3, Chengde Road, Datong district, Taipei 103
Website	:	www.yuanta.com.tw
Phone	:	02-25865859

IV. Names of the CPAs of the financial report of the most recent year, and their accounting firm's name, address, website and telephone number:

Name of CPA	:	CPA Li Tien I and Chiang Tsai Yen
Accounting Firm	:	PricewaterhouseCooper (PwC Taiwan)
Address	:	27th Floor, 333, Section 1, Keelung Road, Taipei
Website	:	http://www.pwcglobal.com.tw
Tel	:	02-2729 6666

V. Name of any overseas securities trading agency and method for inquiring information of such overseas securities: Not applicable

VI. Company website: http://www.winstek.com.tw

VII. The primary OTC listed company shall be published: not applicable

Table of Contents

Page

Chapter 1 Letter to Shareholders----------1

Chapter 2 Company Profile----------3

I. Date of Establishment ----------3

II. Corporation Overview---------- 3

Chapter 3 Corporate Governance ---------- 8

I. Organization System---------- 8

II. Information regarding Directors, Supervisors, Presidents, Senior Vice Presidents, Vice Presidents, and Management Team----------10

III. Corporate Governance Overview----------24

IV. Information on CPA Audit Fees----------45

V. CPA's Information ----------46

VI. The State of the Company's Chairperson, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in The Most Recent Year Held a Position at The Accounting Firm of Its Certified Public Accountant or At an Affiliated Enterprise of Such Accounting Firm ---------- 47

VII. Net Change in shareholding and in Shares Pledged by Directors, Supervisors, Management, and Shareholders with 10% Shareholdings or More in 2018 and as of the Date of this Annual Report----------48

VIII. Related Party Relationship among Our Top 10 Largest Shareholders-49

IX. Consolidated Shareholding Percentage ----------49

Chapter 4 Funding Status ----------50

I. Capital and Shares ----------50

II. Issuance of Corporate Bonds----------56

III. Preferred Shares----------56

IV. Global Depository Receipts ----------56

V. Status of Employee Stock Option Plan and Employee Restricted Stock----------56

VI. Status of New Shares Issuance in Connection with Mergers or Acquisitions----------56

VII. State of Implementation of the Company’s Capital Allocation Plans--56

Chapter 5 Overview of Operations ----------57

I. Business Activities----------57

II. Market Overview ----------63

III. Employee Information ----------69

IV. Information on Environmental Protection Expenditure ----------69
V. Labor Management Relations ----------70
VI. Material Contracts ----------72
Chapter 6 Financial Overview----------73
I. Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent 5 Fiscal Years ----------73
II. Financial Analyses of the Most Recent 5 Fiscal Years----------77
III. Audit Committee's Review Report for the Most Recent Annual Financial Report ----------81
IV. Financial Statement for the Most Recent Fiscal Year (Consolidated Financial Report) ----------82
V. Parent Company Only Financial Statements and Auditors' Report --------- 151
VI. The State of the Company and Its Affiliates Have Incurred any Financial or Cashflow Difficulties ---------- 223
Chapter 7 Review, Analysis and Risks of Financial Status and Performance --------- 224
I. Financial Status---------- 224
II. Financial Performance Analysis---------- 225
III. Cash Flow Analysis ---------- 226
IV. Major Capital Expenditures and Impact on Financial and Business in Recent Years---------- 227
V. Reinvestment Policy ---------- 227
VI. Risks Management and Assessment ---------- 227
VII. Other Important Matters---------- 230
Chapter 8 Special Notes---------- 231
I. Subsidiary Information ---------- 231
II. Status of Private Placement Securities ---------- 239
III. Status of the Company's Common Shares and ADRs Acquired, Disposed of, and Held by Subsidiaries ---------- 239
IV. Other Necessary Supplement ---------- 239
V. Any events in 2018 and as of the Date of this Annual Report that had Significant Impacts on Shareholders' Right or Securities Prices as Stated in Item 2 Paragraph 2 of Article 36 of Securities and Exchange Law of Taiwan ---------- 239
VI. The Primary OTC Listed Company Shall Include an Explanation of Any Material Differences from The Rules of Taiwan in Relation to the Protection of Shareholder Equity---------- 239

Chapter 1 Letter to Shareholders

The underrated global smartphone shipments, the uncertainty of cryptocurrency mining business opportunity, and the trade friction between China and the United States have made the semiconductor supply chain unstable. The year-on-year growth rate of the overall output value in the semiconductor industry has increased slightly.

With the support of all the colleagues and customers, the overall operating results of the Company for last year are reported as follows:

I. The consolidated operating income for the year 2018 was NT$2.87 billion,0.9% up compared with that of NT$2.84 billion in the previous year. The net income after tax for the year 2018 was NT$330 million, which was lower by NT$400 million compared with that of NT$730 million in the previous year. The earnings per share for the year 2018 was NT$2.42, which was lower by NT$2.92 compared with that of NT$5.34 for the previous year.

II. Budget performance: The Company did not disclose the financial forecast in year 2018.

Analysis of Financial Structure, Solvency and Profitability

The financial structure of the Company has been maintained sound and stable. The condition of financial structure, solvency and profitability are shown in the table below:

Item		Individual Financial Statements		Consolidated Financial Statements	
		2018	2017	2018	2017
Financial Structure	Debt Ratio (%)	10.3%	8.6%	20.9%	28.7%
	Long-Term Funds to Fixed Assets (%)	696.6%	658.8%	251.3%	205.7%
Liquidity Analysis	Current ratio (%)	418.3%	415.6%	671.6%	225.7%
	Quick Ratio (%)	402.5%	407.0%	648.5%	219.0%
Profitability	Return on Total Assets (%)	6.7%	16.6%	5.9%	11.8%
	Return on Shareholder's Equity (%)	7.4%	18.0%	7.4%	18.0%
	Net Margin (%)	30.4%	71.3%	11.5%	25.6%
	Earnings Per Share (NT$)	2.42	5.34	2.42	5.34

The Condition of Research and Development

With the purpose of matching the terminal application market demand and of maintaining the close relationship with our customers, the Company will invest in advanced testing and packaging technology for the high-end new products applications such as the data center and server, automotive electronics, artificial intelligence, smart family, Internet of things, smart voice, biological wafer, health measurement wafer, wireless charging wafer and 5G applications, and so on.

Business Strategy and Policy for This Year

Keep close partnership with our customers with the delivering of advanced technology and the commitment to research and development investment in high level semiconductor packaging and testing field. In addition to maintaining stable cooperation relationships with the existing major

customers, timely introduce the service requirements of new products for customers; In order to meet the needs of customers for new products and services, the Company will extend the scope of packaging and testing services, and provide more in-depth integration services such as customer product reliability verification services and failure analysis services, etc., and actively look for new customers to increase the proportion of revenue.

Integrate resources to strengthen business performance, actively research and develop new processes, reduce production costs and improve production efficiency, cautiously expand capacity, give full play to the maximum benefits of capacity, to ensure the profitability and sustainable growth of enterprises.

Impact of External Environmental, Regulatory and Overall Business Environment

Since 2018, the global smartphone market has been saturated gradually, which led to the decline on the number of orders in the semiconductor supply chain. The impact of China-US trade frictions would diminish the overall demand on semiconductor industry should the U.S. sanctions against China are extended to PC, server, mobile phones, TV and other terminal products. Given the fact that the China-US trade war intensifies, China might cement its will of technology autonomy and accelerate its nationalization of semiconductor industry, which raises the concern of brain drains in our country. However, the global semiconductor industry will enter another cycle of global silicon content ascension cycle driven by AI, Internet of things, automotive electronics, high-speed computing and 5G, which means that the semiconductor industry will further enhance its importance and demand in the field of science and technology, and also provide opportunities for the development of new business for our semiconductor industry.

Looking forward to this year, the global economy is clouded by the impact of China-US trade frictions and remains uncertainty. At present, the application trend of electronic products has extended from consumer electronics in the past to the fields with value-added of AI and IoT products. In order to achieve real-time information capture and judgment, the future device computing will achieve the communication quality of high frequency bandwidth and low latency with the help of 5G technology. With the dawn of 5G era and the high growth of AI, IoT products and self-driving cars, the demand for wafer level packaging and testing will continue to grow.

Thank you for continuous support and encouragement from all our shareholders to the Company. We will adhere to the strategy of consistently seeking for development steadily to strike for the best interests of the Company and live up to the expectations of our shareholders. Wish all shareholders, ladies and gentlemen

good health and good luck.

Winstek Semiconductor Co., Ltd.

Chairman of the Board: Huang Hsing Yang

Chapter 2 Company Profile

I. Date of Establishment: April 26, 2000

II. Corporation Overview

Date	Record of Events
April 2000	On April 26, the Company was established with paid-up capital of NT$20,000,000
May 2000	Chubei plant was completed
May 2000	Erection of machinery and equipment was completed in Chubei plant
June 2000	Formal mass production
July 2000	Opening ceremony of new workshop in Chiung Lin
October 2000	Qualified by QS9000 Certification
November 2000	Qualified by IECQ Certification
January 2001	Introduced ERP system
April 2001	Completion and opening ceremony of Chiung Lin new factory
August 2001	Singapore Merchants STATS invested in Winstek Semiconductor Corporation, acquiring a 51% stock equity
October 2001	Opening ceremony of Chiung Lin factory
November 2001	Passed the bonded factory audit by the Ministry of Finance Taipei Customs
December 2001	Passed TSMC outsourcer audit, becoming a qualified TSMC outsourcer
December 2001	Passed the audit of licensed semiconductor subcontractor, becoming a licensed qualified outsourcer
December 2001	On December 14, the opening ceremony of bonded factory of Winstek Semiconductor Corporation (the Taipei Customs Bureau of Ministry of Finance officially took over)
January 2002	Won the first place of TSMC Outsourcer Evaluation in the fourth quarter of the year 2001
June 2002	Passed the outsourcer audit of Macronix International Co., Ltd., becoming a qualified outsourcer of Macronix
October 2002	Introduced the TS16949 Quality System
October 2002	Won the first place in UMC Outsourcer Evaluation in October 2002
April 2003	Made up for a public offering
June 2003	Won the first place in TSMC Outsourcer Evaluation in May, 2003
June 2003	Passed the TS16949 Quality System Certification
September 2003	Won the award of UMC Outsourcer Evaluation in 2003
September 2003	Won the award of TSMC Outstanding Outsourcer System Support in 2003
December 2003	Awarded as the Excellent Performance Partner of Faraday Technology in 2003
January 2004	The Company's stock was registered as emerging stock
March 2004	Won the award of TSMC Outstanding Outsourcer System Support in 2004
May 2004	Won the first place in TSMC Outsourcer Evaluation
June 2004	Won the award of UMC Excellent Outsourcer Evaluation
June 2004	Qualified by ISO 14000 Certification

Date	Record of Events
February 2005	Approved by the Securities and Futures Bureau(SFB), Financial Supervisory Commission(FSC) for OTC-listing
August 2005	Officially listed OTC
April 2006	Won the Best Contribution Award of TSMC Outsourcer
June 2006	Obtained the patent of new researched and developed product "Wafer Duster" from the Intellectual Property Office of the Ministry of Economic Affairs
September 2006	Qualified by OHSAS Occupational Safety and Health System Certification
September 2006	Qualified by ISO9001 Quality System/ISO14001 Environmental System Extended Certification
May 2007	Awarded the Strategic Alliance Manufacturer and the 2006 Premium Bonded Factory Award from the Taipei Customs Bureau
October 2007	Renamed as "STATS ChipPAC Taiwan Semiconductor Corporation"
February 2008	Won the honor of "Best Outsourcer of the Year 2007" of Faraday Technology, Initio Semiconductor Corp. and Modiotek
April 2008	Passed the Revision Certification of OHSAS 18001 2007 Occupational Safety and Health System Certification
May 2008	Won the 2007 Excellent Quality Supplier Award by Intel corporation
September 2008	Awarded the 2007 Premium Bonded Factory Award from the Taipei Customs Bureau
January 2009	Won the Evaluation Award of TSMC Quality System Level 1
February 2009	Won the honor of "Best Outsourcer of the Year 2008" of Faraday Technology
April 2009	Passed the Revision Certification of ISO9001 Quality System - Edition 2008
April 2009	Passed the Renewal Certification of ISO14001 Environmental System - Edition 2004
April 2009	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
May 2009	Won the honor of "Best Outsourcer of the Year 2008" of UMC Company
October 2009	Awarded the 2008 Premium Bonded Factory Award from the Taipei Customs Bureau
January 2010	Won the Evaluation Award of TSMC Quality System Level 1 of the Year 2009
February 2010	Won the honor of "Best Outsourcer of the Year 2009" of Faraday Technology
April 2010	Passed the Revision Certification of ISO9001 Quality System - Edition 2008
April 2010	Certified by the TS16949 Quality System Certification - Edition 2009
April 2010	Passed the Renewal Certification of ISO14001 Environmental System - Edition 2004
April 2010	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
October 2010	Awarded the 2009 Premium Bonded Factory Award from the Taipei Customs Bureau
November 2010	Obtain the Certification of Sony Green Partner

Date	Record of Events
November 2010	Obtain the Qualified Suppliers Recognition of Sony
January 2011	Won the Evaluation Award of TSMC Quality System Level 1 of the Year 2010
May 2011	Conducted cash capital reduction to return stock capital, reduce capital ratio by 50%.
June 2011	WLCSP was certified by ISO9001 Quality System - Edition 2008
September 2011	Awarded the 2010 Premium Bonded Factory Award from the Taipei Customs Bureau
April 2012	Obtained the Certification of Qualified Supplier of Sony in 2012
October 2012	Awarded the 2011 Premium Bonded Factory Award from the Taipei Customs Bureau
May 2013	Passed the Renewal Certification of ISO9001 Quality System - Edition 2008
May 2013	Passed the Renewal Certification of TS16949 Quality System - Edition 2009
May 2013	Passed the Renewal Certification of ISO14001 Environmental System - Edition 2004
May 2013	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
March 2014	Passed the Renewal Certification of ISO9001 Quality System - Edition 2008
March 2014	Passed the Renewal Certification of TS16949 Quality System - Edition 2009
March 2014	Passed the Renewal Certification of ISO14001 Environmental System - Edition 2004
March 2014	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
September 2014	Awarded the 2013 Premium Bonded Factory Award from the Taipei Customs Bureau of Ministry of Finance
July 2015	The Company acquired 100% equity of the subsidiary "Winstek Semiconductor Technology Co., Ltd." for US$ 15,000,000. STATS ChipPAC Ltd., the original parent company of the Company, transferred all its shares in the Company to Bloomeria Limited, the Company and its subsidiary Winstek Semiconductor Technology Co., Ltd. secede from the Group STATS ChipPAC Ltd.
July 2015	The Company and its subsidiary Winstek Semiconductor Technology Co., Ltd. signed the credit contract with Singapore's DBS Bank of total amount of US$127,000,000.
August 2015	The Company and its subsidiary Winstek Semiconductor Technology Co., Ltd. signed a five-year technical service agreement with STATS ChipPAC Ltd. to provide wafer level packaging and testing services.
September 2015	The Company was renamed as Winstek Semiconductor Co., Ltd.
September 2015	Awarded the 2014 Premium Bonded Factory Award from the Taipei Customs Bureau of Ministry of Finance
May 2016	Passed the Renewal Certification of ISO9001 Quality System - Edition 2008
May 2016	Passed the Renewal Certification of TS16949 Quality System - Edition 2009

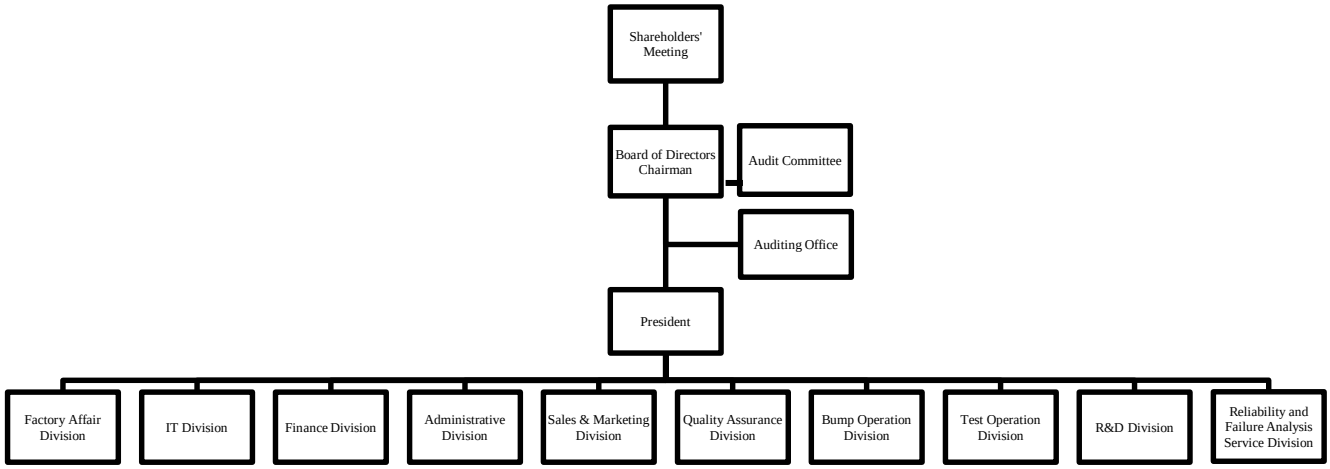
Date	Record of Events
May 2016	Passed the Renewal Certification of ISO14001 Environmental System - Edition 2004
May 2016	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
September 2016	Awarded the 2015 Premium Bonded Factory Award from the Taipei Customs Bureau of Ministry of Finance
March 2017	Passed the Renewal Certification of ISO9001 Quality System - Edition 2008
March 2017	Passed the Renewal Certification of TS16949 Quality System - Edition 2009
March 2017	Passed the Renewal Certification of ISO14001 Environmental System - Edition 2004
March 2017	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
September 2017	Awarded the 2016 Premium Bonded Factory Award from the Taipei Customs Bureau of Ministry of Finance
October 2017	Sigurd Microelectronics Corporation indirectly acquired 51.88% equity of the Company, becoming the ultimate parent company of the Company
March 2018	Passed the Revision Certification of ISO9001 Quality System - Edition 2015
March 2018	Passed the New Edition Certification of IATF16949 Quality System - Edition 2016
March 2018	Passed the Revision Certification of ISO14001 Environmental System - Edition 2015
March 2018	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
March 2018	Passed the Certification of ISO/IEC17025 Laboratory Quality Management System - Edition 2017
September 2018	Awarded the 2017 Premium Bonded Factory Award from the Taipei Customs Bureau of Ministry of Finance
March 2019	Passed the Renewal Certification of ISO9001 Quality Management System - Edition 2015
March 2019	Passed the Renewal Certification of IATF16949 Quality Management System - Edition 2016
March 2019	Passed the Renewal Certification of ISO/IEC17025 Laboratory Quality Management System - Edition 2017
March 2019	Passed the Renewal Certification of ISO14001 Environmental

Date	Record of Events
	Management System - Edition 2015
March 2019	Passed the Renewal Certification of OHSAS 18001 - Edition 2007 Occupational Safety and Health System Certification
March 2019	Obtained the Appreciation Award of 2018 Excellent Performance from Global Foundries (GBF)

Chapter 3 Corporate Governance Overview

I. Organization System

1. Organization Structure



2. Responsibilities and Functions of Major Divisions

Division	Responsibilities
President Office	1. Collect various business information and assist the President in developing various business plans. 2. Assist the Company to establish a complete business system, evaluate the plans proposed by various departments, and assist in the formation of company decisions. 3. Call meetings presided over by the President, and track meeting minutes and resolutions. 4. Plan and promote the rationalization of corporate operations. 5. Assist the superior to carry out technical consultation of quality activities. 6. Provide countermeasures to problems related to production and technology throughout the Company. 7. Undertake and handle project matters assigned by the superior.
R&D Division	1. Set up a cross-functional team to coordinate the pre-production of mass production. 2. Develop product testing, confirm product production specifications, and assist in preparation for mass production. 3. Assist production line in technical improvement and test capability improvement. 4. Research and develop software interface and IC design automatic conversion engineering. 5. Research and develop software interface and test machine production program automation engineering. 6. Database integration of production line and test machines. 7. Production software automation and system connection. 8. Research and develop test equipment and test peripheral equipment. 9. Integration of automation hardware system.
Quality Assurance Division	1. Implement incoming inspection, in-process and final inspection. 2. Verification of new products, equipment and processes. 3. Maintenance of working environment. 4. Pre-warning for quality change and requirement improvement. 5. Manage the documentation control center. 6. Supervise and maintain the internal quality system and formulate the quality manual. 7. Coordinate the quality target setting and implementation. 8. Inspection, measurement, calibration and management of test equipment. 9. Customer quality complaint management.

Division	Responsibilities
	10. Verification of nonconformities, corrections and preventive actions.
Administrative Division	1. Personnel administration and human resource development management. 2. Education and training plan formulation, implementation and effect tracking. 3. General affairs management. 4. Procurement management of the whole factory. 5. Import and export affairs handling and progress tracking. 6. Product export declaration and information management. 7. Bonded business management. 8. Promotion and management of corporate social responsibility and RBA affairs.
Finance Division	1. General accounting treatment. 2. Cost accounting. 3. Tax planning. 4. Financial planning and working capital management. 5. Budget management implementation and monitoring. 6. Various investment matters. 7. Operation management of investors, shareholders and stock affairs.
Test Operation Division	1. Provide IC wafer and chip testing services. 2. Training and certification of manufacturing personnel and achievement of production capacity targets. 3. Scheduling of production planning and output follow-up, receipt and delivery management of warehousing materials. 4. Engineering support and engineering yield improvement for customer demand. 5. Development and introduction of new customers and new products. 6. Process optimization, equipment efficiency improvement and production cost reduction.
Bump Operation Division	1. Provide wafer bump and wafer level packaging services. 2. Training and certification of manufacturing personnel and achievement of production capacity targets. 3. Scheduling of production planning and output follow-up, receipt and delivery management of warehousing materials. 4. Engineering support and engineering yield improvement for customer demand. 5. Development and introduction of new customers and new products. 6. Process optimization, equipment efficiency improvement and production cost reduction.
Sales & Marketing Division	1. Plan, expand, sell and undertake the domestic and foreign markets and business of the Company. 2. Execute and follow up customer order status, respond to customer demand and customer relationship management.
Auditing Office	Responsible for the establishment, implementation and auditing of internal control system and internal audit system, and put forward improvement suggestions.
MIS	1. Network infrastructure maintenance. 2. Server management (including WEB, DB, Mail, FTP, File...etc.). 3. Software and hardware maintenance for clients. 4. Database management and backup. 5. Website management (including company homepage, webpage design and maintenance...etc.). 6. Planning, development and maintenance of the E.R.P. system. 7. Production software automation and system connection.
Factory Affair Division	1. Plant design, planning and construction. 2. Management and maintenance of water, electricity and material pipelines for production. 3. Plant maintenance, inspection and management.
Reliability and Failure Analysis Service Division	1. Accept clients' entrustment to carry out reliability test and failure analysis of semiconductor components. 2. Provide SMT process, accelerated environmental pressure test, accelerated life simulation test, electrical verification test, mechanical pressure test and other services. 3. Assist customers in performing failure analysis of failed products according to customers' requirements, including electrical characteristics testing, sample pretreatment, non-destructive analysis and other services.

II. Information regarding Directors, Supervisors, Presidents, Senior Vice Presidents, Vice Presidents, and Management Team

1. Information of Directors

(1) Information Regarding Board Members

April 12, 2019; Unit: Share, NT$ thousand

Title	Nationality or Place of Registration	Name	Gender	Date First Elected	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement (shares)		Major Education and Work Experience	Current Position at Winstek and Other Companies	Managers, Directors and Supervisors Who are Spouses or Within Second-degree Relative of Consanguinity to Each Other:		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation
Chairman	Singapore	Singapore Merchants Bloomeria Limited Representative: Huang Hsing Yang	Male	November 2017	November 2017	3 years	70,694,438	51.88	70,694,438	51.88	0	0	0	0	Management Master at National Taiwan University General Manager of Schlumberge Limited.	1. Chairman and Chief Executive Officer of Sigurd Microelectronics Corporation 2. Director of reinvestment company of Sigurd Microelectronics Corporation 3. Director of Singapore Merchants Bloomeria Limited4. Chairman of Winstek Semiconductor Technology Co., Ltd.	None	None	None
Director	Republic of China	Weng Chih Li	Male	May 2000	November 2017	3 years	571,507	0.42	571,507	0.42	0	0	0	0	Education: Master of Illinois Institute of Technology Working Experience: 1. General Manager at World-Wide Test Technology Inc. 2. Deputy Assistant General Manager of IC Test Division at Formosa Advanced Technologies Co., LTD 3. Sales & Marketing Director at Advanced Semiconductor Engineering, Inc. (Branch in American)	1. General Manager of the Company 2. Director and General Manager of Winstek Semiconductor Technology Co., Ltd	None	None	None
Director	Singapore	Singapore Merchants Bloomeria Limited Representative: Yeh Ts'an Lien	Male	November 2017	November 2017	3 years	70,694,438	51.88	70,694,438	51.88	0	0	0	0	Education: 1. Bachelor of Department of Electronic Physics at National Chiao Tung University 2. Master of Institute of Enterprise Management of National Chiao Tung University Working Experience: 1. General Manager of Ouxiang Technology Co.,	1. Director, General Manager and operation officer of Sigurd Microelectronics Corporation 2. Director of reinvestment company of Sigurd Microelectronics Corporation 3. Director of Singapore Merchants Bloomeria Limited	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date First Elected	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement (shares)		Major Education and Work Experience	Current Position at Winstek and Other Companies	Managers, Directors and Supervisors Who are Spouses or Within Second-degree Relative of Consanguinity to Each Other:		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation
															Ltd., 2. General Manager of Semiconductor Division of Chroma ATE Inc.				
Director	Singapore	Singapore Merchants Bloomeria Limited Representative: Wu Min Hung	Male	November 2017	November 2017	3 years	70,694,438	51.88	70,694,438	51.88	0	0	0	0	Education: Bachelor of Department of Electronics at National Taiwan Institute of Technology Working Experience: General Manager of Schellenberg Systems Technology Co., Ltd.	1. Director, Executive Assistant General Manager and Chief Financial Officer of Sigurd Microelectronics Corporation 2. Director of reinvestment company of Sigurd Microelectronics Corporation 3. Director of Chen Jun Co., Ltd. 4. The representative of a legal person Director of ENE Technology Inc. 5. The representative of a legal person Director of Yanyuan Investment Co., Ltd. 6. The representative of a legal person Director and appointed as the chairman of Chengyuan Technology Co., Ltd. 7. Director of Singapore Merchants Bloomeria Limited 8. Director of Winstek Semiconductor Technology Co., Ltd.	None	None	None
Director	Singapore	Singapore Merchants Bloomeria Limited Representative: Kuo Hsü Tung	Male	November 2017	November 2017	3 years	70,694,438	51.88	70,694,438	51.88	0	0	0	0	Education: Bachelor of the Department of Electrical Engineering at National Cheng Kung University Working Experience: 1. Chairman of Panther 2. Executive Assistant General Manager & Chief Technology Officer of Walsin Advanced 3. Chairman and General Manager of Hongyu Semiconductor Co., Ltd.	1. General Manager and deputy chief operation officer of Sigurd Microelectronics Corporation 2. Director of reinvestment company of Sigurd Microelectronics Corporation	None	None	None
Director	Singapore	Singapore Merchants Bloomeria Limited Representative:	Male	November 2017	November 2017	3 years	70,694,438	51.88	70,694,438	51.88	0	0	0	0	Education:1. Bachelor of Chemical Engineering Department at Yuan Ze Engineering College	Senior Assistant General Manager of business at Sigurd Microelectronics Corporation	None	None	None

Title	Nationality or Place of Registration	Name	Gender	Date First Elected	Date Elected	Term	Shareholding when Elected		Current Shareholding		Spouse and Minor Shareholding		Shareholding by Nominee Arrangement (shares)		Major Education and Work Experience	Current Position at Winstek and Other Companies	Managers, Directors and Supervisors Who are Spouses or Within Second-degree Relative of Consanguinity to Each Other:		
							Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation
		Hsieh Chao Hung																	
Independent Director	Taiwan	Lin Min K'ai	Male	November 2017	November 2017	3 years	0	0	0	0	0	0	0	0	Education: Bachelor of Accounting Institute of National Cheng Kung University Working Experience: 1. Investment/financial planning high commissioner at GM Office/special assistant to the chairman/Director of the Auditing Office/chief secretary of CHC Group 2. Supervisor of Walton Cement International/CHC Construction/Lintes Technology Co., Ltd.	1. Remuneration committee member of the Company 2. Independent Director and remuneration committee member of Sigurd Microelectronics Corporation	None	None	None
Independent Director	Taiwan	Wei Jên Yü	Male	June 2006	November 2017	3 years	0	0	0	0	420	0	0	0	Education: Bachelor of Institute of Business Administration at National Chengchi University Working Experience: 1. Deputy Assistant General Manager of Investment Department at Huasheng International Investment Corp. 2. Assistant General Manager of Entire Technology Co., Ltd.	1. Remuneration committee member of the Company 2. Partner of MagiCapital Group Limited.	None	None	None
Independent Director	USA	Wen-chou Vincent Wang	Male	September 2015	November 2017	3 years	0	0	0	0	0	0	0	0	Ph.D. Materials Science & Engineering from Cornell University, Ithaca, New York, was Senior Vice President for STATSChipPAC Ltd, Head of Flip Chip Engineering for Altera Corporation, San Jose	None	None	None	None

(2) Major Shareholders of Winstek's Director that are Institutional Shareholders

Director that is an Institutional Shareholders of Winstek	Top 10 Shareholders
Singapore Merchants Bloomeria Limited	Sigurd Microelectronics Corporation (100%)

Representative of Top 10 Institutional Shareholders (April 15, 2019)

Director that is an Institutional Shareholders of Winstek	Top 10 Shareholders
Sigurd Microelectronics Corporation	Yanyuan Investment Co., Ltd.(5.91%)
	The American branch of JP Morgan Chase Bank was entrusted to host the investment account of Robeco Capital Growth Fund (3.82%)
	Citibank hosting the Norwegian Central Bank investment account (2.18%)
	Bank of Taiwan is entrusted to host LSV Emerging Market Equity Fund Limited Partnership Investment Account (1.78%)
	Huang Hsing Yang (1.73%)
	Standard Chartered Bank hosting iShares Emerging Markets ETF (1.68%)
	Ch'iu Ming Ch'un (1.43%)
	The American JP Morgan Chase Bank Taipei Branch was entrusted to host the investment account of Vanguard Total International Stock Index Fund, a series of Vanguard Star Fund Company (1.43%)
	Citigroup (Taiwan) Commercial Bank is entrusted to host the investment account of the Dimension Emerging Markets Evaluation Fund (1.33%)
	The American JP Morgan Chase Bank Taipei Branch was entrusted to host the Emerging Markets Stock Index Fund investment account of Vanguard Group(1.28%)

(3) Directors' Professional Qualifications and Independent Analysis

Name \ Criteria	Meet the Requirements of at Least Five Years Work Experience and the Following Professional Qualifications			Independence status (Note 1)										Number of Other Taiwanese Public Companies Concurrently Serving as an Independent Director
	An Instructor of Higher Position in a Department of Commerce, Law, Finance, Accounting, and 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, Certified Public Accountant, or Other Professional of Technical Specialists 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 Area of Commerce, Law, FInance, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Singapore Merchants Bloomeria Limited Representative: Huang Hsing Yang			✓				✓		✓		✓	✓	✓	0
Weng Chih Li			✓				✓		✓	✓	✓	✓	✓	0
Singapore Merchants Bloomeria Limited Representative: Yeh Ts'an Lien			✓				✓		✓		✓	✓	✓	0
Singapore Merchants Bloomeria Limited Representative: Wu Min Hung			✓				✓		✓		✓	✓	✓	0
Singapore Merchants Bloomeria Limited Representative: Kuo Hsü Tung			✓				✓		✓		✓	✓	✓	0
Singapore Merchants Bloomeria Limited Representative: Hsieh Chao Hung			✓				✓		✓		✓	✓	✓	0
Lin Min K'ai			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Wei Jên Yü			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wen-chou Vincent Wang			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Note 1: Directors or Supervisors, during the two years before being elected and during the term of office, meet any of the following situations, please tick the appropriate corresponding boxes.✓

(1) Neither an employee of the Company nor any of its affiliates.

(2) Neither a director nor supervisor of any affiliates of the Company (The case does not apply, however, in cases where the person is an Independent Director of the Company, its parent company or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares).

(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 one percent or more of the total number of issued shares of the Company or ranks of one of its top 10 shareholders

(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 five percent or more of the total number of issued shares of the Company or ranks as of its top five shareholders.

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares 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 compensation committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Appointment and Exercise of Powers by the Compensation Committees of Companies Whose Stock is Listed on the TWSE or Traded on the GTSM"

(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 Act.

(10) No a governmental, juridical person or its representative as defined in Article 27 of the Company Act.

The board member diversity policy:

The composition of the Board of Directors shall be determined by taking diversity into consideration and formulating an appropriate policy on diversity based on the Company's business operations, operating dynamics, and development needs. The policy includes the following two general standards:

I. Basic requirements and values: Gender, age, nationality, and culture.

II. Professional knowledge and skills: A professional background, professional skills, and industry experience.

Each board member shall have the necessary knowledge, skill, and experience to perform their duties. In order to achieve the ideal goal of corporate governance, the abilities that must be present in the board as a whole include: the ability to make judgments about operations, business management ability, knowledge of the industry, leadership decision making ability, an international market perspective, accounting and financial analysis ability.

2. Information regarding Presidents, Senior Vice Presidents, Vice Presidents, and Management Team

April 12, 2019; Unit: share

Title	Nationality	Name	On-board Date	Gender	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement (shares)		Major Education and Work Experience	Currently Positions at Other Companies	Managers who are Spouses or Who are Spouses or Within Second-degree Relative of Consanguinity to Each Other			Employee Stock Option Paid to Management Team
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
President	Republic of China	Weng Chih Li	February 2007	Male	571,507	0.42	0	0	0	0	Education: Master of Illinois Institute of Technology Working Experience:1. General Manager at World-Wide Test Technology Inc. 2. Test Operation Director at Formosa Advanced Technologies Co., LTD 3. Sales & Marketing Director at Advanced Semiconductor Engineering, Inc. (Branch in American)	Director and General Manager of Winstek Semiconductor Technology Co., Ltd.	None	None	None	None
Marketing Division Vice President	Republic of China	Chao Tzu Chieh	January 2008	Male	8,225	0.01	0	0	0	0	Education: Political Science Department, Soochow University Working Experience: 1. Sales & Marketing Manager at Sigurd Microelectronics Co. 2. Sales & Marketing Manager at the former Winstek Semiconductor Corporation	Assistant General Manager of Business at Winstek Semiconductor Technology Co., Ltd.	None	None	None	None
TEST Operation Division Vice President	Republic of China	Huang Hao Chi	January 2012	Male	0	0	409	0	0	0	Education: Bachelor of Electrical Engineering, Tamkang University Working Experience: 1. Sales & Marketing Director at Winstek Semiconductor Co., Ltd 2. Engineering Manager at World-Wide Test Technology Inc. 3. Hardware Engineer at Caesar Technology Inc.	None	None	None	None	None
Information Technology Division Assistant General Manager	Republic of China	Huang Fu Shen	November 2017	Male	11,600	0.01	0	0	0	0	Education: Bachelor of Department of Computer Science & Engineering of Yuan Ze University Working Experience: 1. Deputy Engineer at National Chung-Shan Institute of Science & Technology	None	None	None	None	None

Title	Nationality	Name	On-board Date	Gender	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement (shares)		Major Education and Work Experience	Currently Positions at Other Companies	Managers who are Spouses or Who are Spouses or Within Second-degree Relative of Consanguinity to Each Other			Employee Stock Option Paid to Management Team
					Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage			Title	Name	Relation	
											2. MIS Manager at World-Wide Test Technology Inc. 3. Chief Operation Officer at Winstek Semiconductor Co., Ltd					
Bump Operation Division Vice President	Republic of China	Chen Chien Hsun	November 2017	Male	0	0	0	0	0	0	Education: Bachelor of Department of Electrical Engineering of National Tsing Hua University Working Experience: 1. Deputy Manager at United Microelectronics Corporation (UMC) 2. Manager at Universe Optical Technology Co., Ltd. and Chipbond Technology Corporation 3. Deputy Director of Engineering at Winstek Semiconductor Technology Co., Ltd 4. Assistant Manager of Tron-e Technology Co., Ltd.	None	None	None	None	None
Finance Division Chief Financial Officer	Republic of China	Tang Li Ying	December 2015	Female	0	0.00	0	0	0	0	Education: Bachelor of Accounting at National Cheng Kung University Working Experience: Chief Financial Officer at Winstek Semiconductor Technology Co., Ltd	Chief Financial Officer at Winstek Semiconductor Technology Co., Ltd	None	None	None	None
Finance Division Deputy Director	Republic of China	Liu Kuei Chu	June 2000	Male	9,106	0.01	0	0	0	0	Education: Bachelor of Accounting, Tunghai University Manager at ShineWing Accounting Firm	Finance Deputy Director at Winstek Semiconductor Technology Co., Ltd	None	None	None	None

3. Remuneration Paid to Directors and Compensation Paid to President and Senior Vice President:

(1) Remuneration to Directors (including Independent Directors)

NT$ thousand

Title	Name	Remuneration of Directors								Total Remuneration (A+B+C+D) as a % of 2018 Net Income After Tax		Compensation Earned by a Director Who is an Employee of Winstek or of Winstek's consolidated Entities										Total Compensation (A+B+C+D+E+F+G) as a % of 2018 Net Income After Tax		Compensation Paid to Directors from Non-consolidated Affiliates
		Basic Compensation (A)		Severance Pay and Pensions (B)		Remuneration to Directors		Allowances (D)				Basic Compensation, Bonuses and Allowances (E)		Severance Pay and Pensions (F)		Employees' Profit Sharing Bonus (G)				Number of Shares Subscribed by Employee Stock Option Certificates (H)		Number of New Restricted Employee Shares Obtained (I)				
																From Winstek		From all Consolidated Entities							
		From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	
Chairman	Huang Hsing Yang (Note)	12,200	12,200	0	0	0	0	713	713	3.92%	3.92%	21.180	24,877	108	108	0	0	0	0	0	0	0	0	10.37%	11.49%	None
Director	Weng Chih Li																									
Director	Yeh Ts'an Lien (Note)																									
Director	Wu Min Hung (Note)																									
Director	Kuo Hsü Tung (Note)																									
Director	Hsieh Chao Hung (Note)																									
Independent Director	Lin Min K'ai																									
Independent Director	Wei Jên Yü																									
Independent Director	Wen-chou Vincent Wang																									

Other than disclosure in the above table, Directors remunerations received 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.

(Note): Legal representative of Singapore Merchants Bloomeria Limited.

Table of Remuneration Ranges

Ranges of Remuneration Paid to Each Director of the Company	Name of Director			
	Total Remuneration (A+B+C+D)		Total Remuneration (A+B+C+D+E+F+G)	
	From Winstek	From all Consolidated	From Winstek	From all Consolidated
Less than NT$2,000,000	Weng Chih Li, Yeh Tsan Lien (Note), Wu Min Hung (Note), Kuo Hsu Tung (Note), Hsieh Chao Hung (Note), Lin Min Kai, Wei Jen Yu, Wen-chou Vincent Wang	Weng Chih Li, Yeh Tsan Lien (Note), Wu Min Hung (Note), Kuo Hsu Tung (Note), Hsieh Chao Hung (Note), Lin Min Kai, Wei Jen Yu, Wen-chou Vincent Wang	Yeh Ts'an Lien (Note), Wu Min Hung (Note), Kuo Hsü Tung (Note), Hsieh Chao Hung (Note), Lin Min K'ai, Wei Jên Yü, Wen-chou Vincent Wang	Yeh Ts'an Lien (Note), Wu Min Hung (Note), Kuo Hsü Tung (Note), Hsieh Chao Hung (Note), Lin Min K'ai, Wei Jên Yü, Wen-chou Vincent Wang,
NT$2,000,000 (inclusive) ~ NT$5,000,000 (exclusive)	Huang Hsing Yang (Note)	Huang Hsing Yang (Note)	Huang Hsing Yang (Note)	Huang Hsing Yang (Note)
NT$5,000,000 (inclusive) ~ NT$10,000,000 (exclusive)				
NT$10,000,000 (inclusive) ~ NT$15,000,000 (exclusive)				
NT$15,000,000 (inclusive) ~ NT$30,000,000 (exclusive)			Weng Chih Li	Weng Chih Li
NT$30,000,000 (inclusive) ~ NT$50,000,000 (exclusive)				
NT$50,000,000 (inclusive) ~ NT$100,000,000 (exclusive)				
Over NT$100,000,000				
Total	9	9	9	9

(Note): Legal representative of Singapore Merchants Bloomeria Limited.

(2) Compensation Paid to President and Vice Presidents

Unit: NT$ thousand

Title	Name	Salary (A)		Severance Pay and Pensions (B) (Note)		Bonus and Allowances (C) (Note 3)		Employees' Profit Sharing Bonus (D)				Total Remuneration (A+ B+ C+ D) as a % of 2018 Net Income After Tax		Number of Employee Stock Option Certificates Obtained		Number of New Restricted Employee Shares Obtained		Compensation Received from Non-consolidated Affiliates
								From Winstek		From all Consolidated Entities								
		From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	Cash	Stock (Fair Market Value)	Cash	Stock (Fair Market Value)	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	From Winstek	From all Consolidated Entities	
President	Weng Chih Li (Note 1)	7,227	15,518	324	540	19,071	23,275	1,175	0	2,568	0	8.43%	12.70%	0	0	0	0	None
Vice President	Chao Tzu Chieh																	
Vice President	Huang Fu Shen																	
Vice President	Chen Chien Hsun																	
Vice President	Huang Hao Chi																	

Table of Compensation Ranges

Compensation paid to President and Vice Presidents of the Company	Name	
	From Winstek	From all Consolidated Entities
Less than NT$2,000,000		
NT$2,000,000 (inclusive) ~ NT$5,000,000	Huang Hao Chi, Huang Fu Shen	Chao Tzu Chieh, Huang Fu Shen, Huang
NT$5,000,000 (inclusive) ~ NT$10,000,000		Chen Chien Hsun
NT$10,000,000 (inclusive) ~ NT$15,000,000		
NT$15,000,000 (inclusive) ~ NT$30,000,000	Weng Chih Li	Weng Chih Li
NT$30,000,000 (inclusive) ~ NT$50,000,000		
NT$50,000,000 (inclusive) ~ NT$100,000,000		
Over NT$100,000,000		
Total	3	5

Note 1: Director concurrently be the President

Note 2: Retirement allowance appropriated according to the Labor Pension Act

Note 3: Including rental for the use of leased vehicles

(3) Employees' Profit Sharing Bonus Paid to Management Team:

Unit: NT$ thousand

	Title	Name	Stock (Fair Market Value)	Cash	Total	Total Employees' Profit Sharing Bonus Paid to Management Team as A % of 2018 Net Income After Tax
Manager	President	Weng Chih Li	0	3,147	3,147	0.95%
	Vice President	Chao Tzu Chieh				
	Vice President	Chen Chien Hsun				
	Vice President	Huang Fu Shen				
	Vice President	Huang Hao Chi				
	Supervisor of Finance Division	Tang Li Ying				
	Supervisor of Accounting Division	Liu Kuei Chu				

4. Separately describe total remuneration, as a percentage of net income, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to Directors, Supervisors, General Manager, and Assistant General Managers, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure:

(1) Total remuneration as a percentage of net income, as paid to Directors, President, and Vice Presidents during the past 2 fiscal years.

Unit: NT$ thousand

	2018						2017					
	The Company			All Companies in the Consolidated Financial Statements			The Company			All Companies in the Consolidated Financial Statements		
Title	Total Remuneration	Net Income After Tax	Total Amount as A Proportion of Net Income After Tax(%)	Total Remuneration	Net Income After Tax	Total Amount as A Proportion of Net Income After Tax(%)	Total Remuneration	Net Income After Tax	Total Amount as A Proportion of Net Income After Tax(%)	Total Remuneration	Net Income After Tax	Total Amount as A Proportion of Net Income After Tax(%)
Director	12,913	329,819	3.92%	12,913	329,819	3.92%	8,080	727,651	1.11%	8,080	727,651	1.11%
President and Vice President	27,797	329,819	8.43%	41,901	329,819	12.70%	38,044	727,651	5.23%	54,983	727,651	7.56%

(2) Remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

As set out in the Articles of Incorporation, The Board of Directors is authorized to determine the salary for the Chairman and the Directors, taking into account the extent and value of the services provided for the management of the Company and the standards of the industry.

If there is annual profits within a fiscal year, the Company shall set aside 0.1% to 15% of its annual profits as profit-sharing bonuses to its employees. When the employee's compensation is distributed in shares or cash, qualification requirements of employees, including the employees of subsidiaries of the Company meeting certain specific requirements, are entitled to receive shares or cash. However, the Company shall have reserved a sufficient amount to offset its accumulated losses. Depending on business circumstances, the

Company shall appropriate no more than 3% of profits of the year as director's remuneration. However, in case of the accumulated losses, certain profits shall first be reserved to cover the losses.

The Remuneration of President and Vice Presidents shall be paid in accordance with the responsibilities scope of these positions and their contribution to the Company's operational objectives, and shall be handled in accordance with the provisions of the Articles of Incorporation and Article 29 of the Company Act.

In terms of the remuneration procedures formulation, the Compensation Committee of the Company shall, from a professional and objective standpoint, assess the remuneration policies and systems of the directors and managers of the Company and make recommendations to the board of directors.

III. Corporate Governance Overview

1. Board of Directors Meeting Status

A total of 7 meetings have been held by the Board of Directors in 2018, with their attendance shown as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Singapore Merchants Bloomeria Limited Representative: Huang Hsing Yang	6	1	86%	Appointed on November 15, 2017
Director	Singapore Merchants Bloomeria Limited Representative: Wu Min Hung	7	0	100%	Appointed on November 15, 2017
Director	Singapore Merchants Bloomeria Limited Representative: Yeh Ts'an Lien	6	0	86%	Appointed on November 15, 2017
Director	Singapore Merchants Bloomeria Limited Representative: Kuo Hsü Tung	6	0	86%	Appointed on November 15, 2017
Director	Singapore Merchants Bloomeria Limited Representative: Hsieh Chao Hung	6	1	86%	Appointed on November 15, 2017
Director	Weng Chih Li	7	0	100%	Reappointed on November 15, 2017
Independent Director	Lin Min K'ai	7	0	100%	Appointed on November 15, 2017
Independent Director	Wei Jên Yü	6	1	86%	Reappointed on November 15, 2017
Independent Director	Wen-chou Vincent Wang	5	1	71%	Reappointed on November 15, 2017

Annotations:

I. Where one of the following circumstances apply for the operations of the Board of Director meetings, the date, session, proposal contents, opinions of all independent directors, and the Company's actions in response to the opinions of the independent directors shall be stated:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act:

Board of Directors Meeting Date	Resolution	Matters Specified in Article 14-3 of the Securities and Exchange Act	Any Independent Director Had a Dissenting Opinion or Qualified Opinion
2018 1st Regular Meeting (March 6, 2018)	The payment method of director's remuneration and remuneration plan proposed by Compensation Committee. Resolution: approved by the chairman upon consultation with all the directors present.	Yes	Proposal approved without objection from independent directors
2018 2nd Regular Meeting (March 30, 2018)	Participate in the cash increase of NT$750 million of the subsidiary (Winstek Semiconductor Technology Co., Ltd.). Resolution: approved by the chairman upon consultation with all the directors present.	Yes	Proposal approved without objection from independent directors
2018 4th Regular Meeting (August 8, 2018)	Amend implementation rules for internal audit. Resolution: approved by the chairman upon consultation with all the directors present.	Yes	Proposal approved without objection from independent directors

(II) Any other written or otherwise recorded resolutions on which an independent director had a dissenting opinion or qualified opinion Except for the aforementioned matters: None.

II. Any Recusals of Directors due to conflict of interest, the name of the director, the content of proposal, the reason of avoidance and the results of the voting should be stated: None.

III. Measures taken to strengthen the functionality of the Board:
The Company established an audit committee in July 2009 to assist the board in carrying out its duties. The fifth compensation committee was appointed by the board of directors on December 7, 2017. The main duties of the committee are to recommend, evaluate and supervise the compensation levels of directors and managers of the Company, employee stock option plans, employee bonus plans or other employee incentive plans.

2. Audit Committee Meeting Status

The Company set the Audit Committee after the regular shareholders' meeting on June 26, 2009, which is composed of three independent directors. The Audit Committee assist the board of directors in fulfilling its supervision over the quality and integrity of the accounting, auditing, financial reporting processes and financial control practices of the Company. The Audit Committee is responsible to review the following major matters:

1. Financial statements auditing and accounting policies and procedures
2. Internal control systems and related policies and procedures
3. Material asset or derivatives transactions
4. Material capital loan and endorsement or guarantee
5. Raise or issue securities
6. Derivatives and cash investment
7. Regulatory compliance
8. Related-party transactions and potential conflicts of interests involving executive officers and directors
9. Complaint report
10. Fraud prevention and investigation report
11. IT security
12. Corporate risk management
13. The hiring, discharge, or compensation of an CPA
14. The appointment or discharge of financial, accounting, or internal auditing officers

The board of directors has prepared The Company's 2018 annual business report, financial report (including individual and consolidated) and earnings distribution proposal, etc., of which the financial report (including individual and consolidated) has been reviewed and approved by the authorized PwC Taiwan, and an audit report has been issued. The above-mentioned business report, financial reports (including individual and consolidated) and earnings distribution proposals have been reviewed and approved to be correct by the audit committee.

The audit committee has assessed the effectiveness of the Company's internal control system policies and procedures (including control measures such as finance, operation, risk management, information security, outsourcing, regulatory compliance, etc.) and audited The Company's audit department and CPAs, as well as management's periodic reports, including risk management and regulatory compliance. The audit committee believes that the Company's risk management and internal control systems are effective and that the Company has adopted the necessary control mechanisms to supervise and correct violations.

The audit committee is authorized with the responsibility of supervising the independence of the certified accounting firm to ensure the fairness of the financial statements. Generally speaking, except for tax-related services or specially

authorized projects, certified accounting firm shall not provide other services for The Company. All services provided by certified accounting firm must be approved by the audit committee.

A total of 5 (A) meetings have been held by the Audit Committee in 2018, with the attendance shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Attendance Rate in Person (%)(B/A)	Remarks
Independent Director	Lin Min K'ai	5	0	100%	Appointed on November 15, 2017
Independent Director	Wei Jên Yü	5	0	100%	Reappointed on November 15, 2017
Independent Director	Wen-chou Vincent Wang	4	1	80%	Reappointed on November 15, 2017

Annotations:

I. Where one of the following circumstances apply for the operations of the Audit Committee, the date, session, proposal contents and resolutions of the Audit Committee, and the Company's reaction in response to the opinions of the Audit Committee shall be stated:

(I) Matters specified in Article 14-5 of the Securities and Exchange Act:

Audit Committee Meeting Dates	Resolution	Results
The 1st Audit Committee in 2018 (March 6, 2018)	(1) 2017 Business Report, Individual Financial Report and Consolidated Financial Report of the Company.	Proposal approved without objection from any audit committee members present
	(2) The replacement of the certified accounting firm for the financial statements of the Company and its subsidiaries with PwC Taiwan.	Proposal approved without objection from any audit committee members present
The 2nd Audit Committee in 2018 (March 29, 2018)	Participate in the cash increase of NT$750 million of the subsidiary (Winstek Semiconductor Technology Co., Ltd.).	Proposal approved without objection from any audit committee members present
The 3rd Audit Committee in 2018 (April 30, 2018)	The first quarter consolidated financial report review of the Company in 2018.	Proposal approved without objection from any audit committee members present
The 4th Audit Committee in 2018 (August 8, 2018)	(1) The second quarter consolidated financial report review of the Company in 2018.	Proposal approved without objection from any audit committee members present
	(2) Amend the implementation rules for internal audit	Proposal approved without objection from any audit committee members present
The 5th Audit Committee in 2018 (November 6, 2018)	The third quarter consolidated financial report review of the Company in 2018.	Proposal approved without objection from any audit committee members present

(II) Any other resolutions which was not approved by the Audit Committee but was approved by two thirds or more of all directors in 2018 except for the aforementioned matters: None.

II. Any recusals of Independent Directors due to conflicts of interests, the name of the independent director, the content of proposal, the reason of avoidance and the results of the voting should be stated:
None.

III. Communications between the Independent Directors, the internal auditors and the CPAs:
The audit supervisor of the Company regularly communicated with the audit committee member about the results of the audit report and attended the board meetings as a non-voting member. The Independent Directors had no objection to the report. The audit supervisor and independent directors had a good communication with each other. The communication channel between the Internal Auditors and the Independent Directors functioned well. Independent directors provided their professional opinions on the matters reported, and the Company also considered the opinions of independent directors at its discretion.
Independent directors regularly communicated with accountants face to face or in writing about the financial conditions every quarter, and the Company's audit committee communicated well with CPAs.

3. Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Explanation	
I. Does the Company follow " Taiwan Corporate Governance Implementation" to establish and disclose its corporate governance practices?	Yes		The Company has formulated the "Code of Practice on Corporate Governance" to implement the responsibilities of the Company's business operator, protect the legitimate rights and interests of shareholders and take into account the interests of other stakeholders.	Compliance with the code of practice on corporate governance.
II. Shareholding Structure & Shareholders' Rights				
(I) Does Company have Internal Operation Procedures for handling shareholders' suggestions, concerns, disputes and litigation matters? If yes, has these procedures been implemented accordingly?	Yes		(I) To ensure shareholders' interests, the spokesman and the acting spokesman of the Company are responsible for properly handling the matters such as proposals, doubts and disputes of shareholders, and a professional stock agency is entrusted to handle the stock affairs.	(I) Compliance with the code of practice on corporate governance.
(II) Does the Company have a list of major shareholders and beneficial owners of these major shareholders?	Yes		(II) The Company provides the information of the shareholders' register through the stock transfer agency, and masters the internal stock ownership change reporting system.	(II) Same as above.
(III) Has the Company built and executed a risk management system and a "firewall" between the Company and its affiliates?	Yes		(III) Handling according to the Operating Procedures for Financial Transactions Between Group Enterprises, Specific Companies and Related Parties, Regulations on Supervision of Subsidiaries and operating procedures related to internal control formulated in accordance with the regulations of the Company.	(III) Same as above.
(IV) Has the Company established internal standards prohibiting insider trading on undisclosed information?	Yes		(IV) The Company has formulated relevant norms such as "Internal Major Information Processing Operating Procedures" and "Operation Procedures for the Management of Insider Trading Precaution", and stipulated in the work management and professional ethics of employees that the prohibition of insider trading should not be violated.	(IV) Same as above.
III. Composition and Responsibilities of the Board of Directors				
(I) Has the Company established a diversification policy for the composition of its Board of Directors and has it been implemented accordingly?	Yes		(I) The members of the board of directors of the Company focus on the compositions of diversity and formulate an appropriate diversification policy based on the Company's business operations, operating dynamics, and development needs. The Articles of Incorporation of the Company stipulate that the board of directors shall be composed of	(I) Compliance with the code of practice on corporate governance.

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Explanation	
			nine to eleven directors. and for the number of directors, the number of independent directors shall be at least three. The election method of the Directors of the Company is adopted by the candidate nomination system. All directors possess the necessary expertise, skills and qualities necessary for performing their duties. In conclusion, the Company has implemented the diversification policy of the members of the board of directors. for detailed information, please refer to the Explanation 1. The Company's website and MOPS, at the bottom of this table.	
(II) Other than the Compensation Committee and the Audit Committee which are required by law, does the company plan to set up other functional committees?		No	(II) Besides setting the Compensation Committee and Audit Committee in accordance with the law, the Company will set up other functional committees according to regulatory requirements and operational needs in the future.	(II) No difference.
(III) Has the Company established methodology for evaluating the performance of its Board of Directors, on an annual basis?	Yes		(III) The Company has adopted the board performance appraisal method in accordance with Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies. The appraisal may include the performance appraisal of the overall board of directors and individual board members. The assessment method may include internal self-assessment of the board of directors and self-assessment of the board members, and other proper way.	(III) Compliance with the code of practice on corporate governance.
(IV) Does the Company regularly evaluate its external auditors' independence?	Yes		(IV) The Company's certified accounting firm PwC Taiwan is a large accounting firm in China, examines the financial position of the Company in an independent and detached manner in accordance with laws and regulations. The Company also evaluates the independence of CPAs annually.	(IV) Compliance with the code of practice on corporate governance.
IV. Does 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 providing information required for business execution by directors, handle matters relating to board/shareholders' meetings in compliance with laws, handle corporate registration and amendment registration, record minutes of board/shareholders	Yes		The Company set up a corporate governance working group, with the finance and accounting division as the convener, and jointly with the administrative division, human resources, legal and other divisions to be responsible for corporate governance related affairs. The main responsibilities are to develop and plan appropriate corporate system and organizational structure to promote the independence of the board of directors and the	Compliance with the code of practice on corporate governance.

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Explanation	
meetings, etc.)?			transparency of the Company, and the implementation of laws and regulations. If there is any proposal of the board of directors should be appropriately avoided, appropriate reminder should be given to the counterpart. In accordance with the legal time limit every year, register the date of shareholders' meeting, prepare and announce the meeting notice, prepare the meeting handbook and proceedings, etc.	
V. Does the company establish a means of communicating with its Stakeholders (including but not limited to shareholders, employees, customers and suppliers, etc.), and created a Stakeholders Section on its Company website? Does the Company respond to stakeholders' questions on corporate responsibilities? -	Yes		The Company has created "Stakeholders Section" on our corporate website and set topics of concern to stakeholders, communication channels, frequency and response methods. At present, the spokesman or the deputy spokesman ACTS as the corresponding window to address shareholders' suggestions, doubts and any other issues. - -	Compliance with the code of practice on corporate governance.
VI. Has the Company appointed a professional stock affairs agency for its Shareholders' Meetings?	Yes		The Company has appointed "Yuanda Securities Co., Ltd.." as our stock service agency for our Shareholders' Meetings.	Compliance with the code of practice on corporate governance.
VII. Information Disclosure				
(I) Does the Company set up a corporate website to disclose information regarding its financials, business and corporate governance status?	Yes		(I) The Company regularly discloses its financial operations and corporate governance status on Market Observation Post System. We also established our corporate website (in Chinese and English) to disclose more important financials and corporate governance status.	(I) Compliance with the code of practice on corporate governance.
(II) Has the Company adopted 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.)?	Yes		(II) The Company has set up a corporate website in Chinese and English, and has designated appropriate staffs to handle the collection and disclosure of information. We have also set up the spokesman system.	(II) Compliance with the code of practice on corporate governance.
VIII. 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, suppliers relations, rights of stakeholders, directors' training records, the implementation of risk management policies and risk evaluation measures, the	Yes		(I) The Company has set up employee welfare committee, implemented pension system, provided equal employment opportunities, carried out various employee training courses and employee group insurance, and arranged regular employee health examinations, etc., emphasizing harmonious labor relations. (II) The Company keeps maintaining mutual benefit relationship with our business partners and customers by making the communication channel function well. The Company, in	

<table>
<tr><th rowspan="2">Assessment Item</th><th colspan="2">Implementation Status</th><th rowspan="2">Explanation</th><th rowspan="2">Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons</th></tr>
<tr><th>Yes</th><th>No</th></tr>
<tr><td>implementation of customer relations policies, and purchasing insurance for the Company's directors and supervisors)?</td><td></td><td></td><td>accordance with the provisions of the act, discloses the information of the Company honestly, so as to protect the rights and interests of investors and fulfill the obligations of the Company to shareholders. The Company has set "Stakeholder Section" on the Company's website and established the communication channels for stakeholders.
(III) (3) Continuing Education of Directors:
<table>
<tr><th>Title</th><th>Name</th><th>Date</th><th>Organizer</th><th>Course</th><th>Hours</th></tr>
<tr><td rowspan="2">Independent Director</td><td rowspan="2">Lin Min K'ai</td><td rowspan="2">208.11.08</td><td rowspan="2">Corporate Governance Association</td><td>Analysis of the latest amendments to the Company Act</td><td>3</td></tr>
<tr><td>Discuss the impact of mergers and acquisitions on accounting and taxation, and the analysis of important new provisions of the tax law in current year</td><td>3</td></tr>
<tr><td rowspan="2">Director</td><td rowspan="2">Huang Hsing Yang, Yeh Ts'an Lien, Kuo Hsü Tung, Wu Min Hung, Hsieh Chao Hung</td><td rowspan="2">2018.11.08</td><td rowspan="2">Corporate Governance Association</td><td>Analysis of the latest amendments to the Company Act</td><td>3</td></tr>
<tr><td>Discuss the impact of mergers and acquisitions on accounting and taxation, and the analysis of important new provisions of the tax law in current year</td><td>3</td></tr>
</table>
(IV) As of the date of publication of the prospectus, the directors of the Company already, in accordance with the relevant provisions of the rules of procedure of the board of directors, recused themselves from interested proposals.
(V) The Company has submitted a report to the board of directors to purchase liability insurance for the directors covering a period of year 2018 with a liability limit of US $10 million.</td><td></td></tr>
<tr><td colspan="5">IX. Please specify the measures adopted by the Company to improve the items listed in the corporate governance review result from Taiwan Stock Exchange's Corporate Governance Center and the improvement plans for items yet to be improved: None.</td></tr>
<tr><td colspan="5">Description 1: The diversification policy of the Company's board members and implementation status:
(I) The diversification policy of the board members
Each board member shall have the necessary knowledge, skill, and experience to perform their duties. To achieve the ideal goal of corporate governance, the entire board of directors shall possess the following capabilities:</td></tr>
</table>

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Explanation	

1. Business discernment
2. Accounting and financial analysis.
3. Management capability.
4. Crisis management capability
5. Industry Knowledge
6. An international market perspective.
7. Leadership
8. Decision-making capability

(II) Implementation Status

Core Projects of Diversification / Name of Director		Nationality or Domicile	Operational Judgments	Accounting and Financial Analysis	Operation Management	Crisis Management	Knowledge of the Industry	International Market Perspective	Leadership Decision-making
Chairman	Huang Hsing Yang (Note)	Singapore	✓	✓	✓	✓	✓	✓	✓
Director	Weng Chih Li	Taiwan	✓	✓	✓	✓	✓	✓	✓
Director	Yeh Ts'an Lien (Note)	Singapore	✓	✓	✓	✓	✓	✓	✓
Director	Wu Min Hung (Note)	Singapore	✓	✓	✓	✓	✓	✓	✓
Director	Kuo Hsü Tung (Note)	Singapore	✓	✓	✓	✓	✓	✓	✓
Director	Hsieh Chao Hung (Note)	Singapore	✓	✓	✓	✓	✓	✓	✓
Independent Director	Lin Min K'ai	Taiwan	✓	✓	✓	✓	✓	✓	✓
Independent Director	Wei Jên Yü	Taiwan	✓	✓	✓	✓	✓	✓	✓
Independent Director	Wen-chou Vincent Wang	USA	✓		✓	✓	✓	✓	✓

Note: Legal representative of Singapore Merchants Bloomeria Limited

4. Where a remuneration committee is established, the Company shall disclose its composition, duties and operation status:

The board of directors of the Company established a remuneration committee, whose members are appointed by resolution of the board of directors, and the main responsibility of which is to regularly review the performance appraisal and remuneration policies of directors and managers, and submit the proposed recommendations to the board of directors for discussion.

(1) Information on Members of the Compensation Committee

Title (Note 1)	Criteria / Name	Meet the Requirements of at Least Five Years Work Experience and the Following Professional Qualifications			Independence status (Note 2)								Number of Other Public Companies where the Individual Concurrently Serves as a Member of the Remuneration Committee	Remarks (Note 3)
		Lecturer or above in business, legal, finance, accounting or corporate business related to public or private universities	Judges, prosecutors, lawyers, CPA or other professionals and technicians who have passed the national examinations and obtained certificates necessary for the business of the Company	Work experience in business, legal, finance, accounting or corporate business	1	2	3	4	5	6	7	8		
Independent Director	Lin Min K'ai			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	NA
Independent Director	Wei Jên Yü			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA
Others	Liao, Chin-Yi			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	NA

Note 1: Please fill in the "Title" field as director, independent director or otherwise.

Note 2: For any members who fulfills the relevant condition(s) for two fiscal years before being elected to the office or during the term of office, please provide the [√] sign in the field next to the corresponding conditions.✓

(1) Neither an employee of the Company nor its affiliates.

(2) Neither a director nor supervisor of the Company or any of its affiliates, unless they are Independent Directors of the Company or its parent company or subsidiaries in which the Company holds, directly or indirectly, more than 50% of the voting shares.

(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 one percent or more of the total number of issued 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 five percent or more of the total number of issued shares of the Company or of a corporate shareholder that ranks among the top five in shareholdings.

(6) Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, 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) Any of the matters under section 30 of the Company Act.

Note 3: If the member is a director, please indicate whether it complies with the provision in Paragraph 5 of Article 6 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(2) Compensation Committee Meeting Status

A. There are 3 members in the Company's Compensation Committee.

B. Current Term: From December 7, 2017 to November 14, 2020. The Compensation Committee held three meetings in the recent year, the qualifications and attendance of the Committee are shown as follows:

Title	Name	Attendance in Person (B)	By Proxy	Actual Attendance Rate (%) (B/A)(Note)	Remarks
Convener	Lin Min Kai	3	0	100%	Newly appointed on December 7, 2017
Member	Wei Jen Yu	3	0	100%	Reappointed on December 7, 2017
Member	Liao, Chin-Yi	3	0	100%	Newly appointed on December 7, 2017

Annotations:

The content and resolution of the proposal in the remuneration committee's meeting in the most recent year and The Company's disposal of the compensation committee's opinions:

Compensation Committee	Content of Motion and Follow-up Actions	Result of Resolution	The Company's Disposal of The Compensation Committee's Opinions
The 1st audit committee meeting in 2018 (January 11, 2018)	(1) Amend the Company's "Method of Remuneration and Payment of Remuneration to Directors and Supervisors"	Approved by all members of the committee	Submitted to the board of directors and approved by all the directors present in person
	(2) Manager's annual bonus payment of the year 2017	Approved by all members of the committee	Submitted to the board of directors and approved by all the directors present in person
The 2nd audit committee meeting in 2018 (March 6, 2018)	Distribution plan for employee's compensation for 2017 of managers	Approved by all members of the committee	Submitted to the board of directors and approved by all the directors present in person
The 3rd audit committee meeting in 2018 (August 8, 2018)	Distribution plan for manager's quarter performance award	Approved by all members of the committee	Submitted to the board of directors and approved by all the directors present in person

1. If the Board of Directors does not adopt or amend recommendations proposed by the Compensation Committee, the date, session, proposal contents and resolutions of the Board of Directors, and the Company's actions in response to the opinions of the Audit Committee shall be stated (also, where the remuneration approved by the Board of Directors is superior to that recommended by the Remuneration Committee, the differences and reasons shall be stated): None.
2. Where resolutions of the Remuneration Committee include dissenting or qualified opinion which is on record or stated in a written statement, the date, session, proposal contents, opinions from every member, and actions in response to the opinions of the members shall be stated: None.

Note:

(1) Where members of the Remuneration Committee resign before the end of the year, the date of resignation shall be indicated in the "Remarks" column. Actual presence rate (%) shall be calculated by the number of Remuneration Committee meetings convened and times of actual presence during the term of service.

(2) Where any members of the Remuneration Committee have been reelected before the end of the year, both newly appointed and previously appointed members of the remuneration committee shall be listed, and previously appointed, newly appointed or reappointed member together with the re-election date shall be indicated in the "Remarks" column. Actual presence rate (%) shall be calculated by the number of Remuneration Committee meetings convened and times of actual presence during the term of service.

5. Social Responsibilities Implementation Status

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Description	
I. Implementing corporate governance				
(I) Has the Company set up corporate social responsibility (CSR) policies or systems and reviewed the effectiveness of CSR actions?	Yes		(I) The Company has established a code of practice on corporate social responsibility to practice corporate social responsibility and improve the quality of life of employees, communities and society.	(I) Compliance with the code of practice on corporate governance.
(II) Does the Company conduct CSR education and training on a regular basis?	Yes		(II) The Company sends staff to participate in the corporate social responsibility promotion meeting sponsored by the competent authority, and the Company regularly organizes the education and promotion of the employee's professional ethics and the procedures or laws such as the whistle-blowing system every year.	(II) Same as above.
(III) Does the Company set up exclusively (or concurrently) dedicated units to promote corporate social responsibility, and authorize high level managers to handle and report to the Board of Directors?	Yes		(III) The Company has set up a corporate social responsibility promotion team, which is under the overall responsibility of the administrative division coordinating all divisions to jointly promote corporate social responsibility.	(III) Same as above.
(IV) Does the Company set up reasonable salary compensation policies, integrate employee appraisal with corporate social responsibility policy, and establish a clear and effective incentive and disciplinary policies?	Yes		(IV) The Company has formulated compensation methods for directors and managers, conducted employee performance appraisal annually, established clear and effective reward and punishment systems, and combined performance appraisal with corporate social responsibility policies.	(IV) Same as above.
II. Environmentally Sustainable Development				
(I) Is the Company committed to improving resource efficiency and to the use of renewable materials with low environment impact?	Yes		(I) The Company is engaged in IC testing service industry, and the finished packaging materials tested by the Company conform to the RoHS regulations of the EU environmental protection directive.	(I) Compliance with the code of practice on corporate governance.
(II) Does the Company establish proper environment management systems designed to industrial features?	Yes		(II) The Company has established the ISO14001 environmental management system according to the industry characteristics, and has a dedicated unit to maintain the environment.	(II) Same as above.
(III) Does the Company monitor the impact of climate change on its operations, carry out greenhouse gas inventories, and set energy conservation and greenhouse gas reduction strategy?	Yes		(III) The Company is engaged in IC testing service industry, and there is no emission of pollution in the production process. In terms of power consumption, the process is improved to achieve energy saving and carbon reduction and greenhouse gas reduction.	(III) No difference.
III. Promotion of social welfare				

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Description	
(I) Does the Company establish policies and procedures in compliance with regulations and internationally recognized human rights principles?	Yes		(I) The Company, in accordance with the Labor Standards Act and relevant labor laws and regulations, formulates labor and ethics management regulations and other relevant norms, and provides management rules for employees to follow, so as to truly protect the legitimate rights and interests of employees.	(I) Compliance with the code of practice on corporate governance.
(II) Has the Company established appropriately managed employee appeal procedures?	Yes		(II) The Company has established labor and ethical management practices and other relevant norms, including the employee complaint mechanism and reporting procedures which have been properly conducted.	(II) Same as above.
(III) Does the Company provide a safe and healthy working environment for its employees and organize training on safety and health on a regular basis?	Yes		(III) The Company formulates a labor safety and health policy, holds regular employee health examination, and implements labor safety promotion for employees, fire training and fire drill, to maintain the safety of employees and suppliers.	(III) Same as above.
(IV) Does the Company establish a mechanism for regular communication with employees and use reasonable measures to notify employees of operational changes that may have significant impact on employees?	Yes		(IV) The Company reports the operation of the Company to employees through announcements or irregular meetings, and encourages employees to strive for the Company's annual operating targets.	(IV) Same as above.
(V) Has the Company established an effective career development training program?	Yes		(V) The Company has prepared a complete and effective professional training program for employees to enhance their career development ability.	(V) Same as above.
(VI) Has the Company set up policies and consumer appeal procedures in R&D, procurement, production, operation and service processes?	Yes		(VI) The Company is engaged in IC testing services and provides customers with transparent and effective complaint procedures and channels regarding products and services.	(VI) Same as above.
(VII) Does the Company follow relevant regulations and international standards in the marketing and labeling of its products and services?	Yes		(VII) The Company has always paid attention to the marketing of products and services, and look forward to be in line with international standards.	(VII) Same as above.
(VIII) Does the Company assess environmental and social track records before engaging with potential suppliers?	Yes		(VIII) The Company will always carry out assessment to the new suppliers, and Strengthen the investigation on that whether the supplier has a record of influencing the environment and society.	(VIII) Same as above.
(IX) Does the Company's contracts with major suppliers, include termination clauses if they violate CSR policy and cause significant environmental and social impact?	Yes		(IX) The Company has promoted contract signing with major suppliers based on the actual situation of operation, including clause such as that the Company may terminate the contract at any time when the supplier is found violate its social responsibilities, and when such violation has significant	(IX) Same as above.

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Description	
			impact on the environment and society. At the same time, the Company carried out audit for major raw material suppliers. The audit items include quality system, environment and safety and health system, restricted substance requirement and code of conduct for responsible business alliance. If any defect is found in the audit, the supplier will be required to propose an improvement plan and confirm its effectiveness; otherwise, the supplier will be disqualified.	
IV. Strengthen information disclosure (I) Does the Company disclose relevant critical and reliable CSR information on its website and MOPS?	Yes		(I) The Company has disclosed relevant critical and reliable information on corporate social responsibilities on its website and MOPS on TPEX Center Industry Value Chain Information Platform. At the same time, the Company has set "Corporate Social Responsibility Section" on the Company's website to disclose relevant policies on corporate social responsibility, and will continuously disclose relevant information on corporate social responsibility on this zone in future.	(I) Compliance with the code of practice on corporate governance.
V. If the Company makes its own corporate social responsibilities principles according to the Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, please state the differences: The Company has formulated its codes of practice for corporate social responsibilities according to the Rules of Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, and its operation roughly conforms to the relevant norms.				
VI. Other important information to facilitate better understanding of the Company's implementation of corporate social responsibilities: (1) All the finished packaging materials tested by the Company conform to the RoHS regulations of the EU environmental protection directive. The Company has adopted environment-friendly tableware for employee canteen and adopted comprehensive waste separation method to reduce the impact on the environment. (2) In recent years, the Company has made regular annual donations and love materials to social public welfare organizations, such as organizing charity sale activities, charity activities of donating articles of Hsinchu Catholic Shiguang Rehabilitation Institute, Hsinchu Judung Huashan Social Welfare Foundation, Hsinchu Taiwan Fund for Children and Families (T.F.C.F) Center and Hsinchu Ai-Heng Training Center for Mental Retardation. In the year of 2018, the Company specially invited T.F.C.F and Shiguang Rehabilitation Institute to participate in the charity sale, and also encouraged colleagues to conduct love donation of invoices, so as to spread warmth and give back to the society. (3) The Company has set a dedicated unit to deal with issues related to the rights and interests of customers. (4) The Company's employment policy does not discriminate on the basis of gender, race, age, marital status or family status, to ensure equal remuneration, employment conditions, training and promotion opportunities. (5) The Company carries out regular employee health examination, and implements labor safety promotion for employees, fire training and fire drill, to maintain the safety of employees. Organize employee health examination every year to provide safe and healthy working environment for employees.				
VII. Other information regarding "Corporate Responsibility Report" which is verified by certifying agencies:				

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Description	
The Company has passed ISO9001, IATF 16949, ISO/IEC 17025, ISO14001, OHSAS18001 and Sony Green Partner and relevant certification.				

6. Status of the company's Corporate Conduct and Ethics Implementation and related measures adoption

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Description	
I. Establishment of Corporate Conduct and Ethics Policy and Implementation Measures	Yes		(I) The Company has established its integrity operation practice principles in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies". In addition, the Company has also formulated labor and ethics management regulations and other relevant norms in accordance with relevant labor laws and regulations. The Company has clarified its Corporate Conduct and Ethics Policy in its regulations and external documents which are actively implemented by the board of directors and managers, and implemented in internal management and external business activities.	(I) Compliance with the code of practice on corporate governance.
(I) 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?				
(II) Does the Company work out scheme, operation procedures and guidelines of conducts for employee education and training to prevent dishonest behaviors?	Yes		(II) The Company has formulated its Corporate Conduct and Ethics practice principles in accordance with the relevant laws and regulations, established the corporate culture with sound development of the integrity operation practice for the Company.	(II) Same as above.
(III) Does the Company establish appropriate compliance measures for the business activities prescribed in article 7 item 2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and any other such activities associated with high risk of unethical conduct?	Yes		(III) The Company has established Corporate Conduct and Ethics practice principles, labor and ethics management regulations and other relevant norms, adopting preventing bribery and accepting bribes, and providing illegal political donations and other measures for business operations with high risk of dishonest behavior within the business scope.	(III) Same as above.
II. Ethic Management Practice				
(I) Does the Company assess the ethics record of whom it has business relationship with and include business conduct and ethics related clauses in the business contracts?	Yes		(I) The Company has stipulated provisions of ethics behavior in its business contracts to prevent unethical behaviors.	(I) Compliance with the code of practice on corporate

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Description	
				governance.
(II) Has the Company set up an exclusively (or concurrently) 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?	Yes		(II) The Company has set up the administrative division as the exclusively (or concurrently) dedicated unit to be in charge of the company's ethical standards and at least once a year to report to the board of directors with periodical updates on relevant matters of relevant the implementation state of corporate ethical conducts.	(II) Same as above.
(III) Does the Company work out policies to prevent conflict of interests, provide appropriate communication and complaint channels and implement such policies properly?	Yes		(III) The Company has established labor and ethics management regulations and other relevant norms in accordance with relevant labor laws and regulations, including the employee complaint mechanism and reporting procedures. The Company has complaint channels for preventing routine conflict of interest, and all complaints are properly handled.	(III) Same as above.
(IV) Has the Company established an effective accounting and internal control system that are audited by internal auditors or CPAs periodically to implement relevant policies on ethical conducts?	Yes		(IV) The Company has established an effective accounting system and internal control system, which are regularly audited by internal auditors. Meanwhile, it also entrusts large-scale domestic accounting firms to carry out regular audit.	(IV) Same as above.
(V) Does the Company organize internal or external ethical conduct trainings regularly?	Yes		(V) The Company regularly organizes training and education on the "Prevention of Insider Trading Management Procedures", "Work Management and Professional Ethics", "Integrity Operation Policy", and "Whistle-blowing System and Reporting Procedures".	(V) Same as above.
III. 3. Implementation of Complaint System				
(I) Has the Company established specific complaint and reward system, set up conveniently accessible complaint channels, and assign appropriate individuals to handle the complaint received?	Yes		(I) The Company has established labor and ethics management regulations, management methods for reporting cases of illegal behaviors and violation of integrity, and other relevant norms in accordance with relevant labor laws and regulations, including various employee complaint mechanisms and reporting procedures. Employees allows to report any ethical irregularities through either phone or letter.	(I) Compliance with the code of practice on corporate governance.
(II) Has the Company set the standard operation procedures and related confidential mechanisms to investigate the complaints received?	Yes		(II) The Company has formulated management methods for reporting cases of illegal behaviors and violation of integrity, and other operating norms and has set up a confidentiality mechanism to strictly prohibit retaliation	(II) Same as above.

Assessment Item	Implementation Status			Difference from Corporate Governance Practice Principles for TWSE/GTSM-Listed Companies and Reasons
	Yes	No	Description	
			against good-will whistle blowers.	
(III) Has the Company adopted proper measures to protect a complainant from retaliation for his/her filing a complaint?	Yes		(III) The Company has formulated management methods for reporting cases of illegal behaviors and violation of integrity, and other operating norms and has set up a confidentiality mechanism to properly protect the whistle blower from improper disposal for whistleblowing, strictly prohibit retaliation against good-will whistle blowers.	(III) Same as above.
IV. Strengthen information disclosure (I) Does the Company disclose its guidelines on business ethics and information about implementation of such guidelines on its website and the MOPS?	Yes		(I) The Company has disclosed its formulated integrity operation codes on the MOPS and set up a website, http://www.winstek.com.tw, to disclose related information on integrity operation. The Company information is collected by dedicated personnel and disclosed on the Company website by the information personnel.	(I) Compliance with the code of practice on corporate governance.
V. If the Company has stipulated corporate governance policies based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, please describe any differences between the policies and their implementation: The Company has formulated its Ethics Code based on Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies. There is no discrepancy between the Ethics Code and its implementation.				
VI. Other important information for better understanding of the Company's corporate conduct and ethics compliance practices (e.g. review and amendment of the company's corporate conduct and ethics policy). The Company has formulated its Ethics Codes, labor and ethics management regulations, management methods for reporting cases of illegal behaviors and violation of integrity and other operating norms to be followed.				

7. The Company shall disclose how to search for its corporate governance best-practice principles or related regulations.

   The Company has formulated the "Code of Practice on Corporate Governance", "Code of Practice on Corporate Social Responsibility" and "Ethics Codes". Please refer to the MOPS or the Company's website for details.

8. Other significant information to facilitate better understanding of the company's implementation on corporate governance shall also be disclosed: please refer to the MOPS or the Company's official website for details.

9. Internal Control System Execution Status

(1) Statement on Internal Control System

Winstek Semiconductor Co., Ltd.
Statement of Internal Control System

Date: March 6, 2019

Based on the findings of a self-assessment, the Company states the following with regard to its internal control system during the year 2018:

I. The Company's Board of Directors and management team are responsible for developing, implementing and maintaining an adequate internal control system, and such system has been established. Our internal control is a process designed to provide reasonable assurance over the effectiveness and efficiency of our operations (including profitability, performance and safeguarding of company assets), reliability, timeliness, transparency of report; and compliance with applicable rulings, laws and regulations.

II. An internal control system has inherent limitations. No matter how perfectly designed, an effective internal control system can provide only reasonable assurance of accomplishing the above-mentioned three objectives. In addition, the effectiveness of an internal control system may be subject to changes due to extenuating circumstances beyond our control. Nevertheless, our internal control system contains self-monitoring mechanisms, and the Company will take immediate corrective actions in response to any identified deficiencies.

III. The Company evaluates the design and operating effectiveness of its internal control system based on the criteria provided in the "Guidelines for the Establishment of Internal Control Systems by Public Companies" (the Guidelines). The criteria adopted by the Guidelines identify five factors of managerial internal control: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring activities. Each factor includes several items. Details of each item can be found in the Guidelines.

IV. The Company has evaluate the design and operating effectiveness of its internal control system according to the aforesaid Guidelines.

V. Based on the findings of such evaluation, The Company believes that, on December 31, 2018, it has maintained an effective internal control system (that includes the supervision and management of our subsidiaries), to provide reasonable assurance over our operational effectiveness and efficiency, reliability, timeliness, transparency of reporting, and compliance with applicable rulings, laws and regulations.

VI. This Statement is an integral part of the Company's annual report and prospectus, and will be made public. Any falsehood, concealment, or other illegality in the content made public will entail legal liability under Article 20, Article 32, Article 171 and Article 174 set forth in the Security and Exchange Act.

VII. The Statement was passed by the Board of Directors in their meeting held on March 6, 2019, with none of the eight attending directors expressing dissenting opinions, and the remainder all affirming the content of this Statement.

Winstek Semiconductor Co., Ltd.

Chairman: Huang Hsing Yang (signature and seal)

General Manager: Weng Chih Li (signature and seal)

(2) If CPA was engaged to carry out a special audit of the internal control system, provide its audit report: None.

10. For the most recent fiscal year or as the date of the annual report, regulatory authorities' legal penalties to the Company and its employees, and the Company's resulting punishment on its employees for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements: None.

11. Major Decisions of Shareholders' Meeting and Board Meetings during the most recent fiscal year or as the date of the annual report:

(1) Major resolutions of shareholders' meeting and implementation status in the year 2018:

Meeting Name	Meeting Date	Major Resolutions	Implementation State
2018 Annual Shareholders' Meeting	2018.06.12	1. Adopted the 2017 Business Report and Individual Financial Report and Consolidated Financial Report.	The resolution has been distributed to each shareholder in accordance with Article 230 of the Company Act.
		(2) Adopted Distribution of 2017 profits.	Set July 28, 2018 as the base date for dividend payment, and paid cash dividend on August 17, 2018.

(2) Major resolutions of Board Meetings from 2018 to April 30, 2019

Date	Major Resolutions
2018.03.06	1. Approved the distribution plan for employee's compensation and the remuneration of Directors for 2017. 2. Approved the 2017 Business Report, Individual Financial Report and Consolidated Financial Report of the Company. 3. Approved Distribution of 2017 profits. 4. Approved the date, place, agenda and acceptance of shareholder proposals for the Company's 2018 annual shareholders' meeting. 5. Approved the appraisal of the effectiveness of the Company's internal control system for the year 2017 and the statement of the internal control system. 6. Approved the proposed replacement of the certified accounting firm to audit the financial statements of the Company and its subsidiaries (Winstek Semiconductor Technology Co., Ltd.) from 2018.
2018.03.30	Approved the participation in the cash increase of NT$750 million of the subsidiary (Winstek Semiconductor Technology Co., Ltd.).
2018.04.30	Approved the first quarter financial report of the Company in the year 2018.
2018.08.08	1. Approved the second quarter financial report of the Company in the year 2018. 2. Approved the amendment to the "Implementation Rules for Internal Audit".
2018.09.20	Approved the third contract year compensation settlement of the technical service contract.
2018.11.06	1. Approved the third quarter financial report of the Company in the year 2018. 2. Approved the insurance report of the board of directors, supervisors and key staff.
2018.12.18	Adopted the operating plan of the year 2019.

2019.03.06	1. Approved the distribution plan for employee's compensation and the remuneration of Directors for 2018. 2. Approved the 2018 Business Report, Individual Financial Report and Consolidated Financial Report of the Company. 3. Approved Distribution of 2018 profits. 4. Approved the date, place, agenda and acceptance of shareholder proposals for the Company's 2019 annual shareholders' meeting. 5. Approved the proposal to provide joint guarantee for the bank credit case of the subsidiary (Winstek Semiconductor Technology Co., Ltd.). 6. Approved the amendments to certain provisions of the "Articles of Association". 7. Approved the amendments to certain provisions of the "Operational procedures for Acquisition and Disposal of Assets". 8. Approved the appraisal of the effectiveness of the Company's internal control system for the year 2018 and the statement of the internal control system.
2019.04.29	Approved the first quarter financial report of the Company in the year 2019.

12. Major issues of record or written statements made by any director/supervisor dissenting to major resolutions passed by the Board Meetings during the most recent fiscal year and as of the date of the publication of this annual report: None.

13. Resignations or dismissals of any personnel related to financial reports (chairman, president, heads of accounting, and chief internal auditor) during the most recent fiscal year and as of the date of the annual report: None.

IV. Information on CPA Audit Fees

Name of Accounting Firm	Name of the CPA		Audit Period	Remarks
PwC Taiwan	Li Tien I	Chiang Ts'ai Yen	2018.01.01～2018.12.31	In line with the needs of parent company (Sigurd Microelectronics Corporation) in preparing consolidated financial statements, replace the accounting firm with the same as the parent company from year 2018.

Note: where the Company has replaced the CPA or accounting firm in this year, the period of the audit shall be listed respectively and the reason for the replacement shall be stated in the "Remarks" column.

Amount Unit: NT$ thousand

Name of Accounting Firm	Name of the CPA	Audit Fees	Non-audit Fees					Audit Period	Remarks
			System Design	Commercial Registration	Human Resources	Others	Subtotal		
PwC Taiwan	CPA Li Tien I and Chiang Ts'ai Yen	2,630	0	0	0	0	0	2018.01.01～2018.12.31	In line with the needs of parent company (Sigurd Microelectronics Corporation) in preparing consolidated financial statements, replace the accounting firm with the same as the parent company from year 2018.

Note 1: Where the Company has replaced the CPA or accounting firm in this year, the period of the audit shall be listed respectively and the reason for the replacement shall be stated in the "Remarks" column. and the information of audit fee and non-audit fee paid to the former and successor CPA or accounting firm shall also be disclosed respectively.

Note 2: Non-audit fee shall be listed separately according to the service items. If the "other" of non-audit fee reaches 25% of the total amount of non-audit fee, the service contents shall be presented in the "Remarks" column.

Where the Company has any of the following circumstances, the CPAs' fees shall be disclosed

1. When non-audit fees paid to the CPA, to the accounting firm of the CPA, and/or to any affiliated enterprise of such accounting firm is one quarter or more of the audit fees paid thereto, the amounts of both audit and non-audit fees as well as details of non-audit services shall be disclosed: None.

2. When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed:

   The audit fees of 2017 was NT$3, 500 ,000, and the audit fees of 2018 was NT$2, 630 ,000, with a decrease of NT$870 ,000 or 24.8%. In line with the needs of parent company (Sigurd Microelectronics Corporation) in preparing consolidated financial statements, replace the accounting firm with the same as the parent company from

year 2018. The decrease of audit fees is the result of price negotiation with certified accounting firm according to prescribed procedures.

3. When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more, the reduction in the amount of audit fees, reduction percentage, and reasons therefore shall be disclosed:

The audit fees of 2017 was NT$3, 500 ,000, and the audit fees of 2018 was NT$2, 630 ,000, with a decrease of NT$870 ,000 or 24.8%. In line with the needs of parent company (Sigurd Microelectronics Corporation) in preparing consolidated financial statements, replace the accounting firm with the same as the parent company from year 2018. The decrease of audit fees is the result of price negotiation with certified accounting firm according to prescribed procedures.

V. CPA's Information

1. Regarding the Former CPA

<table>
<tr><td>Date of Changes</td><td colspan="4">Approved by Board of Directors on March 6, 2018</td></tr>
<tr><td>Reasons and Explanation of Changes</td><td colspan="4">In line with the needs of parent company (Sigurd Microelectronics Corporation) in preparing consolidated financial statements, replace the accounting firm with the same as the parent company. Therefore, reappoint PwC Taiwan instead of KPMG Taiwan for auditing from the year 2018.</td></tr>
<tr><td rowspan="3">Specify whether the appointment is terminated or rejected by the consignor or CPAs</td><td colspan="2">Client / Status</td><td>CPA</td><td>Consignor</td></tr>
<tr><td colspan="2">Appointment terminated automatically</td><td></td><td>✓</td></tr>
<tr><td colspan="2">Appointment rejected (discontinued)</td><td></td><td></td></tr>
<tr><td>Opinions other than unmodified opinion issued in the last two years and the reasons for the said opinions</td><td colspan="4">None</td></tr>
<tr><td rowspan="7">Any disagreement in opinion with the issuer</td><td rowspan="5">Yes</td><td></td><td colspan="2">Accounting principle or practice</td></tr>
<tr><td></td><td colspan="2">Disclosure of financial statements</td></tr>
<tr><td></td><td colspan="2">Auditing scope or procedures</td></tr>
<tr><td></td><td colspan="2">Others</td></tr>
<tr><td></td><td colspan="2"></td></tr>
<tr><td>None</td><td colspan="3">✓</td></tr>
<tr><td colspan="4">Explanation</td></tr>
<tr><td>Supplementary Disclosure (Disclosures specified in Article 10, Paragraph 6, Subparagraphs 1-4 to 1-7 of the Standards)</td><td colspan="4">None</td></tr>
</table>

2. Successor CPAs

Name of Accounting Firm	PwC Taiwan
Name of the CPA	CPA Li Tien I and Chiang Ts'ai Yen
Date of Appointment	107.03.22
Matters and results of consultation prior to the formal engagement of the successor CPA regarding the accounting treatment of or application of accounting principles to a specified transaction and the type of audit opinion that might be rendered on the company's financial report	None
Written opinions of a successor CPA regarding the matters on which the former CPA did not agree with	None

3. The reply letter from the former CPAs regarding Article 10, Paragraph 6, Subparagraphs 1 and 2-3 of the standards.

None

VI. The State of the Company's Chairperson, General Manager, or Any Managerial Officer in Charge of Finance or Accounting Matters Has in The Most Recent Year Held a Position at The Accounting Firm of Its Certified Public Accountant or at an Affiliated Enterprise of Such Accounting Firm: None.

VII. Any Transfer of Equity Interests And/or Pledge of or Change in Equity Interests (During the Most Recent Fiscal Year or During the Current Fiscal Year up to the Date of Publication of the Annual Report) by a Director, Supervisor, Managerial Officer, or Shareholder with a Stake of More Than 10 Percent During The Most Recent Fiscal Year or as of the Date of the Annual Report

1. Net Change in Shareholding

Unit: Share

Title	Name	2018		01/01/2019 - 03/31/2019	
		Net change in shareholding	Net change in shares pledged	Net change in shareholding	Net change in shares pledged
Major shareholder and Corporate Director	Singapore Merchants Bloomeria Limited	0	0	0	0
Representative of Legal Director and Chairman	Huang Hsing Yang (Note 1)	0	0	0	0
Representative of Legal Director	Yeh Ts'an Lien (Note 1)	0	0	0	0
Representative of Legal Director	Wu Min Hung (Note 1)	0	0	0	0
Representative of Legal Director	Kuo Hsü Tung (Note 1)	0	0	0	0
Representative of Legal Director	Hsieh Chao Hung (Note 1)	0	0	0	0
Chairman and President	Weng Chih Li	0	0	0	0
Independent Director	Lin Min K'ai	0	0	0	0
Independent Director	Wei Jên Yü	0	0	0	0
Independent Director	Wen-chou Vincent Wang	0	0	0	0
Assistant Vice president	Chao Tzu Chieh	0	0	0	0
Assistant Vice president	Huang Hao Chi	0	0	0	0
Assistant Vice president	Chen Chien Hsun	0	0	0	0
Assistant Vice president	Huang Fu Shen	0	0	0	0
Chief Financial Officer	Tang Li Ying	(5,000)	0	0	0
Financial Deputy Director	Liu Kuei Chu	0	0	0	0

Note 1: Representative of Sigurd Microelectronics Corporation

2. Stock trade with related parties: None.

3. Stock pledge with related party: None.

VIII. Related Party Relationship Among The Company's Top 10 Largest Shareholders

April 12, 2019; Unit: share

Name	Current Shareholding		Spouse and Minor Shareholding		Winstek shareholding by Nominee Arrangement		Title or Name and Relationships of the Top 10 Shareholders Where They Are Related Parties as Stipulated in Statement of Financial Accounting Standards (SFAS) No.6, Spouses, or Relatives Within The Second Degree of Kinship		Remarks
	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Number of Shares	Shareholding Percentage	Name	Relationship	
Singapore Merchants Bloomeria Limited	70,694,438	51.88%	0	0	0	0	None	None	
Representative: Huang Hsing Yang	0	0	0	0	0	0	None	None	
Tsai, Cheng-Ta (Sa, Cheng-Ta)	4,450,000	3.27%	0	0	0	0	None	None	
Citibank Hosting Swiss Bank European SE Investment Account	2,376,000	1.74%	0	0	0	0	None	None	
HSBC Hosting The Jaketti Emerging Markets Small Equity Capital Fund	1,076,000	0.79%	0	0	0	0	None	None	
Pan, Yu-Chin	1,001,643	0.74%	0	0	0	0	None	None	
HSBC Hosting Morgan Stanley International Limited Account	832,000	0.61%	0	0	0	0	None	None	
Citibank Hosting DFA Core Portfolio Investment Account for Emerging Markets	765,000	0.56%	0	0	0	0	None	None	
Chen, Hou-Kuang	710,000	0.52%	0	0	0	0	None	None	
Huang, Yi	691,000	0.51%	0	0	0	0	None	None	
Chang, Shu-Fen	604,000	0.44%	0	0	0	0	None	None	

IX. Consolidated Shareholding Percentage

Unit: thousand shares; %

Long Term Investment Ownership (Note)	Ownership by the Company		Investment by Directors, Supervisors, Managers, Directly or Indirectly Owned Subsidiaries		Total Ownership	
	Shares	%	Shares	%	Shares	%
Winstek Semiconductor Technology Co., Ltd.	310,000	100%	0	0	310,000	100%

Note: Long-term equity investment of the Company calculated according to the equity method.

Chapter 4 Funding Status

I. Capital and Shares

1. Sources of Capital

Unit: NT$ thousand; thousand share

Year/Month	Par Value Per Share (NT$)	Authorized Share Capital		Capital Stock		Remarks		
		Shares	Amount	Shares	Amount	Sources of Share Capital	Capital increased by Assets Other Than Cash	Others
2000.04	10	2,000	20,000	2,000	20,000	Incorporation by stock flotation	None	Note 1
2000.06	10	120,000	1,200,000	80,000	800,000	Capital increase NT$780,000,000 by cash	None	Note 2
2001.04	10	120,000	1,200,000	90,000	900,000	Capital increase NT$100,000 ,000 by cash	None	Note 3
2001.09	10	250,000	2,500,000	184,000	1,840,000	Capital increase NT$940,000 ,000by cash	None	Note 4
2003.11	10	250,000	2,500,000	224,000	2,240,000	Capital increase NT$400,000 ,000 by cash	None	Note 5
2003.08	10	274,900	2,749,000	243,736	2,437,357	Capital increase NT$197, 357 ,000 by earnings	None	Note 6
2005.08	10	274,900	2,749,000	254,291	2,542,913	Capital increase NT$105, 556 ,000 by IPO cash	None	Note 7
2005.10	10	274,900	2,749,000	254,432	2,544,318	Employee stock options converted into new shares of NT$1, 405 ,000	None	Note 8
2006.01	10	274,000	2,749,000	255,108	2,551,078	Employee stock options converted into new shares of NT$6, 760 ,000	None	Note 9
2006.04	10	274,000	2,749,000	255,147	2,551,468	Employee stock options converted into new shares of NT$390 ,000	None	Note 10
2006.08	10	274,000	2,749,000	255,150	2,551,498	Employee stock options converted into new shares of NT$30 ,000	None	Note 11
2006.08	10	400,000	4,000,000	263,605	2,636,046	Capital increase NT$84, 548 ,000 by earnings	None	Note 12
2006.11	10	400,000	4,000,000	263,976	2,639,761	Employee stock options converted into new shares of NT$3, 715 ,000	None	Note 13
2007.02	10	400,000	4,000,000	264,152	2,641,516	Employee stock options converted into new shares of NT$1, 755 ,000	None	Note 14
2007.05	10	400,000	4,000,000	264,208	2,642,078	Employee stock options converted into new shares of NT$563 ,000	None	Note 15
2007.08	10	400,000	4,000,000	262,428	2,624,283	(1) Employee stock options converted into new shares of NT$75 ,000 (2) Write off treasury shares by NT$17, 870 ,000	None	Note 16
2007.08	10	400,000	4,000,000	271,902	2,719,016	Capital increase NT$94, 732 ,000 by earnings	None	Note 17
2007.11	10	400,000	4,000,000	272,019	2,720,188	Employee stock options converted into new shares of NT$1, 173 ,000	None	Note 18

Year/Month	Par Value Per Share (NT$)	Authorized Share Capital		Capital Stock		Remarks		
		Shares	Amount	Shares	Amount	Sources of Share Capital	Capital increased by Assets Other Than Cash	Others
2008.02	10	400,000	4,000,000	272,388	2,723,878	Employee stock options converted into new shares of NT$3, 690 ,000	None	Note 19
2008.05	10	400,000	4,000,000	272,411	2,724,108	Employee stock options converted into new shares of NT$230 ,000	None	Note 20
2008.08	10	400,000	4,000,000	272,429	2,724,288	Employee stock options converted into new shares of NT$180 ,000	None	Note 21
2008.11	10	400,000	4,000,000	272,523	2,725,233	Employee stock options converted into new shares of NT$945 ,000	None	Note 22
2011.05	10	400,000	4,000,000	136,262	1,362,617	Capital decrease to return NT$1, 362, 617 ,000 by cash	None	Note 23

Note 1: April 26, 2000, No.89284149.

Note 2: June 14, 2000, Department of Commerce, MOEA Issuance (2000) No.118968.

Note 3: April 20, 2001, Department of Commerce, MOEA Issuance (2001) No.09001129230.

Note 4: September 3, 2001, Department of Commerce, MOEA Issuance (2001) No.09001350740.

Note 5: November 11, 2003, Department of Commerce, MOEA Issuance Letter No.09201311200.

Note 6: August 19, 2004, Department of Commerce, MOEA Issuance Letter No.09301152930.

Note 7: August 19, 2005, Department of Commerce, MOEA Issuance Letter No.09401158140.

Note 8: November 8, 2005, Department of Commerce, MOEA Issuance Letter No.09401222330.

Note 9: March 2, 2006, Department of Commerce, MOEA Issuance Letter No.09501036070.

Note 10: May 15, 2006, Department of Commerce, MOEA Issuance Letter No.09501084860.

Note 11: August 8, 2006, Department of Commerce, MOEA Issuance Letter No.09501171060.

Note 12: August 31, 2006, Department of Commerce, MOEA Issuance Letter No.09501194040.

Note 13: November 9, 2006, Department of Commerce, MOEA Issuance Letter No.09501249320.

Note 14: February 12, 2007, Department of Commerce, MOEA Issuance Letter No.09601032890.

Note 15: May 9, 2007, Department of Commerce, MOEA Issuance Letter No.09601100470.

Note 16: August 9, 2007, Department of Commerce, MOEA Issuance Letter No.09601193040.

Note 17: August 31, 2007, Department of Commerce, MOEA Issuance Letter No.09601212680.

Note 18: November 5, 2007, Department of Commerce, MOEA Issuance Letter No.09601270960.

Note 19: February 5, 2008, Department of Commerce, MOEA Issuance Letter No.09701029790.

Note 20: May 16, 2008, Department of Commerce, MOEA Issuance Letter No.09701111670.

Note 21: August 13, 2008, Department of Commerce, MOEA Issuance Letter No.09701200880.

Note 22: November 11, 2008, Department of Commerce, MOEA Issuance Letter No.09701287880.

Note 23: May 18, 2011, Department of Commerce, MOEA Issuance Letter No.10001100240.

2. Type of Shares

April 12, 2019; Unit: share

Type of Shares	Authorized Capital Stock			Remarks
	Outstanding Shares	Unissued Shares	Total	
Common Stock	136,261,659	263,738,341	400,000,000	Listed

3. Shareholder Structure

April 12, 2019; Unit: Person/Share

Quantity / Shareholder Structure	Government Agencies	Financial Institutions	Other juridical Persons	Natural Persons	Foreign Institutions & Individuals	Total
Number of shareholders	0	0	19	9,070	72	9,161
shareholdings	0	0	846,639	52,451,949	82,963,071	136,261,659
Holding Percentage	0.00%	0.00%	0.62%	38.49%	60.89%	100%

4. Shareholding Distribution Status

Par value per share of NT$10 April 12, 2019; Unit: Person/Share

Shareholder Ownership			Number of Shareholders	Ownership	Holding Percentage
1	to	999	2,279	483,861	0.36%
1,000	to	5,000	5,281	11,015,299	8.08%
5,001	to	10,000	800	6,465,760	4.75%
10,001	to	15,000	236	3,052,739	2.24%
15,001	to	20,000	152	2,871,736	2.11%
20,001	to	30,000	122	3,185,260	2.34%
30,001	to	50,000	126	5,034,732	3.69%
50,001	to	100,000	76	5,411,406	3.97%
100,001	to	200,000	57	8,164,278	5.99%
200,001	to	400,000	15	3,843,000	2.82%
400,001	to	600,000	7	3,533,507	2.59%
600,001	to	800,000	4	2,770,000	2.03%
800,001	to	1,000,000	1	832000	0.61%
1,000,001		Over	5	79,598,081	58.42%
Total			9,161	136,261,659	100.00%

5. List of Major Shareholders

Name, number of shares held, and shareholding percentage of shareholders who hold more than 5% of the shares or the top 10 shareholders:

April 12, 2019; Unit: share

Name of Major Shareholders	Number of Shares Held	Shareholding Percentage
Singapore Merchants Bloomeria Limited	70,694,438	51.88%
Tsai, Cheng-Ta (Sa, Cheng-Ta)	4,450,000	3.27%
Citibank Hosting Swiss Bank European SE Investment Account	2,376,000	1.74%
HSBC Hosting The Jaketti Emerging Markets Small Equity Capital Fund	1,076,000	0.79%
Pan, Yu-Chin	1,001,643	0.74%
HSBC Hosting Morgan Stanley International Limited Account	832,000	0.61%
Citibank Hosting DFA Core Portfolio Investment Account for Emerging Markets	765,000	0.56%
Chen, Hou-Kuang	710,000	0.52%
Huang, Yi	691,000	0.51%
Chang, Shu-Fen	604,000	0.44%

6. Market Price, Net Value, Earnings Per Share and Dividends and Related Information for the Most Recent Two Years

Unit: NT$ thousand; thousand share

Item \ Year			2017	2018	As of March 31 2019
Market Price Per Share	Highest		31.25	44.70	26.50
	Lowest		20.05	20.65	21.20
	Average		26.81	34.53	23.94
Net value per share	Before Distribution		31.63	33.57	34.05
	After Distribution		30.33	(Note)	(Note)
Earnings Per Share (EPS)	Weighted Average Shares		136,262	136,262	136,262
	Before Adjustment		5.34	2.42	0.40
	After Adjustment		5.34	(Note)	(Note)
Dividends Per Share	Cash Dividend		1.30	(Note)	-
	Stock Dividends	Stock Dividends Appropriated from Retained Earnings	0	(Note)	-
		Stock Dividends Appropriated from Capital Reserve	0	(Note)	-
	Accumulated Undistributed Dividends		0	(Note)	-
Return on Investment	Price-earnings (P/E) Ratio		5.02	(Note)	-
	Price-dividend (P/D) Ratio		20.62	(Note)	-
	Cash Dividend Yield		4.85%	(Note)	-

Note: Pending Shareholders' approval

7. Dividend Policy and Implementation Status:

(1) The Company's Dividend Policy

When allocating the earnings at the end of each fiscal year, the Company shall first offset its losses in previous years and set aside a legal capital reserve at 10% of the remaining net profits; then set aside special capital reserve if necessary. If there is still earnings, together with the accumulated undistributed earnings in the previous years, the Board of Directors may reserve a portion of such earnings based on business situation, draw the earnings allocation plan and submit to the board of shareholders for resolution.

The Company's dividend policy shall take into consideration its fiscal earnings result, investment environment, capital requirement, budgeting and operating plans, financial structure and earnings dilution. The dividend shall be distributed not less than 10% of the net income after-tax in current fiscal year, and shall be retained without allocation under the condition that the EPS is below NT$ 0.5 or the dividend distribution might result in a breach of contract. Earnings of the Company may be distributed by way of stock dividend and/or cash dividend, of which the cash dividend shall not be less than 10% of the total dividends.

(2) Dividend Distributions Proposed At Recent Shareholders' Meeting:

The proposed dividend distribution at this regular meeting of shareholders is based on the resolution of the board of directors and the proposed appropriation of cash dividend for shareholders is NT$163, 514 ,000. Complies with the dividend policy stipulated in the Articles of Incorporation.

8. Effect upon business performance and earnings per share of any stock dividend distribution proposed or adopted at the most recent shareholders' meeting:

There is no proposed stock dividend at this shareholders' meeting, which will not affect the Company's business performance and earnings per share.

9. Remuneration to employees, Directors and Supervisors

(1) Information on remuneration to employees, directors, and supervisors, as set forth in the Company's Articles of Incorporation:

The Company shall reserve 0.1%~15% of profits of the year as employees' compensation. Where employees bonus is paid in stock or cash, the payees includes employees who meet certain criteria in the subsidiaries of the Company. However, in case of the accumulated losses, certain profits shall first be reserved to cover the losses. Depending on business circumstances, the Company shall appropriate 1%~3% of profits of the year as director's remuneration. However, in case of the accumulated losses, certain profits shall first be reserved to cover the losses.

(2) The estimation basis of the remuneration amount to employees, directors, and supervisors for the current period; the estimation basis of the number of shares distributed to remuneration; and the accounting treatment of the discrepancy, if any, between the actual distributed amount and estimated figure, for the current period:

The estimated amount of employee remuneration for the current period is NT$28,088,000 and the estimated amount of director remuneration is NT$0,

which is appropriated from the pretax profit of the current year deducted 10.0% and 0% from the profit before the remuneration distribution to employees and directors, in accordance with the percentage as set forth in the Articles of Incorporation.

Employees' remuneration shall be paid in cash. If there is any difference between the actual amount of employees' remuneration and directors' remuneration due to accounting estimated changes, the profit and loss of the distributed accounting year shall be adjusted.

(3) Information on the remuneration distribution approved by the Board of Directors:

A. Where the amount of remuneration paid to employees and the amount of remuneration paid to directors and supervisors in cash or shares shows any discrepancy between that amount and the estimated figure for the fiscal year these expenses are recognized, the discrepancy, its cause, and the status of treatment shall be disclosed:

The board of directors of the Company resolved on March 6, 2019, that the amount of employees' remuneration shall be NT$28,088,000 and the amount of directors' remuneration shall be NT$0. The employees' remuneration shall be paid in cash, and there is no difference between the amount of employees' remuneration and the carrying amount.

B. The amount of any employee remuneration distributed in stocks, and the size of that amount as a percentage of the sum of the after-tax net income stated in the parent company only financial reports or individual financial reports for the current period and total employee remuneration:

Employees' remuneration is not paid in shares this year, so it is not applicable.

(4) Actual distribution remuneration of employees, directors, and supervisors for the previous fiscal year (including the distributed number, amount and shares price), and where is any discrepancy between the actual distribution and the recognized remunerations for employees, directors and supervisors, the discrepancy, cause, and how it is treated shall be stated:

In the year 2017, the estimated amount of employees' remuneration is NT$120, 750,000and the estimated amount of directors' remuneration is NT$0. There is no difference between the actual distribution and the estimated amount.

10. Buyback of Common Stock: None.

II. Issuance of corporate bonds (including overseas corporate bonds) : None.

III. Preferred shares: None.

IV. Global depository receipts (GDR): None.

V. Status of Employee stock option plan and Employee restricted stock: None.

VI. Status of New share Issuance in connection with mergers and acquisitions: None.

VII. The State of Implementation of the Company's Capital Allocation Plans

As of March 31, 2019, there is no such circumstance that the Company has not completed any of its previous issuance or private placement of securities, or has completed in the last three years but without realizing the planned benefits.

Chapter 5 Overview of Operations

I. Business Activities

1. Business Scope

(1) Main business contents:

A. All kinds of design, testing, accessories, processing, packaging, trading business of integrated circuit (IC).

B. Solder bumping, flip chip technology packaging service and related products design business.

C. Product reliability verification service and failure analysis service.

D. Information software services business.

E. Electronic components manufacturing business.

(2) Business proportion:

Unit: NT$ thousand; %

Product	2018	Percentage
Testing services	1,085,236	37.82%
Wafer level packaging services	1,784,154	62.17%
Others	253	0.01%
Total	2,869,643	100.00%

(3) Current commodities (services):

The Company is a specialized IC packaging and testing plant, with main service of wafer and integrated circuit testing service, product reliability verification service and failure analysis service, wafer level wafer size packaging (WLCSP) service, wafer bumping packaging service, Cu Pillar Bump Flip Chip packaging service and wafer grinding and cutting service.

(4) New products (services) planned to develop:

A. Wafer testing technology development with advanced process such as 5 Nm advanced process wafer testing.

B. Development new type of wafer test and more precise ball spacing test technology for wafer-level packaging.

C. 5G Radio frequency component testing technology, integrated IC testing technology.

D. Pin Scale/J750 testing software and hardware development.

E. Fan Out/RDL product testing development.

F. Develop WLCSP and 5 side/6 side protection package services continuously.

G. Develop new types of advanced packaging technology to provide efficient System on Chip and System in Package services.

H. Flip chip packaging

I. Plasma wafer cutting technology

J. Multilayer circuit rewiring wafer level packaging technology

K. SiC/GaN special wafer cutting service

2. Industry Overview

(1) Current State and Development of the Industry

According to the statistics from WSTS, the total U.S. semiconductor market in 2018 was worth $103 billion in sales, 16.4% up from 2017.Japan's semiconductor market is worth $40 billion in sales, 9.2% up from 2017.Europe's semiconductor market is worth $43 billion in sales, 12.1% up from 2017.The semiconductor market in Asia was worth $282.9 billion in sales, 13.7% up from 2017. Of that, China's mainland market was worth $158.4 billion in sales, 6.1% up from 2017. The global semiconductor market reached a total annual sales value of $468.8 billion in 2018, up 13.7 percent from 2017.

In terms of the domestic market, the market conditions in the first half of this year were relatively good for the product production with 7 nm process of wafer foundries, DRAM and NOR Flash of memory manufacturers, IC design manufacturers' smart voice device chip, biological chip IC impulse, Type C drive high-speed transmission chip growth, ASIC design has service niche, wireless charging chip market, etc. As a result, under such circumstances, in 2018, the output value of the domestic semiconductor industry was NT$2,619.9 billion, up by 6.4% compared with NT$2,462.3 billion in 2017 (ITRI IEK statistics in February 2019).

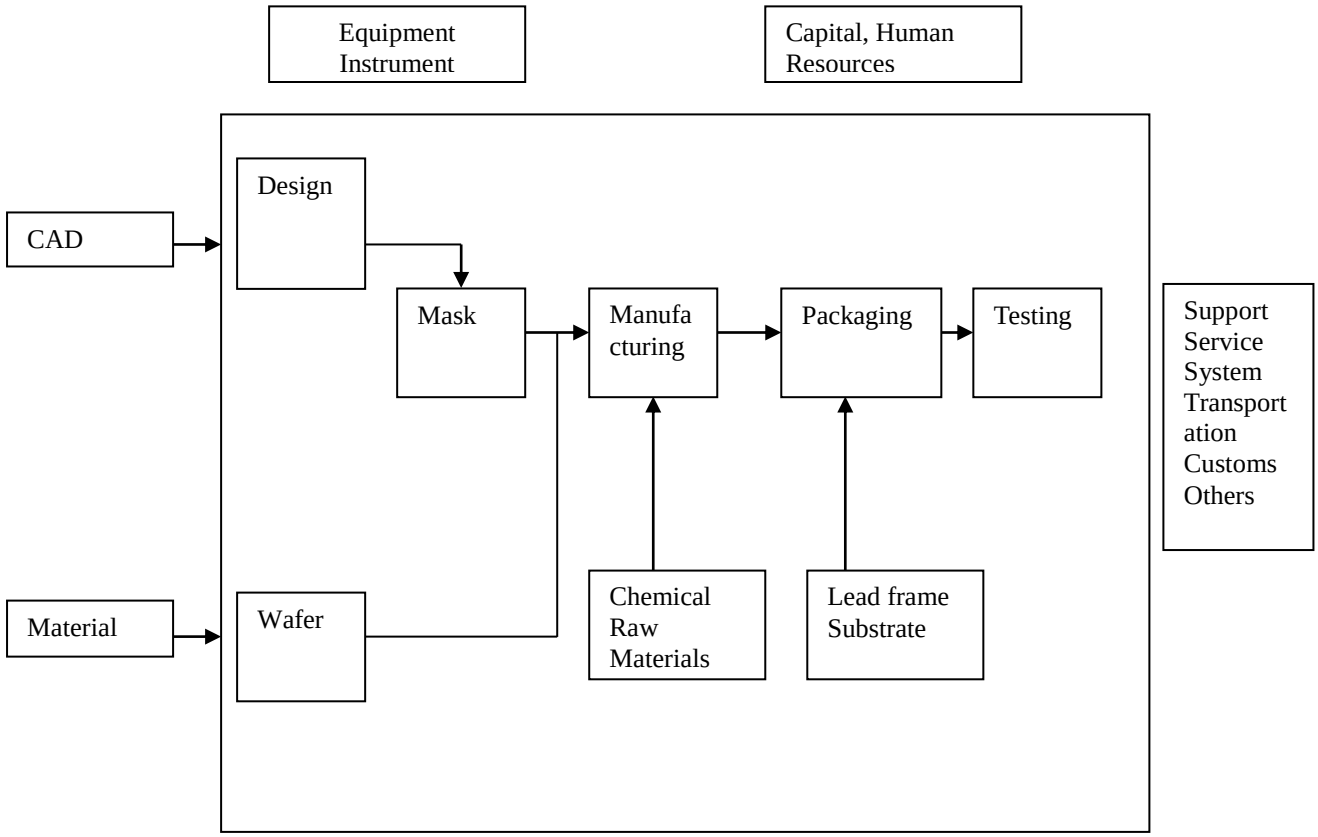
In 2018, China's semiconductor packaging and testing industry grew with the market demand of electronic terminal products such as Internet of things, AI, communication, computer, 3C, automobile, etc. However, the China-US trade war that weakened global economy and the continuous decline of consumer confidence affected the performance of the overall packaging and testing industry. In 2018, the output value of Taiwan's IC packaging and testing industry was NT$493 billion, up 3.4% from NT$477 billion in 2017 (ITRI IEK statistics in February 2019).

Taiwan semiconductor industry has developed into an industrial structure with vertical division of labor from upstream to downstream, including IC design, IC manufacturing, IC packaging and IC testing from upstream to downstream. Vertical division of labor and industry cluster has made Taiwan IC industry the competitive advantage of flexibility, speed and low cost. With the diversification of IC applications, emerging fields such as smart phones, Internet of things, automotive electronics, high-performance computing, 5G, and artificial intelligence have put forward higher requirements for advanced packaging. Packaging technology has developed rapidly with particularly active innovation and fierce competition. Advanced packaging is developing towards the direction of system integration, high speed, high frequency and three-dimensions. At present, high-density TSV/Fan-Out technology has become the core technology of advanced packaging in the new era due to its flexibility, high density and suitability for system integration.

(2) Correlation among Upstream, Midstream and Downstream of the Industry

The semiconductor industry can be divided into upstream - IC Design, mid-stream - IC Manufacturing and Foundry, and downstream - IC Packaging and Testing.

Correlation among upstream, midstream and downstream of the country's IC industry is shown as follows:



Data source: IT at ITRI IEK IS plan

(3) Various Development Trends of Product

With diversification of IC applications, emerging fields such as smart phones, Internet of things, automotive electronics, high-performance computing, 5G, and artificial intelligence have put forward higher requirements for advanced packaging. Packaging technology has developed rapidly with particularly active innovation and fierce competition. Advanced packaging is developing towards the direction of system integration, high speed, high frequency and three-dimensions. At present, high-density TSV/Fan-Out technology has become the core technology of advanced packaging in the new era due to its flexibility, high density and suitability for system integration.

The trend of application products after 2018 extends from the past consumer electronics to the product value-added field of AI and IoT. Therefore, the investment direction of IC manufacturing industry shifts from traditional consumer electronics to diversified and emerging applications.

From the production perspective, after 2018, observe the development of IC manufacturing industry from capital investment, memory competition will become increasingly fierce, and wafer foundry presents a trend of increasingly large scale. A new wave of client demand restructuring starts to appear on the future layout of IC manufacturing industry. In the wafer foundry industry, the 10-Nm process has become a watershed in manufacturers' technical capabilities and has led to differences in the development of wafer foundries in competing countries. Die shrink below 7Nm relies on the advancement of EUV technology, and innovative materials and equipment technology will help to improve the output stability of processes below 7Nm. In the memory industry, memory technology evolves towards high capacity and low power consumption, and the multi-layer stacking technology with high reliability will determine the competitiveness of manufacturers.

From product perspective, the development trend of semiconductor components in the future will be towards the integration of AI and IoT. For the specification requirements of chips, besides the miniaturization of components, high-speed computing and transmission, heterogeneous integration of multiple components, low power consumption and other characteristics are also the topics to be considered in the future product and process design. AI+IoT will improve the functions and popularity of the Internet of things. In the future, the key to the chip technology in the IoT era will be to improve the computing power and computing capacity through the integration of AI functions, and strengthen the interconnection between devices and the function of learning and judgment. The future applications of the chips in the IoT era are expected to be automotive mainly, followed by household and industrial products, the market will be expanded in a completely new direction.

It is conceivable that with the gradual increase in the penetration of AI technology, the future IC manufacturing industry will bring more possibilities, presenting a completely different feature from the past.

(4) Competitive Situation

In the future, with the-winner-takes-it-all industrial characteristics, Taiwan's packaging and testing industry will develop by means of market restructuring, alliance and merger. In order to achieve greater economies of scale and expand the scope of product supply, the Company has reinvested on its subsidiaries whose main business is wafer bumping and wafer packaging services. After the acquisition of the major shareholders of the Company, Sigurd Microelectronics Corporation became the ultimate holding company which enhances the

effective use of resources and complementarities of the Group. Enable the Company to provide a wider range of services and have a more diversified customer base.

In terms of technical, under the trend of that the terminal electronic products IC increasingly smaller but growing functionality, the technology development of the Company will continue toward the SiP Module, 3D IC, Higher I/O Density, Cu pillar bump technology, ultrathin wafer grinding and packaging technology, integrated passive components technology and the development of miniaturization, extend the scope of packaging and testing services and provide customer with more in-depth integration services such as product reliability verification and failure analysis services. The Company will distinguish itself from the competition by strengthening its strategic partnership with the design industry to jointly develop low-cost high-performance packaging and testing technology in response to future new products.

The major IC professional packaging and testing plants in the country are ASE Inc., ASE Test Limited, Powertech Technology Inc., KYEC, Ardentec. And TLC, etc. The Company has developed a long-term relationship with our clients by providing advanced packaging and testing engineering capabilities, automation IT system capabilities, qualified quality and timely delivery.

3. Technology and R&D Overview

(1) Technical Level of Business:

In response to the increasing complexity of IC design, in terms of testing technical services, the Company has provided our clients with total solutions by dedicating to high-level technology area - logic testing, analog testing, mixed signal semiconductor testing, RF semiconductor testing, SoC testing, and other testing (e.g. image sensor testing) with continuously research and development innovation and process technology improvement.

In order to meet customers' demand for high efficiency, multi-function, frivolous and short products, the wafer bumping technology services developed by the Company and provided to customers contain IC wafer lead free (tin-silver and tin-copper) bumping technology, IC wafer eutectic bumping technology, IC wafer lead free bumping technology, IC wafer Cu pillar bumping technology, 8 "/ 12" Ball On Trace WLCSP.

(2) Research and Development:

The Company, since its inception, has set up a research and development department in charge of research and development and introduction of new processes, new equipment, software and hardware integration and automatic conversion projects. In response to rapid market changes and future demand on IC market, the Company has deeply cultivated its technology development. In addition to researching and developing new products, the Company also introduces new technologies through technical cooperation. The R&D team has the ability to develop software and hardware programs for testing as well as advanced packaging technology.

(3) R&D costs incurred in the most recent fiscal year and as of the date of the annual report

Unit: NT$ thousand; %

Item	2018	March 31 2019
R&D Expenses	14,946	3,435
Net Operating Income	2,869,643	539,995
As A Percentage of Net Operating Income	0.52%	0.64%

(4) R&D Accomplishments in the most recent fiscal year and as of the date of the annual report

- 16/12/10/7 Nm advanced process wafer testing
- 40um micromatrix type IC wafer Cu pillar bumping chip testing
- AI related chip testing technology
- USB3.x hard disk control wafer finished product testing
- 4G-LTE related wafer finished product testing
- Digital product 12/16 sites finished product parallel testing
- 80um~150um pitch Cu pillar bumping technology for matrix type IC wafer
- 12" Ball on Trace WLCSP
- 40um~80um pitch Cu pillar bumping technology for matrix type IC wafer
- Low Cure Temp PI process technology
- Au RDL process technology
- Cu Pillar Bump Flip Chip packaging services and WLCSP services with 12/7 Nm advanced process.
- 8” Wafer level packaging services

4. Long Term and Short Term Business Development Plan

(1) Short Term Development Plan

A. In order to be able to provide a wider range of services and have a more diversified customer base, and expand the scope of product supply, the Company has reinvested on its subsidiaries whose main business is wafer bumping and wafer packaging services, extended the scope of packaging and testing services and provide customer with more in-depth integration services such as product reliability verification and failure analysis services, using mature services and technical capability, continues the strategic cooperation with international wafer fabs and wafer foundries to maintain the Company's competitiveness. At the same time, the Company continues to introduce other international fabs and international design companies to increase the customer base in Europe, North America and other regions of Asia, and meanwhile spreads the customer base and reduce the risk of over-concentration of customers.

B. Rapidly develop the packaging testing technology and products in line with market trends. Continuously improve the effective output efficiency to meet customer requirements for production cycle, which may reduce the investment cost of urgent and short orders.

C. Leverage the Group resources, make full use of the test machine platform conversion technology to improve production efficiency, provide customers with the best solution, reduce production cost and improves quality, and maintain stable cooperation with customers.

(2) Long Term Development Plan:

A. Using mature testing technology, continues the strategic cooperation with international wafer fabs and wafer foundries on wafer testing techniques with more advanced manufacturing processes, such as 5 Nm process wafer testing technology, which can help to maintain the Company in the competitiveness of the higher order product wafer testing. Meanwhile, expands wafer testing capacity and business in line with customers' investment plans and strategies for advanced manufacturing processes in the later stage, so as to diversify the customer base and improve the problem of over-concentration of product application and reduce operational risks.

B. Continuously carries out various improvement projects to increase the effective output to save cost, improve the yield and customer satisfaction, cooperates with customers and suppliers to develop higher level of parallel testing ability to reduce cost and enhance competitiveness.

C. Continues to strengthen the in-service training of staff and develop various retention plans to enhance staff engineering and production capacity to effectively improve output efficiency and quality, and in response to the talent shortage problems under the overall environment.

D. Cooperates with customer for integrated service requirement (total turnkey solution) to sustainably develop new packaging testing technology.

E. Develops maintenance technology (probe card cost) for low cost testing tools and maintains high yield in response to the high cost test requirements of customers for high-end products.

F. Strengthens research and development of information technology (IT) application to improve operational efficiency and streamline workforce to increase profitability, while integrating with global trends in energy conservation and carbon reduction.

II. Market Overview

1. Market Analysis

(1) Major Commodities (Service) Sales (Provided) Region:

Unit: NT$ thousand

Year / Region	2017		2018	
	Amount	%	Amount	%
Domestic Sales	1,116,180	39.26%	861,680	30.03%
Export Sales	1,726,743	60.74%	2,007,963	69.97%
Total	2,842,923	100.00%	2,869,643	100.00%

(2) Market Share

IEK-ITIS (2019/02) data from ITRI shows that, the production value of domestic packaging and testing services industry in 2018 was NT$493 billion, while the Company's turnover in 2018 was NT$2.87 billion, with a market share of 0.58%. The production value of domestic packaging and testing services industry in 2017 was NT$477 billion, while the Company's turnover in 2017 was NT$2.84 billion, with a market share of 0.60%.

(3) Future supply and demand of the market and its growth

Looking forward to IC testing industry in the whole year of 2019, the application trend of products has extended from consumer electronics in the past to the fields with value-added of AI and IoT products, thus the IC manufacturing industry investment turns from traditional consumer electronics products to multiple and emerging applications. From the perspective of production, after 2018, observe the development of IC manufacturing industry from capital investment, memory competition will become increasingly fierce, and wafer foundry presents a trend of increasingly large scale. A new wave of client demand restructuring starts to appear on the future layout of IC manufacturing industry. In the wafer foundry industry, the 10Nm process has become a watershed in manufacturers' technical capabilities and has led to differences in the development of wafer foundries in competing countries. Die shrink below 7Nm relies on the advancement of EUV technology, and innovative materials and equipment technology will help to improve the output stability of processes below 7Nm. In the memory industry, memory technology evolves towards high capacity and low power consumption, and the multi-layer stacking technology with high reliability will determine the competitiveness of manufacturers. From the perspective of products, the development trend of semiconductor components in the future will be towards the integration of AI and IoT. For the specification requirements of chips, besides the miniaturization of components, high-speed computing and transmission, heterogeneous integration of multiple components, low power consumption and other characteristics are also the topics to be considered in the future product and process design. AI+IoT will improve the functions and popularity of the Internet of things. In the future, the key to the chip technology in the IoT era will be to improve the computing power and computing capacity through the integration of AI functions, and strengthen the interconnection between devices and the function of learning and judgment. The future applications of the chips in the IoT era are expected to be automotive mainly, followed by household and industrial products, which will expand the market demand in a completely new direction, and accelerate the growth of high order packaging and testing services such as system-level packaging and drive the IC packaging and testing industry in Taiwan to maintain a continuous growth trend.

(4) Competitive advantage

A. Possesses excellent management ability to handle exception problems rapidly. The Company has a complete and rigorous operating system, has established a real-time response system and has the ability to quickly solve problems, and timely review and amend the system, instantly feed the test results to customers as a reference for customers to modify their IC design.

B. Possesses the ability to shorten the Cycle Time of IC products and assist

customers to reduce relevant fees.

C. Introduces high precision machinery and equipment, in response to that the IC product development is increasingly complex. In order to meet customer demand and future trends, introduces automation and high precision equipment from world-renowned equipment factory, to satisfy customer demand and improve service quality.

D. With long-term cooperation with large international factories, the Company's professional technical capabilities have been recognized by them.

E. The Company also provides turnkey services of wafer level packaging and testing to reduce the cost and risk of shipping products back and forth to meet customer needs and improve the Company's competitive niche.

F. The Company uses the Internet system for information transmission, thus customers may at any time grasp the product problem and the present progress, understand product condition, which is helpful for the product improvement and to solve problems rapidly, enhancing the added value for customers.

(5) Advantages, Disadvantages and Countermeasures of The Development Prospect

A. Advantages:

a. The Company has excellent R&D engineering professionals who have senior experience and professional quality in the industry, can quickly respond to and solve customer matters and provide the best solution standing in the position of customers, to reduce customer costs and become the best partner of customers.

b. The Company provides wafer level packaging and testing services to customers, enabling customers to obtain integral service by placing one order, and can shorten the delivery time and save transportation costs. In addition, in response to the market and customer demand, rapid carries out the capacity expansion and adjustment, duly invests in the most advanced equipment to meet customer demand for capacity, and provides customers with the most competitive solutions.

B. Disadvantages and Countermeasures:

a. As a result of the fluctuation of IC industry market, the operating risk of IC packaging and testing plant has increased. In the whole IC production system, IC packaging and testing are located at the back-end of the whole process, which is a necessary step before the shipment of IC products and greatly affected by the semiconductor market fluctuation. The semiconductor market is characterized by a small elasticity of price demand, and a slight imbalance between supply and demand will lead to sharp price fluctuations of chips, which will affect the profitability of the semiconductor back-end packaging and testing industry.

Countermeasures: in addition to actively deploying machines and shortening programming and execution time, the Company also provides prompt and accurate services to upstream wafer manufacturers and IC design companies to attract customers' continuous orders. In terms of capacity expansion, the Company adopts a stable investment approach to avoid losing market opportunities due to insufficient capacity of machinery and equipment, or causing idle equipment due to excessive expansion of equipment, thus increasing operational risks. At the same time, the Company intensifies the cooperation mode with customers, establishes long-term partnership with existing customers and develops new customers, so that the production capacity can be fully and steadily used.

b. Urgent Need for Capital

With the expansion of business and the high cost of the new generation of test equipment, there is an urgent need for capital of operating working and machine equipment investment of testing industry.

Countermeasures: the Company has a sound financial structure and a high proportion of its own funds, so the capital demand can be satisfied from the net cash inflow from operating and the capital market financing channels.

2. Important Uses and Production Processes of Major Products

(1) Product Use

Major Products or Services Items	Important Uses or Functions
Testing Service - Wafer Testing (Wafer Sort)	Check and test the wafer defects before IC packaging.
Test Service - Integrated Circuit Testing (Final Test)	Test and classify all properties of IC products by precise high-tech machinery equipment according to the test conditions specified by customers, and to ensure that the products meet the quality and stability required by customers.
Wafer Level Chip Scale Packaging (Wafer Level CSP) Flip Chip Scale Packaging (Flip Chip CSP)	It is mainly used in computers, communications, Internet, consumer electronics and other products, including notebook computers, tablet computers, smart phones, functional phones, wearable devices, smart appliances, on-board boxes, LCD TVS, digital cameras, game consoles, Internet of things, fingerprint sensors and so on.

(2) Production Process

Testing Services:

Incoming Material Storage→IQC→Incoming Material Storage→ Machine Setting→Wafer on the Prober/IC on the Classifier→QVM→ Baking→FQC→Storage→Shipment

Packaging Services:

Incoming Material Storage→IQC→Wafer Bumping→Wafer Cutting→ Flip Chip Sticking Grain→Prime Coat Filling→Positive Printing→ Solder Ball on Trace→Appearance Inspection→Packaging→Storage→ Shipment

3. Supply Status of Main Raw Materials

The Company mainly provides IC processing for customers, and the supply status of main raw materials used in packaging is as follows:

Main Raw Materials	Main Suppliers	Supply Status
Taping Topping Material	Lintec Advanced Technologies (Taiwan), Inc.	Good
Photo Graphy Material	Hitachi Chemical Co., Ltd.	Good
Yellow Light Material	Akros Trading Taiwan Co., Ltd.	Good
Plating Material	AMPOC Far-East Co., Ltd.	Good
Plating Material	Rohm and Haas Electronic Material Co. Ltd in Taiwan	Good
	Enthone Inc.	Good
Etching Material	Chemleader Corporation	Good
	Meltex Taiwan Inc.	Good
General Chemical	KANTO-PPC Inc.	Good

4. The name of the customer who accounted for more than 10% of the total amount of goods purchased (sold) in the last two years and the amount and proportion of such goods purchased (sold)

(1) Major Sales Customers

Unit: NT$ thousand

Item	2017				2018			
	Name	Amount (NT$ thousand)	As A Percentage of Annual Net Sales (%)	Relationship with The Issuer	Name	Amount (NT$ thousand)	As A Percentage of Annual Net Sales (%)	Relationship with The Issuer
1	Company A	1,731,092	60.89	None	Company A	1,755,261	61.17	None
2	Company B	563,995	19.84	None	Company B	447,203	15.58	None
3	Others	547,836	19.27	None	Others	667,179	23.25	None
	Total	2,842,923	100.00		Total	2,869,643	100.00	

(2) Major purchase customers, and explain the reasons for the changes

Unit: NT$ thousand

Item	2017				2018			
	Name	Amount (NT$ thousand)	As A Percentage of Annual Net Purchases (%)	Relationship with The Issuer	Name	Amount (NT$ thousand)	As A Percentage of Annual Net Purchases (%)	Relationship with The Issuer
1	Company A	66,226	17.46	None	Company A	76,040	17.12	None
2	Company B	43,723	11.53	None	Company B	42,218	9.50	None
3	Others	269,400	71.01	None	Others	325,997	73.38	None
	Total	379,349	100.00		Total	444,255	100.00	

Explanation of Increase or decrease: the amount of supply and the rate of change mainly follows the change of the purchased goods specifications.

5. Table of Production Quantity of The Most Recent Two Years

Unit: Tablet; Thousand Grains; NT$ thousand

Year / Production Quantity	2017			2018		
	Capacity	Yield	Output Value	Capacity	Yield	Output Value
Wafer Testing	Note	206,465	790,765	Note	234,423	677,546
Integrated Circuit Testing		102,560			76,398	
Wafer Level Packaging	438,000	257,944	1,625,139	516,000	308,875	1,530,564
Total	-	-	2,415,904	-	-	2,208,110

Note: as the production capacity of testing industry is calculated according to time rather than quantity, it is disclosed by the number of main production machines, which is 127 and 122 sets respectively by the end of 2018 and 2017.

6. Table of Sales Volume of The Most Recent Two Years

Unit: Tablet; Thousand Grains; NT$ thousand

Sales Volume / Major Commodities	2017				2018			
	Domestic Sales		Export Sales		Domestic Sales		Export Sales	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Wafer Testing	157,212	811,609	49,253	209,105	120,720	685,567	113,703	399,669
Integrated Circuit Testing	100,543		2,017		73,828		2,570	
Wafer Level Packaging	33,242	304,513	224,702	1,517,638	15,976	175,860	292,899	1,608,294
Others (Note)	-	58	-		-	253	-	
Total		1,116,180		1,726,743		861,680		2,007,963

Note: including the provision of machine services, engineering product development services and testing program development services.

III. Employee Information

Employee Information for The Last Two Fiscal Years and up to The Date of Publication of The Annual Report

Year		2017	2018	Current Year to March 31, 2019
Numbers of Employees	Directly	289	267	260
	Indirectly	393	407	394
	Management	80	81	81
	Total	762	755	735
Average Age		35.5	35.9	36.2
Average Year of Services		5.2	5.9	6.2
Educational Attainment Distribution Ratio	Doctor	0.0%	0.0%	0.0%
	Master	8.4%	7.9%	7.9%
	College	64.0%	64.5%	64.6%
	Senior High School	25.1%	25.2%	25.3%
	Below Senior High School	2.5%	2.4%	2.2%

IV. Information on Environmental Protection Expenditure

1. Loss and disposal caused by environmental pollution in the most recent fiscal year and as of the date of the annual report: None.

2. Future countermeasures:

   Continue to promote the relevant energy saving and carbon reduction policies, implement various energy saving measures. The Company has a special environmental protection and dedicated industrial safety unit who is responsible for the management and supervision of related operations.

   (1) Waste water management: set up a waste water in-time monitoring system and regularly inspect the quality of discharged water by outsourcing to comply with environmental laws and regulations.

   (2) Exhaust gas management: set up an exhaust gas continuous monitoring system and regularly inspect exhaust gas emission quality by outsourcing to comply with environmental laws and regulations.

   (3) Waste disposal: entrust a qualified disposal agency to properly dispose of waste and conduct regular audit.

(4) Contractor management: regularly audit the manufacturers to jointly fulfill the responsibility of complying with the industrial safety and environmental protection.

(5) Energy management: reduce the resources consumption of water, electricity and gas.

3. Estimated Capital Expenditure On Environmental Protection In The Coming Fiscal Year:

In response to the expansion of production lines and the improvement of waste water, waste gas and waste disposal facilities as well as energy saving and waste reduction measures, the Company expects to spend NT$14,268,000 and NT$15,695,000 respectively in related capital expenditure in year 2019 and year 2020.

V. Labor Management Relations

1. Present the Company's various employee welfare measures, retirement allowance system and its implementation status, as well as agreements between labor and management.

(1) Employee Benefits Measures:

The employee benefits committee coordinates the handling of employee welfare and organizes regular staff tourism and friendship activities to relieve working pressure for staff. In addition to labor insurance, the Company also provides group life insurance, accident insurance, medical insurance, cancer prevention insurance and national health insurance for colleagues, enabling them to enjoy multiple protection. The Company allocates annual budget for employee education and training, and promotes the improvement of professional skills and personal career development of employees.

(2) Retirement System and Its Implementation State:

The Company has formulated retirement allowance management rules for regular employees, and according to the relevant provisions of the Labor Standards Act, the Company was approved by the government in 2002 FSZZ Letter No. 9100045465 on May 20, 2001 to set up the "Employee Retirement Reserve Supervision Committee", the retirement reserve is appropriated on a monthly basis and deposited in the Bank of Taiwan Ltd. Since July 2005, the new employee retirement system has been implemented in accordance with the law. Employees under the new employee retirement system are subject to the defined contribution plans for their service years. The Company shall contribute the retirement allowance at a rate of not less than 6% of their monthly salary to the individual retirement allowance account of the employee retirement allowance.

(3) State of agreement between labor and management:

The Company has a harmonious labor relations and always value employee's opinions, which can be communicated through labor management meetings and suggestion boxes to maintain good labor relations.

(4) Training, Development and Implementation State:

In order to improve the quality and development advantage of human resources, the Company has formulated "Education and Training Method" and annual training plan to strengthen the Company's operation advantage and meet the needs of customers. The pre-service professional education and training will be implemented for new employees upon their arrival. General training and professional training (including internal training and external training) will be implemented aiming at employees of various departments from time to time, so as to train professional talents, improve management performance and effectively develop and use talents. The Company's Training Programs includes:

Item	No. of shifts	Total Number of Trainee	Total Hours	Total Cost (NT$ thousand)
1.New Employee Training	188	1,091	1,088	5
2.Professional Training	198	1,386	4,991	470
3.Management Development Program	13	47	278	48
4.General Training	9	83	309	5
5.Self-Inspired Training	3	100	200	2
6.Training Related to Environment, Safety and Health	48	551	1,360	77
Total	459	3,258	8,226	607

2. Losses resulting from labor disputes in the most recent two fiscal years and as of the date of the annual report, and the estimated amount and countermeasures of possible losses resulting from labor disputes at present and in the future: None.

VI. Material Contracts

Contract Nature	Party	Date of Commencement and Termination of The Contract	Main Content	Restrictive Covenants
Technical Service Contract	STATS ChipPAC Ltd.	From August 2015 to August 2020	The Company provides wafer bumping, processing and testing services to STATS ChipPAC Ltd.	Confidentiality of Third Party Business
Transitional Service Contract	STATS ChipPAC Ltd.	From August 2015 to Undetermined Date	Certain transitional services are provided to the Company by STATS ChipPAC Ltd	None
Interim Credit Extension Contract	Yuanta Bank	From November 2018 to November 2021	Interim Credit Extension Contract	Undertake the responsibility of endorsement and guarantee
Interim Credit Extension Contract	Bank SinoPac	From December 2018 to December 2021	Interim Credit Extension Contract	Undertake the responsibility of endorsement and guarantee
Interim Credit Extension Contract	Taipei Fubon Bank	From July 2018 to November 2021	Interim Credit Extension Contract	None
Short Term Comprehensive Credit Extension Contract	Mega Bank	From January 2018 to June 2019	Credit	None
Short Term Comprehensive Credit Extension Contract	Taishin International Bank	From April 2018 to April 2019	Credit	None
Short Term Comprehensive Credit Extension Contract	KGI Bank	From October 2018 to October 2019	Credit	None
Short Term Comprehensive Credit Extension Contract	Cathay United Bank	From July 2018 to July 2019	Credit	None

Chapter 6 Financial Overview

I. Information on Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Fiscal Years

1. Condensed Balance Sheet and Comprehensive Income Statement

(1) Condensed Consolidated Balance Sheet - International Financial Reporting Standards (IFRS)

Unit: NT$ thousand

Item \ Year		Financial Information of the Most Recent Five Fiscal Years (Note)					Financial Information From Current Year to March 31, 2019
		2014	2015	2016	2017	2018	
Current Asset		3,565,530	3,547,426	3,951,978	3,873,474	3,636,955	3,784,013
Property, Plant and Equipment		5,182,721	4,112,880	3,033,277	2,103,064	2,084,149	2,009,669
Intangible Asset		19,534	14,535	12,001	21,453	20,815	19,277
Other Assets		25,021	25,595	76,572	44,781	38,092	151,290
Total Assets		8,792,806	7,700,436	7,073,828	6,042,772	5,780,011	5,964,249
Current Liability	Before Distribution	495,252	729,931	1,382,624	1,715,985	541,508	602,149
	After Distribution	803,852	763,996	1,498,446	1,893,125	Undistributed	Undistributed
Non-current Liabilities		4,032,749	3,754,447	1,908,875	16,490	664,092	721,961
Total Liabilities	Before Distribution	4,528,001	4,484,378	3,291,499	1,732,475	1,205,600	1,324,110
	After Distribution	4,836,601	4,518,443	3,407,321	1,909,615	Undistributed	Undistributed
Equity Attributable to Owners of Parent Company		3,559,662	3,216,058	3,782,329	4,310,297	4,574,411	4,640,139
Share Capital		1,362,617	1,362,617	1,362,617	1,362,617	1,362,617	1,362,617
Capital Surplus		250,734	366,243	366,243	366,243	366,243	366,243
Retained Earnings	Before Distribution	1,946,311	1,470,807	2,042,298	2,649,369	2,807,636	2,862,153
	After Distribution	1,637,711	1,436,742	1,926,476	2,472,229	Undistributed	Undistributed
Other Equity		0	16,391	11,171	(67,932)	37,915	49,126
Treasury Stocks		0	0	0	0	0	0
Non-controlling Interests		705,143	0	0	0	0	0
Equity	Before Distribution	4,264,805	3,216,058	3,782,329	4,310,297	4,574,411	4,640,139
Equity	After Distribution	3,956,205	3,181,993	3,666,507	4,133,157	Undistributed	Undistributed

Note: All financial data are audited or reviewed by CPAs.

(2) Condensed Comprehensive Income Statement - IFRS

Unit: NT$ thousand

Item \ Year	Financial Information of the Most Recent Five Fiscal Years (Note)					Financial Information From Current Year to March 31, 2019
	2014	2015	2016	2017	2018	
Operating Income	4,257,428	2,927,583	3,371,581	2,842,923	2,869,643	539,995
Gross Operating Profit	950,762	83,116	535,582	427,019	661,533	72,010
Other Gains (Losses) - Net	-	-	487,007	930,355	-	-
Operating Income and Loss	703,464	(139,592)	783,248	1,091,257	435,840	10,771
Non-Operating Income and Expenses	49,386	(61,050)	(170,272)	(148,419)	20,372	57,370
Profit Before Tax	752,850	(200,642)	612,976	942,838	456,212	68,141
Net Income for Continuing Operations	631,122	(272,872)	611,362	727,651	329,820	54,517
Loss from Discontinuing Operations	0	0	0	0	0	0
Net Profit (Loss) in Current Period	631,122	(272,872)	611,362	727,651	329,820	54,517
Other Comprehensive Gain or Loss in Current Period (Net of Tax)	36,919	4,775	(11,026)	(83,861)	102,151	11,211
Total Comprehensive Gain or Loss in Current Period	668,041	(268,097)	600,336	643,790	431,971	65,728
Net Profit Attributable to Owners of Parent Company	506,211	(163,623)	611,362	727,651	329,820	54,517
Net Profit Attributable to Non-controlling Interests	124,911	(109,249)	0	0	0	0
Total Comprehensive Income or Loss Attributable to Owners of Parent Company	503,725	(150,513)	600,336	643,790	431,971	65,728
Total Comprehensive Profit and Loss Attributable to Non-controlling Interests	164,316	(117,584)	0	0	0	0
Earnings Per Share (NT$)	3.71	(1.20)	4.49	5.34	2.42	0.40

Note: All financial data are audited or reviewed by CPAs.

(3) Condensed Individual Balance Sheet - IFRS

Unit: NT$ thousand

Item \ Year		Financial Information of the Most Recent Five Fiscal Years (Note)				
		2014	2015	2016	2017	2018
Current Asset		2,464,287	1,961,513	2,615,342	1,619,952	1,101,396
Property, Plant and Equipment		1,251,294	1,026,091	828,981	656,746	694,059
Intangible Asset		11,491	7,796	6,520	6,551	5,014
Other Assets		726,513	312,370	608,014	2,433,214	3,297,677
Total Assets		4,453,585	3,307,770	4,058,857	4,716,463	5,098,146
Current Liability	Before Distribution	186,424	86,128	263,078	389,740	263,276
	After Distribution	495,024	120,193	378,900	566,880	Undistributed
Non-current Liabilities		2,356	5,584	13,450	16,426	260,459
Total Liabilities	Before Distribution	188,780	91,712	276,528	406,166	523,735
	After Distribution	497,380	125,777	392,350	583,306	Undistributed
Equity Attributable to Owners of Parent Company		3,559,662	3,216,058	3,782,329	4,310,297	4,574,411
Share Capital		1,362,617	1,362,617	1,362,617	1,362,617	1,362,617
Capital Surplus		250,734	366,243	366,243	366,243	366,243
Retained Earnings	Before Distribution	1,946,311	1,470,807	2,042,298	2,649,369	2,807,636
	After Distribution	1,637,711	1,436,742	1,926,476	2,472,229	Undistributed
Other Equity		0	16,391	11,171	(67,932)	37,915
Treasury Stocks		0	0	0	0	0
Non-controlling Interests		705,143	0	0	0	0
Total equity	Before Distribution	4,264,805	3,216,058	3,782,329	4,310,297	4,574,411
	After Distribution	3,956,205	3,181,993	3,666,507	4,133,157	Undistributed

Note: All financial data are audited and certified by CPAs.

(4) Condensed Individual Comprehensive Income Statement - IFRS

Unit: NT$ thousand

Item \ Year	Financial Information of the Most Recent Five Fiscal Years (Note)				
	2014	2015	2016	2017	2018
Operating Income	1,634,727	1,064,834	1,149,846	1,020,772	1,085,489
Gross Operating Profit	659,319	206,456	214,715	230,007	407,943
Other Gains (Losses) - Net	-	-	272,240	649,597	-
Operating Income and Loss	589,994	153,609	363,861	731,284	292,366
Non-Operating Income and Expenses	162,856	(395,921)	311,252	154,216	135,524
Profit Before Tax	752,850	(242,312)	675,113	885,500	427,890
Net Profit from Continuing Operations in Current Period	631,122	(272,872)	611,362	727,651	329,820
Loss from Discontinuing Operations	0	0	0	0	0
Net Profit (Loss) in Current Period	631,122	(272,872)	611,362	727,651	329,820
Other Comprehensive Gain or Loss in Current Period (Net of Tax)	36,919	4,775	(11,026)	(83,861)	102,151
Total Comprehensive Gain or Loss in Current Period	668,041	(268,097)	600,336	643,790	431,971
Net Profit Attributable to Owners of Parent Company	506,211	(163,623)	611,362	727,651	329,820
Net Profit Attributable to Non-controlling Interests	124,911	(109,249)	0	0	0
Total Comprehensive Income (Loss) Attributable to Owners of Parent Company	503,725	(150,513)	600,336	643,790	431,971
Total Comprehensive Profit and Loss Attributable to Non-controlling Interests	164,316	(117,584)	0	0	0
Earnings Per Share (NT$)	3.71	(1.20)	4.49	5.34	2.42

Note: All financial data are audited and certified by CPAs.

2. Name of CPAs and Their Opinions for Most Recent 5-Years

CPAs and Their Opinions for Most Recent 5-Years

Year	Name of CPA	Accounting Firm	Auditor's Opinion
2014	Wei Hsing-Hai, Yu Wan-Yuan	KPMG Taiwan	Unqualified Opinion
2015	Wei Hsing-Hai, Huang Hai-Ning	KPMG Taiwan	Modified Unqualified Opinion
2016	Wei Hsing-Hai, Huang Hai-Ning	KPMG Taiwan	Unqualified Opinion
2017	Wei Hsing-Hai, Huang Hai-Ning	KPMG Taiwan	Unqualified Opinion
2018	Li Tien I, Chiang Ts'ai Yen	PwC Taiwan	Unqualified Opinion With Emphasis-of-Matter or Other-Matter Explanatory Paragraph

II. Financial Analysis of the Most 5 Recent Fiscal Years

1. Consolidated Financial Report Analysis - IFRS

Item Analyzed \ Year		2. Financial Analysis of the Most Recent Five Years					Financial Information From Current Year to March 31, 2019 (Note)
		2014	2015	2016	2017	2018	
Financial Structure (%)	Debt-To-Asset Ratio	51.50	58.24	46.53	28.67	20.86	22.20
	Proportion of Long-Term Capital in Property, Plant and Equipment	160.10	169.48	187.63	205.74	251.35	252.71
Debt Paying Ability (%)	Current Ratio	719.94	485.99	285.83	225.73	671.63	628.42
	Quick Ratio	697.98	471.28	275.59	218.99	648.46	608.92
	Interest Coverage Ratio	NA	(1.93)	5.33	15.76	19.56	8.72
Operating Ability	Receivables Turnover Rate (Times)	5.05	4.98	4.08	2.45	3.08	2.96
	Average Collection Days	72.22	73.28	89.36	149.07	118.33	123.42
	Inventory Turnover Rate (Times)	52.35	45.63	42.79	33.41	29.43	25.20
	Payables Turnover Rate (Times)	24.58	46.80	40.86	21.91	25.77	45.28
	Average Days of Sales	6.97	8.00	8.53	10.92	12.37	14.48
	Property, Plant and Equipment Turnover Rate (Times)	0.78	0.63	0.94	1.11	1.37	1.03
	Total Asset Turnover Rate (Times)	0.48	0.36	0.46	0.43	0.49	0.37
Profitability	Return on Assets (%)	7.07	(2.48)	10.19	11.85	5.88	4.19
	Return on Equity (%)	15.38	(7.30)	17.47	17.98	7.42	4.73
	Ratio of Profit before Income Tax to Pay-in Capital %	55.25	(14.72)	44.99	69.19	33.48	20.00
	Net Profit Margin (%)	14.82	(9.32)	18.13	25.60	11.49	10.10
	Earnings Per Share (NT$)	3.71	(1.20)	4.49	5.34	2.42	0.40
Cash Flow	Cash Flow Ratio (%)	391.54	153.84	47.32	113.16	282.05	145.89
	Cash Flow Adequacy Ratio (%)	146.27	175.27	196.99	272.99	249.53	339.07
	Cash Flow Reinvestment Ratio (%)	9.47	4.82	3.74	11.93	8.14	5.24
Leverage	Operating Leverage	2.76	(7.58)	1.87	0.95	2.55	19.02
	Financial Leverage	1.00	0.67	1.22	1.06	1.06	5.54

The reasons for all financial ratio changes within the most recent two years are as follows. (exempt from analysis if less than 20%)

1. Debt-To-Asset Ratio: The ratio of liabilities to assets of the current period is lower than that of the previous period due to the repayment of bank loans.
2. Proportion of Long-Term Capital In Property, Plant and Equipment: The ratio of long-term capital of real estate, plant and equipment to real estate, plant and equipment increased compared with the previous period due to the increase of net equity of shareholders and the decrease of net capital of real estate and plant and equipment.
3. Current Ratio: The current ratio of the current period is higher than that of the previous period due to the decrease of bank loans due within one year.
4. Quick Ratio: The quick ratio of the current period is higher than that of the previous period due to the decrease of bank loans due within one year.
5. Interest Coverage Ratio: The interest coverage ratio of the current period increased compared with the previous period due to the decrease of interest expenditure.
6. Receivables Turnover Rate: The turnover rate of receivables in the current period increased compared with that in the previous period due to the shortened cash payment date of customer accounts.
7. Average Collection Days: The average collection days in the current period decreased compared with that in the previous period due to the shortened cash payment date of customer accounts.
8. Property, Plant and Equipment Turnover Rate: The turnover rate of real estate, plant and equipment in the current period increased compared with the previous period due to the decrease of the average net amount of real estate, plant and equipment.
9. Return on Asset: The return rate of assets in the current period is lower than that in the previous period due to the decrease of after-tax profit and loss.
10. Return on Equity: The return rate of equity in the current period is lower than that in the previous period due to the decrease of after-tax profit and loss.
11. Ratio of profit before income tax to paid-up capital: The ratio of net profit before tax to paid-up capital in the current period is lower than that in the previous period due to the decrease of net profit before tax.
12. Net Profit: The net profit ratio of the current period is lower than that of the previous period due to the decrease

of the current period.

13. Earnings per share: The Earnings per share of the current period is lower than that of the previous period due to the decrease of the current period.
14. Cash flow ratio: The current cash flow ratio increased compared with the previous period due to the decrease of current liabilities.
15. Cash Flow Reinvestment Ratio: The cash reinvestment ratio of the current period is lower than that of the previous period due to the decrease of net cash flow of operating activities and the increase of working capital.
16. Operating Leverage: Operating leverage of the current period increased compared with the previous period due to the decrease of operating profit.

Note: the financial ratios relating to operating capacity and profitability are calculated by annual figures.

All the above-mentioned financial data are audited or reviewed by CPAs.

A. Financial Structure
   (A) Debt-To-Asset Ratio = Total liabilities/Total assets
   (B) Proportion of Long-Term Capital in Property, Plant and Equipment = (Total equity + Non-current liabilities)/Net property, plan, equipment and right-of-use asset.

B. Debt Paying Ability
   (A) Current ratio = Current assets/Current liabilities.
   (B) Quick ratio = (Current assets – Inventory – Prepaid expense)/Current liabilities.
   (C) Interest protection multiples = net profit before income tax and interest/interest expenditures in current period.

C. Operating Ability
   (A) Accounts receivable (including accounts receivable and bills receivable arising from operation) turnover rate = Net sale/average balance of accounts receivable (including accounts receivable and bills receivable arising from operation) of each period.
   (B) Average collection days = 365/Accounts receivable turnover rate.
   (C) Inventory turnover rate = Cost of goods sold/Average balance of inventory.
   (D) Accounts payable (including accounts payable and bills payable arising from operation) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and bills payable arising from operation) of each period.
   (E) Average Days of Sales = 365/Inventory turnover rate.
   (F) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, equipment, and righ-of use asset.
   (G) Total asset turnover rate = Net sales/Average total assets.

D. Profitability
   (A) Return on assets = [Gain (loss) after tax + Interest expenses * (1 - interest rate)]/Average total asset value.
   (B) Return on Equity = Gain (loss) after tax/Average Total Equity.
   (C) Net profit margin = Gain (loss) after tax/net sales
   (D) Earnings per share = [(Gain (loss) attributable to owners of parent company – Dividends on preferred stock)]/Weighted average number of shares issued. (Note 4)

E. Cash Flow
   (A) Cash flow rate = Net cash flow from operating activities/Current liabilities.
   (B) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent 5 years/(Capital expenditures + Increase in inventory + Cash dividends) in the most recent 5 years.
   (C) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividend)/(Gross property, plant, equipment, and right-of-use asset + Long-term investment + Other non-current assets + Working capital).

F. Leverage:
   (A) Operating leverage = (Net operating income - Changes in operating costs and expenses)/Operating income.
   (B) Financial leverage = operating income/(operating income - interest).

2. Individual Financial Report Analysis - IFRS

Item Analyzed \ Year		2. Financial Analysis of the Most Recent Five Years				
		2014	2015	2016	2017	2018
Financial Structure (%)	Debt-To-Asset Ratio	4.24	2.77	6.81	8.61	10.27
	Proportion of Long-Term Capital in Property, Plant and Equipment	341.02	313.97	457.88	658.81	696.61
Debt Paying Ability (%)	Current Ratio	1,321.87	2,277.44	994.13	415.65	418.34
	Quick Ratio	1,303.25	2,233.62	973.70	407.03	402.55
	Interest Coverage Ratio	NA	NA	NA	NA	1089.78
Operating Ability	Receivables Turnover Rate (Times)	5.41	4.52	5.44	4.14	4.65
	Average Collection Days	67.46	80.80	67.15	88.23	78.63
	Inventory Turnover Rate (Times)	NA	NA	NA	NA	NA
	Payables Turnover Rate (Times)	574.95	561.40	449.26	293.96	343.41
	Average Days of Sales	NA	NA	NA	NA	NA
	Property, Plant and Equipment Turnover Rate (Times)	1.15	0.94	1.24	1.37	1.61
	Total Asset Turnover Rate (Times)	0.38	0.27	0.31	0.23	0.22
Profitability	Return on Assets (%)	14.66	(7.03)	16.60	16.58	6.73
	Return on Equity (%)	15.38	(7.30)	17.47	17.98	7.42
	PBT to Pay-in Capital %	55.25	(17.78)	49.55	64.99	31.40
	Net Profit Margin (%)	38.61	(25.63)	53.17	71.28	30.38
	Earnings Per Share (NT$)	3.71	(1.20)	4.49	5.34	2.42
Cash Flow	Cash Flow Ratio (%)	404.74	484.49	111.66	187.23	266.00
	Cash Flow Adequacy Ratio (%)	94.67	98.76	97.34	148.34	219.12
	Cash Flow Reinvestment Ratio (%)	4.95	1.45	3.17	6.52	5.69
Leverage	Operating Leverage	1.43	2.39	0.77	0.33	1.60
	Financial Leverage	1.00	1.00	1.00	1.00	1.00

The reasons for all financial ratio changes within the most recent two years are as follows. (exempt from analysis if less than 20%)

1. Interest Coverage Ratio: Interest expense incurred in the current period due to interest expenditure resulting from borrowing in the current period.
2. Return on Asset: The return rate of assets in the current period is lower than that in the previous period due to the decrease of after-tax profit and loss.
3. Return on Equity: The return rate of equity in the current period is lower than that in the previous period due to the decrease of after-tax profit and loss.
4. Ratio of profit before income tax to paid-up capital: The ratio of net profit before tax to paid-up capital in the current period is lower than that in the previous period due to the decrease of net profit before tax.
5. Net Profit Margin: The net profit margin in the current period is lower than that in the previous period due to the decrease of after-tax profit and loss.
6. Earnings per share: The Earnings per share of the current period is lower than that of the previous period due to the decrease of the current period.
7. Cash flow ratio: The current cash flow ratio increased compared with the previous period due to the decrease of current liabilities.
8. Cash flow adequacy ratio: The current cash flow adequacy ratio increased compared with the previous period due to the decrease of capital expenditure and cash dividends in the most recent five years.
9. Operating Leverage: Operating leverage of the current period increased compared with the previous period due to the decrease of operating profit.

All the above-mentioned financial data are audited or reviewed by CPAs.

A. Financial Structure
   (A) Debt-To-Asset Ratio = Total liabilities/Total assets.
   (B) Proportion of Long-Term Capital in Property, Plant and Equipment = (Total equity + Non-current liabilities)/Net property, plant and equipment.
B. Debt Paying Ability
   (A) Current ratio = Current assets/Current liabilities.
   (B) Quick ratio = (Current assets – Inventory – Prepaid expense)/Current liabilities.
   (C) Interest protection multiples = net profit before income tax and interest/interest expenditures in current period.
C. Operating Ability
   (A) Accounts receivable (including accounts receivable and bills receivable arising from operation) turnover rate = Net sale/average balance of accounts receivable (including accounts receivable and bills receivable arising from operation) of each period.
   (B) Average collection days = 365/Accounts receivable turnover rate.
   (C) Inventory turnover rate = Cost of goods sold/Average balance of inventory.
   (D) Accounts payable (including accounts payable and bills payable arising from operation) turnover rate = Cost of goods sold/Average balance of accounts payable (including accounts payable and bills payable arising from operation) of each period.
   (E) Average Days of Sales = 365/Inventory turnover rate.
   (F) Property, plant, and equipment turnover rate = Net sales/Average net property, plant, and equipment.
   (G) Total asset turnover rate = Net sales/Average total assets.
D. Profitability
   (A) Return on assets = [Gain (loss) after tax + Interest expenses * (1 - interest rate)]/Average total asset value.
   (B) Return on Equity = Gain (loss) after tax/Average Total Equity.
   (C) Net profit margin = Gain (loss) after tax/net sales.
   (D) Earnings per share = [(Gain (loss) attributable to owners of parent company – Dividends on preferred stock)]/Weighted average number of shares issued. (Note 4)
E. Cash Flow
   (A) Cash flow rate = Net cash flow from operating activities/Current liabilities.
   (B) Net cash flow adequacy ratio = Net cash flow from operating activities in the most recent 5 years/(Capital expenditures + Increase in inventory + Cash dividends) in the most recent 5 years.
   (C) Cash reinvestment ratio = (Net cash flow from operating activities – Cash dividend)/(Gross property, plant and equipment + Long-term investment + Other non-current assets + Working capital).
F. Leverage
   (A) Operating leverage = (Net operating income - Changes in operating costs and expenses)/Operating income.
   (B) Financial leverage = operating income/(operating income - interest).

3. Consolidated Financial Report Analysis - Taiwan Financial Accounting Standards.

The Company started to prepare the consolidated financial report from 2015, so it is not applicable.

III. Audit Committee's Review Report for the Most Recent Annual Financial Report

Winstek Semiconductor Co., Ltd.

Audit Committee's Audit Report

The board of Directors has prepared the Company's 2018 Business Report, Proposal for Profit Distribution, Consolidated Financial Report and Individual Financial Report. The Consolidated Financial Report and the Individual Financial Report has been audited by CPA Li Tien I and Chiang Ts'ai Yen of PwC Taiwan. The aforementioned Business Report, Proposal for Profit Distribution, Consolidated Financial Report and Individual Financial Report, etc., have been reviewed and have not been found to be inconsistent by the Audit Committee, thus we hereby submit a report pursuant to the provisions of Article 14-4 of the Securities Exchange Act and Article 219 of the Company Act. Please proceed to review and approve.

Sincerely,

2019 Annual General Shareholders' Meeting

Independent Director: Lin Min K'ai

Independent Director: Wei Jên Yü

Independent Director: Wen-chou Vincent Wang

March 6, 2019

IV. Financial Statement for the Most Recent Fiscal Year (Consolidated Financial Report):

Winstek Semiconductor Co., Ltd.

Consolidated Financial Statements for Affiliated Companies

In year of 2018 (from January 1, 2018 to December 31, 2018), the related entities that are required to be included in the preparation of the consolidated financial statements of the Company, under the “Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are the same as those defined in International Financial Reporting Standards (IFRS) No. 10 "Consolidated Financial Statements." In addition, the information which shall be disclosed in the combined financial statements of affiliated companies is included in the consolidated financial statements of the parent company. Consequently, there will be no separate preparation of combined financial statements of affiliated companies.

As hereby declared

Company Name: Winstek Semiconductor Co., Ltd.

Person in Charge: Huang Hsing-Yang

March 6, 2019

Independent Auditors' Report

(108) TWSE Review No. 18003063

Winstek Semiconductor Co., Ltd. Company seal:

Audit Opinion

The consolidated balance sheet on December 31, 2018, consolidated composite income sheet, consolidated statement of changes in equity, combined statement of cash flows from January 1, 2018 to December 31, 2018, and the notes to the consolidated financial statements (including the summary of material accounting policies) of Winstek Semiconductor Co., Ltd. and Subsidiaries (hereinafter referred to as "Winstek Group"), have been audited by CPA.

In our opinion, all the material items prepared in these consolidated financial statements are in accordance with the “Regulations Governing the Preparation of Financial Reports by Securities Issuers,” and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), interpretations and interpretation announcements recognized by the Financial Supervisory Commission (FSC). Therefore, they are able to properly express the consolidated financial status of Winstek Group as of December 31, 2018, and consolidated financial performance and consolidated cash flows from January 1, 2018 to December 31, 2018.

Basis of Audit Opinion

We have performed the auditing work in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the ROC. Below, our CPAs will further explain the responsibilities auditors shall execute during the audit of consolidated financial statements under the above principles. The personnel of our accounting firm who are subject to independent regulations have acted in accordance with the ROC CPA Code of Professional Ethics to remain highly neutral from Winstek Group, while fulfilling other duties set forth in the said Code. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of the auditor's opinion.

Key Audit Matters

The key audit matters refer to those most material items when auditing the combined financial statements of the year 2018 of Winstek Group, based on the professional judgment of the CPA. The said matters have been expressed when we audited the consolidated financial statements and when we established the auditor's opinion. We will not express any personal opinion on any of the matters.

The key audit matters of the consolidated financial statements of the year 2018 of Winstek Group are as follows:

The accuracy of revenue recognition

Matter description

Please refer to the related accounting policies of revenue recognition on IV. (XXIV) of notes to the consolidated financial statements. Winstek Group mainly engages in research and development (R&D) and testing of various integrated circuits, and services of turnkey wafer bumping and wafer level packaging. The corresponding revenue of such services gradually meet performance obligations and is recognized into income, by the control of services over time. Winstek Group measures the completion degree of performance obligations based on the input cost to fulfill the obligations for the current period, in relation to the total expected cost input to meet the overall performance obligations. In view of the uncertainty in the total expected cost input estimation, which will affect Winstek Group's accuracy in recognizing revenue by measuring completion degree of performance obligations based on unfinished work orders. Therefore, we considered the accuracy of revenue recognition as the most material matters.

Corresponding auditing procedures

We performed the following audit procedures in respect of the above key audit matters:

1. Understand and assess the accounting policies for revenue recognition, and test the effectiveness of the design and implementation of relevant internal controls;
2. Check the supporting documents and calculation to measure the completion degree of performance obligation;
3. Verify the accuracy of revenue recognition by measurement of completion degree of performance obligation.

Other Matters - Audit Scope

The consolidated financial statements of Winstek Group of the year 2017 had been audited by another CPA, who has issued the unqualified combined audit report on March 6, 2018.

Other matters- Individual financial report

Winstek Semiconductor Co., Ltd. has prepared the individual financial report of the year 2018, and the CPA has issued the unqualified audit report with other matters for future reference.

The responsibility of the management and governance units for the consolidated financial statements

The responsibility of the management was to establish financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," and IFRS, IAS, interpretations and interpretation announcements recognized by the FSC, to properly indicate the company's financial status and also to maintain necessary internal control with regard to establishment of consolidated financial statements to ensure such financial statements did not contain any false contents as a result of fraudulence or mistakes.

When preparing the consolidated financial statements, the management is also responsible for the assessment of Winstek Group's ability on going concern, the disclosure of relevant matters, the adoption of the accounting base for going concern, unless the management intends to proceed with the liquidation to Winstek Group or to discontinue its operations, or has no other practical alternative solutions except for liquidation or closure.

The governing body of Winstek Group (including the Audit Committee) had the responsibility to supervise the financial reporting process.

The responsibility of CPAs when auditing Consolidated Financial Statements

Our objective when auditing the consolidated financial statements was to ascertain whether they contained any false contents as a result of fraudulence or mistakes and whether they were reasonably reliable and issue the auditor's report. Reasonably reliable means highly reliable. However, auditing work carried out in accordance with commonly accepted ROC audit guidelines cannot guarantee detection of significant false contents in parent company only financial statements. Misstatements could be caused by fraud or error. If the individual amounts or sums that false contents involved could be reasonably expected to affect the financial decision making of users of consolidated financial statements such false contents would be considered significant.

We conducted the auditing work according to audit standards generally accepted in the ROC and also exercised our profession judgment and remained professionally skeptical. We have also executed the following tasks:

1. Identifying and evaluating likely risks from significant false contents in the consolidated financial statements as a result of fraudulence of errors, designing and executing proper counter measures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the auditor's report. As fraudulence can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false contents resulting from fraudulence is higher than the risk of failing to identify those coming from errors.

2. Obtaining necessary understanding of internal controls relevant to the audit, in order to design

appropriate audit procedures in the circumstances, but the purpose is not to express an opinion on the effectiveness of internal controls of Winstek Group.

3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly.

4. Based on the audit evidence obtained, conclusions are drawn on the appropriateness of the management's continuing adoption of the going concern accounting foundation and whether there was any significant doubt (in the events or circumstances) about the capacity of Winstek Group to remain in operation or whether any significant uncertainty existed. If we thought such doubt or significant uncertainty existed, we had to point it out in the auditor's report to remind users of the consolidated financial statements to look out for related disclosures in the consolidated financial statements to revise out audit opinion if such disclosures were considered inappropriate. Our conclusion was established according to the audit evidence obtained before the deadline for the auditor's report. However, future events or circumstances may result in Winstek Group no longer being able for going concern.

5. Evaluating the overall expression, structure and contents of the consolidated financial statements (including related notes) and whether the consolidated financial statements could appropriately express related transactions and events.

6. Obtaining sufficient and appropriate audit evidence with regard to the finance of the individual entities in the group to establish our opinion about the consolidated financial statements. We were responsible for guiding, supervising, and executing the audit work for the group and also establishing the auditor's opinion.

We communicated with governance units about the planned audit range and time and important audit discoveries (including significant internal control defects found during the audit process).

We provided governance units with a statement assuring the personnel of our accounting firm who are subject to independent regulations had acted according to the ROC CPA Code of Professional Ethics to remain neutral and also communicate with them about the all relations and other matters (including related preventive measures) that could affect the independence of CPAs.

Based on the result of our discussion with the governance body, we decided the key audit matters when auditing the 2018 consolidated financial statement of Winstek Group. We have clearly described the said matters in the auditor's report except certain matters whose public disclosure is prohibited by law or certain matters we decided not to mention under some extremely rare circumstances because disclosure of such matters can be reasonably expected to lead negative effects that would be greater than public good they might benefit.

PwC Taiwan
Li Tien-I

Certified public accountant
Chiang Tsai-Yen

Financial Supervisory Commission (FSC)
Approved certificate No. 1020028992
FSC Approved Certificate No. 1060025097

March 6, 2019

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2017

Unit: NT$ thousand

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,275,492	22	$ 849,682	14
1136	Financial assets measured at amortized cost - current	6(2)	1,458,175	25	-	-
1140	Contract assets - current	5(2), 6(13), and 12(5)	13,161	-	-	-
1147	Debt instrument investment without active market - current	12(4)	-	-	1,341,120	22
1170	Net accounts receivable	6(3) and 12(4)	751,857	13	1,108,706	19
1180	Accounts receivable from related parties (net)	6(3) and 7	118	-	-	-
1200	Other receivables from subsidiaries	9	5,631	-	441,538	7
130X	Inventory on hand	6(4)	74,851	2	72,877	1
1479	Other current assets - others		57,670	1	59,551	1
11XX	**Total current assets**		3,636,955	63	3,873,474	64
	Non-current assets					
1535	Financial assets measured at amortized cost - non-current	6(2) and 8	19,700	-	-	-
1600	Property, plant, and equipment	6(5) and 8	2,084,149	36	2,103,064	35
1780	Intangible assets	6(6) and 8	20,815	1	21,453	-
1840	Deferred income tax assets	6(19)	14,604	-	10,066	-
1990	Other non-current assets - others	8	3,788	-	34,715	1
15XX	**Total non-current assets**		2,143,056	37	2,169,298	36
1XXX	**Total assets**		$ 5,780,011	100	$ 6,042,772	100

(To be continued on next page)

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Balance Sheet

December 31, 2018 and 2017

Unit: NT$ thousand

	Liability and shareholder's equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liability					
2170	Accounts payable		$ 45,925	1	$ 125,420	2
2200	Other payables	6(7)	211,553	3	330,156	6
2220	Other payables - related parties	7	484	-	-	-
2230	Current income tax liabilities		57,316	1	146,477	2
2250	Liability reserve - current		8,017	-	7,319	-
2320	Long-term liabilities due within one year or one operating cycle	6(8)	105,000	2	995,305	17
2399	Other current liabilities - others		113,213	2	111,308	2
21XX	**Total current liabilities**		541,508	9	1,715,985	29
	Non-current liability					
2540	Long-term loans	6(8)	638,269	11	-	-
2570	Deferred income tax liabilities	6(19)	5,449	-	-	-
2640	Net defined benefit liability - non-current	6(9)	16,831	1	13,994	-
2670	Other non-current liabilities - others	6(9)	3,543	-	2,496	-
25XX	**Total non-current liabilities**		664,092	12	16,490	-
2XXX	**Total liabilities**		1,205,600	21	1,732,475	29
	Equity					
	Capital	6(10)				
3110	Capital from ordinary share		1,362,617	24	1,362,617	22
	Capital reserve	6(11)				
3200	Capital surplus		366,243	6	366,243	6
	Retained earnings	6(12)				
3310	Statutory surplus reserve		604,109	10	531,343	9
3320	Special surplus reserve		67,932	1	-	-
3350	Undistributed earnings		2,135,595	37	2,118,026	35
	Other equity					
3400	Other equity		37,915	1	(67,932)	(1)
3XXX	**Total equity**		4,574,411	79	4,310,297	71
	Material commitments and contingencies	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 5,780,011	100	$ 6,042,772	100

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

(except for unit of earnings per share which is NTD)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Operating revenue**	6(13), 7, and 12(5)	$ 2,869,643	100	$ 2,842,923	100
5000	**Operating cost**	6(4)	(2,208,110)	(77)	(2,415,904)	(85)
5950	**Net gross profit**		661,533	23	427,019	15
	Operating expenses	6(17) and (18)				
6100	Selling expenses		(31,008)	(1)	(25,229)	(1)
6200	General and administrative expenses		(179,739)	(6)	(225,272)	(8)
6300	Research and development expenses		(14,946)	(1)	(15,616)	(1)
6000	**Total operational expenses**		(225,693)	(8)	(266,117)	(10)
6500	**Other gains (losses) - net**	9	-	-	930,355	33
6900	**Operating profit**		435,840	15	1,091,257	38
	Non-operating income and expenses					
7010	Other income	6(14)	26,618	1	19,732	1
7020	Other gains and losses	6(15)	18,328	1	(104,253)	(4)
7050	Financing cost	6(16)	(24,574)	(1)	(63,898)	(2)
7000	**Total non-operating income and expenses**		20,372	1	(148,419)	(5)
7900	**Profit before tax**		456,212	16	942,838	33
7950	Income tax expense	6(19)	(126,392)	(5)	(215,187)	(7)
8200	**Net profit of this period**		$ 329,820	11	$ 727,651	26

(To be continued on next page)

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Comprehensive Income

January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

(except for unit of earnings per share which is NTD)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
	Other comprehensive gain or loss					
	Items that will not be reclassified to profit or loss:					
8311	Remeasurements of defined benefit plans	6(9)	($ 3,696)	-	($ 4,758)	-
8310	**Total amount of items that will not be reclassified subsequently to profit or income**		(3,696)	-	(4,758)	-
	Items that may be reclassified to profit or loss					
8361	Foreign currency translation difference of financial statements of overseas business units		105,847	4	(79,103)	(3)
8360	**Total amount of items that may be reclassified subsequently to profit of loss**		105,847	4	(79,103)	(3)
8500	**Total consolidated profit/loss for the current period**		$ 431,971	15	$ 643,790	23
	Profit attributable to:					
8610	Owners of parent		$ 329,820	11	$ 727,651	26
	Total comprehensive income attributable to:					
8710	Proprietors of parent company		$ 431,971	15	$ 643,790	23
	Earnings per share	6(20)				
9750	**Basic earnings per share**		$ 2.42		$ 5.34	
9850	**Diluted earnings per share**		$ 2.39		$ 5.16	

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

		Equity attributable to owners of parent company						
				Retained earnings				
	Notes	一、Ordinary share	二、Capital surplus	三、Appropriated as legal capital reserve	四、Appropriated as special capital reserve	五、Retained earnings	六、The balance of translation of the financial statements of foreign operating institutions	七、Total equity
2017								
Balance as of January 1, 2017		$ 1,362,617	$ 366,243	$ 470,207	$ -	$ 1,572,091	$ 11,171	$ 3,782,329
Net income in current period		-	-	-	-	727,651	-	727,651
Other comprehensive income of the year	6(9)	-	-	-	-	(4,758)	(79,103)	(83,861)
Total comprehensive gain or loss in current period		-	-	-	-	722,893	(79,103)	643,790
Annual appropriation of net income and allocation of the year 2016								
Appropriated as statutory surplus reserve		-	-	61,136	-	(61,136)	-	-
Cash dividend	6(12)	-	-	-	-	(115,822)	-	(115,822)
Balance as at December 31, 2017		$ 1,362,617	$ 366,243	$ 531,343	$ -	$ 2,118,02	($ 67,932)	$ 4,310,297

(To be continued on next page)

Winstek Semiconductor Co., Ltd. and Subsidiaries

Consolidated Statement of Changes in Equity
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

	Notes	Equity attributable to owners of parent company						
				Retained earnings				
		八、Ordinary share	九、Capital surplus	十、Appropriated as legal capital reserve	十一、Appropriated as special capital reserve	十二、Retained earnings	十三、The balance of translation of the financial statements of foreign operating institutions	十四、Total equity
2018								
Balance as of January 1, 2018		$ 1,362,617	$ 366,243	$531,343	$ -	$ 2,118,026	($ 67,932)	$ 4,310,297
Effects of retrospective application and retrospective restatement	3(1)	-	-	-	-	9,283	-	9,283
The balance after retrospective application on January 1, 2018		1,362,617	366,243	531,343	-	2,127,309	(67,932)	4,319,580
Net income in current period		-	-	-	-	329,820	-	329,820
Other comprehensive profit and loss in current period	6(9)	-	-	-	-	(3,696)	105,847	102,151
Total comprehensive gain or loss in current period		-	-	-	-	326,124	105,847	431,971
Annual appropriation of net income and allocation of the year 2017								
Appropriated as statutory surplus reserve		-	-	72,766	-	(72,766)	-	-
Appropriated as special surplus reserve		-	-	-	67,932	(67,932)	-	-
Cash dividend	6(12)	-	-	-	-	(177,140)	-	(177,140)
Balance as of December 31, 2018		$ 1,362,617	$ 366,243	$604,109	$ 67,932	$ 2,135,595	$ 37,915	$ 4,574,411

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

	Note	2018	2019
Cash flow from operating activities			
Current net profit before tax		$ 456,212	$ 942,838
Adjusted items			
Income and expense items			
Depreciation expenses	6(5) and 6(17)	669,391	852,175
Amortization expenses	6(5) and 6(17)	6,394	18,388
Interest expense	6(16)	24,574	63,898
Interest income	6(14)	(25,172)	(19,732)
Disposition of plant, property, and equipment	6(15)	(14,120)	(15,653)
Changes in assets and liabilities relating to operating activities			
Net change in assets relating to operating activities			
Contract assets		(3,680)	-
Accounts receivable		377,828	104,711
Accounts receivable - related parties		(118)	-
Other receivables		442,207	45,383
Inventory on hand		358	(1,132)
Other current assets - other		(2,593)	50,706
Net change in liabilities relating to operating activities			
Accounts payable		(81,927)	30,302
Other payables		(115,296)	-
Other payables - related parties		484	-
Provisions		528	(4,202)
Other current liabilities		5,192	33,694
Net defined benefit liabilities		(859)	137
Other noncurrent liabilities		1,039	-
Cash flow from operating activities		1,740,442	2,101,513
Interest income received		24,450	17,355
Interest paid		(20,372)	(76,481)
Income tax paid		(215,786)	(100,517)
Net cash flow from operating activities		1,528,734	1,941,870

(To be continued on next page)

Winstek Semiconductor Co., Ltd. and Subsidiaries
Consolidated Statement of Cash Flow
January 1 to December 31 of 2018 and 2019

Unit: NT$ thousand

	Notes	2018	2017
Cash flow from investment activities			
Increase in financial assets measured at amortized cost		($ 4,686,976)	$ -
Decrease in financial assets measured at amortized cost		4,611,663	-
Acquisition of debt instrument investment without active market		-	(3,332,790)
Disposal of debt instrument investment without active market		-	2,991,920
Acquisition of property, plant, and equipment	6(22)	(628,586)	(68,469)
Intangible assets acquired		(3,733)	(15,635)
Disposal of property, plant, and equipment		24,468	15,653
Decreases in refundable deposits		766	-
Decrease in other non-current assets		-	(10,670)
Net cash flow from investing activities (out)		(682,398)	(419,991)
Cash from financing activities			
Short-term loans borrowed	6(23)	1,000,000	-
Repayment of short term loans	6(23)	(1,000,000)	-
Long-term loans borrowed	6(23)	1,041,750	-
Long-term loans repaid	6(23)	(1,315,793)	(1,705,983)
Increases in guarantee deposits	6(23)	72	28
Decreases in guarantee deposits	6(23)	(65)	-
Cash dividends paid	6(12)	(177,140)	(115,822)
Net cash flow from financing activities (out)		(451,176)	(1,821,777)
Impacts on cash and cash equivalents from changes in exchange rates		30,650	78,215
Net increase (decrease) in cash and cash equivalents for the year		425,810	(221,683)
Cash and cash equivalents at beginning of year	6(1)	849,682	1,071,365
Cash and cash equivalents at end of year	6(1)	$ 1,275,492	$ 849,682

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

2017 and 2018

Unit: NT$ thousand

(Unless specified otherwise)

I. Company History

Winstek Semiconductor Co., Ltd. (hereinafter referred to as "the Company") was established in April 26, 2000 in the ROC. The Company's shares were listed and traded at GreTai Securities Market in August 2005. The Company and its subsidiaries (hereinafter referred to as "the Group") are mainly engaged in the R&D and testing of integrated circuits, services of turnkey wafer bumping and wafer level packaging, and other related businesses.

Based on the operational consideration, and to comply with the reorganization plan of the Company's original parent, STATS ChipPAC Ltd. Group, the Company signed a legally binding list of important clauses on December 30, 2014, which were approved by the board of directors on December 25, 2014, to purchase the full shares of Winstek Semiconductor Technology Co., Ltd. (hereinafter referred to as "Winstek Semiconductor Technology") which were 100% held by STATS ChipPAC Ltd, at a total price of US$15 million. The main business of Winstek is the services of turnkey wafer bumping and wafer level packaging, etc. The company completed the payment to STATS ChipPAC Ltd. on July 30, 2014 and acquired the equity of Winstek Semiconductor Technology.

STATS ChipPAC Ltd., the original parent company of the Company, transferred all its shares in the Company to Bloomeria Ltd. in Singapore, its wholly owned subsidiary, on July 30, 2014. In addition, STATS ChipPAC Ltd., has distributed the above US$ 15 million and all the shares of Bloomeria Ltd. to the eligible shareholders of STATS ChipPAC Ltd., by capital reduction. Upon completion of the reorganization and capital reduction program of the group on August 5, 2015, the Company and its subsidiary Winstek Semiconductor Technology became separated from the STATS ChipPAC Ltd. group.

The ultimate parent company of the Company was originally Temasek Holding Ltd., and Silicon Microelectronics Corporation took control of the parent company Bloomeria Ltd. on October 13, 2017, and indirectly acquired 51.88% equity of the Company, becoming the ultimate parent company of the Group.

II. Approval date and procedures of the financial statements

This consolidated financial statements were issued by the board of directors on March 6, 2019.

III. Application of New and Amended International Financial Reporting Standards (IFRS) and Interpretations

(I) Effects of the adoption of new and amended IFRSs endorsed by the Financial Supervisory Commission (FSC):

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2018:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Application of IFRS 9 'Financial Instruments' under IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Interpretation of IFRS 15 'Revenue from Contracts with Customers'"	January 1, 2018
Amendments to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfer of Investment Property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Annual Improvements for the 2014-2016 Cycle - IFRS 1 "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements for the 2014-2016 Cycle - IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
Annual Improvements for the 2014-2016 Cycle - IAS 28 "Investment in Associates and Joint Ventures"	January 1, 2018

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance, except for those stated below:

1. IFRS 9 "Financial Instruments"

(1) Debt instruments may be classified as financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI), or financial assets measured at amortized cost according to the business model of the entity and the characteristics of its contractual cash flows; equity instruments are classified as financial assets measured at FVTPL, unless the entity makes an irrevocable election to recognize the fair value of the equity instruments not held for trading in other comprehensive income.

(2) The impairment assessment on debt instruments should adopts the expected credit losses model, which assesses on the balance sheet date as to whether the credit risk of such instrument has increased significantly so as to determine (a) whether it's appropriate to adopt the 12-month expected credit losses or the full lifetime expected credit losses (interest revenue is calculated

based on the asset's gross carrying amount before impairment occurs); or (b) whether an impairment has occurred, and if so, the interest revenue is estimated at the amount equal to the gross carrying amount adjusted for any loss allowance. A loss allowance for full lifetime expected credit losses is required for accounts receivable consisting no material financial component.

(3) In line with the IFRS No. 9 (hereinafter referred to as "IFRS 9"), the Group opted not to restate the financial statements from the previous period (hereinafter referred to as "amendatory retrospect"). For the significant influence as on the date of January 1, 2018, please refer to Notes 12(4)2. and 3.

2. IFRS 15 "Revenue from Contracts with Customers"; and related amendments

(1) Replace IAS 11 "Construction Contracts," IAS 18 "Revenue," and related interpretations and interpretations announcement with IFRS No. 15 "Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15"). IFRS 15 stipulates that revenue is recognized when customers obtain the control of goods or services and that control is deemed achieved when customers have the ability to direct the use of and obtain substantially all the remaining benefits from the assets.

The core principle of IFRS 15 is that "an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." An entity determines the recognition timing and amount in accordance with the core principle by applying the five-step model framework as stated below:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in contracts.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In addition, IFRS 15 contains a set of integrated disclosure requirements, which require an entity to disclose comprehensive information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(2) During the initial application of IFRS 15, the Group chose to adopt amendatory retrospect, and recognized the cumulative influence of the initial application as the retained surplus in January 1, 2018. The significant influence of the adoption of formal amendatory retrospect transition on

January 1, 2018 is summarized as follows:

A. The Group shall, in accordance with the provisions of IFRS 15, recognize revenue based on the completion degree of performance obligations over time. As a result, the contract assets were simultaneously increased and an surplus of $9,283 was retained on January 1, 2018.

B. Other disclosures relating to the initial application of IFRS 15 please refer to the specific Note 12(5).

3. Amendments to IAS 7 "Disclosure Initiative"

The amendment requires an entity to disclose more information regarding the changes in liabilities arising from financing activities, including changes in cash and non-cash items.

After assessments, the Group expects a more extensive disclosure of changes in liabilities arising from financing activities.

(II) Effects of not yet applying the newly-announced and revised IFRSs endorsed by the FSC:

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2019:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IFRS 9 "Repayment Features with Negative Compensation"	January 1, 2019
IFRS 16 "Leases"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Annual improvements in the 2015-2017 cycle	January 1, 2019

The Group has assessed that the above standards and interpretations have no significant influence on the Group's financial position and financial performance, except as those indicated below:

IFRS 16 "Leases"

IFRS 16 “Leases” supersedes IAS 17 “Leases” and its relevant IFRIC and SIC interpretations. IFRS 16 requires that a lessee recognize right-of-use assets and lease liabilities for all leases unless the lease is less than 12 months or the underlying asset has a low value. Accounting treatment under IFRS 16 for a lessor is substantially unchanged, which allows a lessor to continue to classify leases as either operating or finance, except that additional disclosures are required.

The Group will treat the tenancy agreement of the lessee according to IFRS 16, adopting

amendatory retrospect, which may increase the right-of-use assets and lease liabilities by $137,655 respectively on January 1, 2019.

(III) Effects of IFRSs issued by IASB but not yet endorsed by the FSC:

The following table summarizes the new, amended, revised standards and interpretation of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IAS 1 and IAS 8 "Disclosure Initiative—Definition of Material"	January 1, 2020
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"	To be determined by International Accounting Standards Board (IASB)
IFRS 17 "Insurance Contracts"	January 1, 2021

The Group assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Group's financial position and financial performance.

IV. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the parent company only financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of compliance

The consolidated financial statements are prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers," as well as IFRS, IAS, IFRIC interpretations and SIC interpretations (collectively referred to as "IFRSs" hereinafter) endorsed by the FSC.

(II) Basis of preparation

1. Except for the following significant items, these consolidated financial statements have been prepared under the historical cost convention:

   Defined benefit liabilities recognized based on the amount of pension fund assets less net present value of defined benefit obligations.

2. Critical accounting estimates are required when preparing financial statements in compliance with IFRSs. When the Group adopts the accounting policies, the management is required to exercise judgments on highly judgmental or complex items or significant assumptions and estimates with regards to this consolidated financial reports. Please refer to Note 5 for details.

3. The Group applied IFRS 9 and IFRS 15 for the first time on January 1, 2018, by adopting amendatory retrospect on the retained surplus of the translation balance as on January 1, 2018, and did not recompile the financial statements and notes for the year of 2017. In accordance with the International Accounting Standards

No. 39 (hereinafter referred to as "IAS 39") and International Accounting Standards No. 18 (hereinafter referred to as "IAS 18") and relevant interpretations and interpretation announcements, please refer to Notes XII(IV) and (V) for the statements of material accounting policies and important accounting items adopted in the year of 2017.

(III) Basis of consolidation

1. Basis for preparation of consolidated financial statements

(1) The Group includes all subsidiaries as entities in the consolidated financial statements. Subsidiaries refer to entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control, and are excluded from the consolidated financial statements from the date when such control ceases.

(2) Transactions, balances and unrealized gains or losses between companies within the Group are eliminated. Accounting policies of subsidiaries are adjusted, when necessary, to remain consistent with those of the Group.

2. Subsidiaries included in the consolidated financial statements:

			Percentage of equity held		
Name of investment company	Name of subsidiaries	Nature of business	December 31, 2018	December 31, 2017	Details
The Company	Winstek Semiconduct Technology	Services of turnkey wafer bumping and wafer level packaging	100%	100%	

3. Subsidiaries not absorbed into the consolidated financial reports: none.

4. Adjustment for subsidiaries with different balance sheet date: none.

5. Significant restrictions: none.

6. Subsidiaries with material non-controlling interest to the Group: none.

(IV) Foreign currency translation

All items on the financial statements of each entity of the Group are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The consolidated financial statements are presented in NT$, which is the Company’s functional and the Group’s presentation currency.

1. Foreign currency transaction and balance

(1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.

(2) Balances of monetary assets and liabilities denominated in foreign currencies

are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss.

(3) For non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other comprehensive income; and if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.

(4) All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income.

2. Translation from Foreign Operations

The operating results and financial position of all the Company entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(1) The assets and liabilities presented in each balance sheet are translated at the closing rate of the balance sheet date;

(2) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(3) All resulting exchange differences are recognized in other comprehensive income.

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

1. Assets that meet one of the following criteria are classified as current assets:

(1) Assets that are expected to be realized, or are intended to be sold or consumed within the normal operating cycle;

(2) Assets held primarily for trading purposes;

(3) Assets that are expected to be realized within 12 months after the balance sheet date;

(4) Cash and cash equivalents, excluding those that are restricted, or to be exchanged or used to settle liabilities at least twelve months after the balance sheet date.

The Group classifies assets not meet the aforesaid criteria into non-current assets.

2. Liabilities that meet one of the following criteria are classified as current liabilities:

(1) Liabilities that are expected to be settled within the normal operating cycle.

(2) The liability is held mainly for transaction purposes.

(3) Liabilities that are expected to be settled within 12 months after the balance sheet date;

(4) Liabilities for which the repayment date cannot be extended unconditionally to more than 12 months after balance sheet date. Settlement by the issue of equity instruments based on transaction party's choice does not impact classification.

The Group classifies liabilities not meet the aforesaid criteria into non-current liabilities.

(VI) Cash equivalents

Cash equivalents refer to the investments that are short-term, highly liquid, subject to a low risk of changes in value, and readily convertible to known amount of cash. Time deposits satisfying the afore-mentioned definition and for which the objective of holding is to meet the short-term operating cash commitment are classified as the cash equivalent.

(VII) Financial assets measured at amortized cost

1. Refer to those comply with all the following conditions:

(1) The financial asset is held under a business model for the purpose of collecting contractual cash flow.

(2) The cash flows on specific dates that are generated from the contractual terms of the financial assets are solely payments of the principle and interest on the principle amount outstanding.

2. The Group uses the trade day accounting for financial assets measured at amortized cost and complied with trade practices.

3. The Group originally recognized the financial assets measured at its fair value plus transaction costs. Subsequently, the Group recognized interest income and impairment loss within the period of circulation by adopting the effective interest method in accordance with the amortization procedure. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

4. The time deposits which are not complied with the definitions of cash equivalents held by the Group are measured by the amount of investment due to the short holding period and the immaterial influence of the discounting.

(VIII) Accounts receivable

1. Refers to the accounts which, as agreed in the contract, are entitled to unconditionally receive the amount of consideration for the transfer of commodity or services.

2. For the short-term accounts receivable with unpaid interest, the Group measures at the original invoice amount due to the immaterial influence of discounting.

(IX) Impairment of financial assets

The Group measures the loss allowance for financial assets measured at amortized cost after taking into account all reasonable and proving information (including foreseeing information) at each balance sheet date; where the credit risk has not significantly increased since initial recognition, the loss allowance is measured at the 12-month expected credit losses; where the credit risk has increased significantly since initial recognition, the loss allowance is measured at full lifetime expected credit losses; and where they are accounts receivables or contract assets that do not comprise any significant financing components, the loss allowance is measured at full lifetime expected credit losses.

(X) Derecognition of financial assets

The Group derecognizes an asset when its contractual rights to receive cash flows from the financial asset expire.

(XI) Inventory on hand

Inventory on hand, as the accounting foundation of acquisition cost, is mainly consumed and transferred to cost of sales in the process of providing services. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted-average cost method. The item by item approach is employed when evaluating the lower of costs and net realizable value. Net realizable value is the balance of estimated selling price in the normal operating course less the estimated cost of completion and applicable variable selling expenses.

(XII) Property, plant, and equipment

1. Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.
2. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.
3. Land is not depreciated. The cost model is applied to other property, plant and equipment and these are depreciated using the straight-line method to allocate their cost over their estimated useful lives. If the property, plant, and equipment comprise any significant components, they are depreciated individually.
4. In the end of each financial year, the Group reviews the residual value, useful life and depreciation method of each asset; if the expected values of the residual value and useful life are different from previous estimates, or the consumption patterns of the future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting

Policies, Changes in Accounting Estimates and Errors" from the date of change. The estimated useful lives of property, plant, and equipment are as follows:

Housing and construction equipment	5 ~ 25 years
Machinery equipment	3 ~ 8 years
Office and other equipment	3 ~ 8 years

(XIII) Operating lease (lessee)

For operating leases, lease payments (excluding incentives from the lessor) are amortized on a straight-line basis over the lease term and recognized in profit or loss.

(XIV) Intangible asset

1. Technical royalty

   It is recognized at acquisition cost, amortized based on economic benefit or contract life by a straight-line method, with an estimated useful life of 7 years.

2. Computer software

   Computer software is recognized at acquisition cost, amortized by the straight-line method, with an estimated useful life of 3 to 5 years.

(XV) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets for which there is an indication that they are impaired. An impairment loss is recognized for the amount when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

(XVI) Loan

1. Refers to the long-term or short-term funds borrowed from a bank. Borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, borrowing expenses are recognized in profit or loss based on the difference amounts between the proceeds (net of any transaction costs) and the redemption value that are amortized over the lives of borrowings using the effective interest method.

2. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. When there is no evidence of the possibility that some or all the facility will be drawn down, the fee is recognized as a pre-payment and amortized over the period of the facility to which it relates.

(XVII) Accounts payable

1. Refers to the debts that incurred for the purchase of raw materials, commodity or services and notes payable that incurred by both operating and non-operating activities.

2. For the short-term accounts payable without paid interest, the Group measures them by the original invoice amount due to the immaterial influence of discount.

(XVIII) Derecognition of financial liabilities

A financial liability is derecognized when the obligation specified in the contract is either discharged or cancelled or expires.

(XIX) Liability reserve

Liability reserve is a current statutory or constructive obligation generated from a past event. It is likely that outflow of resources with economic benefit will be required to settle the obligation and the amount of the obligation shall be recognized when it can be estimated reliably. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used is a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the liability. The discounted amortization amount is recognized as interest expense. Provisions are not recognized for future operating losses.

(XX) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid and should be recognized as expenses in the period when the employees render service.

2. Pensions

   (1) Defined contribution plan

   For defined contribution plans, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in future payments.

   (2) Defined benefit plans

   A. The net obligation under a defined benefit plan is defined as the present value of pension benefits that employees will receive on retirement for their services with the Company in the current period or prior periods. The amount recognized is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The net defined benefit obligation is computed by independent actuaries every year using the projected unit credit method. The discount rate employed is the market yields on government bonds (at the balance

sheet date).

B. The re-measured amount of defined benefit plans is recognized in other comprehensive income as it arises and presented in retained earnings.

C. Expenses associated with past service costs are recognized immediately in profit or loss.

3. Other long-term employee benefits

The Group has long-term employee benefits in addition to pension plans. Its net obligation is calculated by projected unit credit method. It is measured by discounting the amount of future benefits earned by the employee from the current or past services less the fair value of any relevant assets. The discounting rate adopts the yield-to-maturity on the reporting date of government bonds, the due date which is close to the Group's obligations deadline. All actuarial gains and losses are recognized as profit and loss in the current period.

4. Compensation to employees and remuneration to directors and supervisors

Compensation to employees and remuneration to directors and supervisors are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligations and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates.

(XXI) Income Tax

1. Income tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The income tax expenses are calculated on tax rates on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For the income tax levied on retained earnings in accordance with the income tax law, it shall be recognized as retained earnings income tax expenses, based on the actual allocation status of surplus, after the surplus allocation plan has been approved in the shareholders' meeting in the following year of the year in which the surplus is generated.

3. Deferred income tax adopts the balance sheet approach. It is recognized as the temporary difference between the tax bases of assets and liabilities and their carrying amounts on the consolidated balance sheet at the reporting date. However, the deferred income tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business

combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

4. Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. At each balance sheet date, unrecognized and recognized deferred tax assets are reassessed.

5. If tax rate changes occur in the interim, the Group recognizes all effects of changes to the period when such changes accrue; for income tax attributable to items not included in profit or loss, effects of changes are recognized in other comprehensive income or equity; and for income tax related to items included in profit or loss, effects of changes are recognized in profit or loss.

(XXII) Share capital

Ordinary shares are classified as equity. The net amount of increased cost (directly attributed to the issue or warrant of new shares) less income tax, will be recognized as price reduction in equity.

(XXIII) Dividend distribution

The dividend allocated to the shareholders of the Company shall be recognized in the financial report during the resolution of the shareholders' meeting to distribute dividend, while cash dividends shall be recognized as liabilities.

(XXIV) Revenue recognition

1. Income from labor services

The Group engages in R&D and testing of integrated circuits, and services of turnkey wafer bumping and wafer level packaging and other related businesses. If the following conditions are complied with: (a) with the performance of contract by enterprises, customers acquire and consume the benefits provided by enterprises; (b) the performance of contract by enterprises creates or strengthens the assets which are controlled by the customer during the performance process; (c) the performance of contract by enterprises does not create assets which are useful for other purposes, in addition to the presence of executable rights on the currently completed performance items, then the enterprise will gradually transfer control of the commodity or services over time, thus the performance obligations are gradually fulfilled and are recognized as income. The testing and packaging

services provided by the Group meet the condition (b) above, hence they shall be recognized as revenue gradually over time by following the procedure of completion measurement on the performance obligations.

The Group's completion degree of R&D and testing integrated circuits, and services of turnkey wafer bumping and wafer level packaging, is defined on the basis of the actual service costs incurred as a percentage of the estimated total service costs; The Group provides testing and packaging services as per the specification of customer requirements. Therefore, the service costs required are not incurred on an average basis during the service period. The Group considers that it is appropriate to measure the completion degree of performance obligations to customers by adopting the method mentioned above.

The Group has not adjusted the transaction price to reflect the time value of the currency, because the time interval between the transfer of the promised commodity or services to the customer and the customer's payment time has not exceeded one year.

2. Consideration income

The Group retains production capacity to provide semiconductor testing and packaging services to customers. During the term of the contract, if the purchase quantity of customer less than the minimum purchase amount agreed in the contract each year, the Group may claim the balance consideration for the part of the reserved production capacity not exceeding the purchase amount in accordance with the procedures stipulated in the contract. The income from the balance consideration shall meet the performance obligations upon the transfer of control of each performance obligation and shall be recognized as income.

V. The primary sources of uncertainties in major accounting judgments, estimates, and assumptions

When preparing the consolidated financial statements, management of the Group had determined its accounting policies based on its judgments and made accounting estimates and assumptions based on a rational expectation of future events depending on the circumstances at the balance sheet date. If there is any difference between any critical accounting estimates and assumption made and actual results, the historical experience, and other factors will be taken into account in order to continue assessment and adjustment. Such estimates and assumptions may result in a risk of a material adjustment to the carrying amount of assets and liabilities in the next year. The related information is addressed below:

(I) Major judgments in adopting the accounting policies

None

(II) Critical accounting estimates and assumptions

Measurement of the degree of completion of the performance obligations

The Group recognizes revenue by measuring the degree of completion of performance obligations during the period of service delivery. For the R&D and testing of various integrated circuits, and services of turnkey wafer bumping and wafer level packaging, the Group recognizes the revenue based on the input cost to fulfill the obligations for the current period, in relation to the total expected cost input to meet the overall performance obligations. In view of the uncertainty in the total expected cost input estimation, the assessment process of the completion degree of the performance obligations depends on the subjective judgment of the Group.

As at December 31, 2018, the uncompleted work orders of the Group were recognized as contract assets by the completion degree of the performance obligations, valued at $13,161.

VI. Descriptions of major accounting subjects

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 100	$ 100
Checking deposit and demand deposit	506,812	551,982
Time deposits	768,580	297,600
Total	$ 1,275,492	$ 849,682

The Group deals with financial institutions with good credit quality. The Group also deals with various financial institutions to diversify credit risks. Therefore, the expected risk of default is pretty low.

(II) Financial assets measured at amortized cost

Items	December 31, 2018
Current items:	
Time deposits	$ 1,458,175
Non-current items:	
Time deposits	$ 19,700

1. The details of recognition of financial assets measured by amortized cost as gains or losses are as follows:

	2018
Interest income	$ 16,489

2. The time deposits with an amount of $19,700, with purpose of which is restricted by the customs guarantee are accounted in "financial assets measured at amortized cost - non-current." Please refer to note VIII for details.
3. For information as on December 31, 2017, please refer to Note XII(IV) for details.

(III) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 751,857	$ 1,108,706
Accounts receivable - related parties	118	-
	751,975	1,108,706
Less: allowance for losses and bad debts	-	-
	$ 751,975	$ 1,108,706

The Group does not have accounts provided as hypothecation security.

1. Aging analysis of accounts receivable is stated as follows:

	December 31, 2018	December 31, 2017
Not overdue	$ 381,579	$ 513,443
≤30 days	99,772	192,398
31-90 days	215,721	397,205
91-180 days	54,903	5,660
	$ 751,975	$ 1,108,706

The aging analysis above was based on the number of days overdue.

2. Without regard to the security held or other credit enhancement, the maximum amounts of exposure at default best representing credit risk of the Group's accounts receivable on December 31, 2018 and December 31, 2017 are $751,975 and $1,108,706, respectively.

3. For credit risk information, please refer to Note 12(2).

(IV) Inventory on hand

	December 31, 2018	December 31, 2017
Raw materials	$ 76,205	$ 73,858
Allowance for price decline of inventories	(1,354)	(981)
Carrying amount	$ 74,851	$ 72,877

The cost of inventories recognized as expense for the period:

	2018	2017
Cost of inventories have been consumed	$ 2,207,737	$ 2,417,106
Loss from falling price	373	-
Recovered interest	-	(1,202)
	$ 2,208,110	$ 2,415,904

In the year of 2017, the Group has sold some of its inventories that had been previously set aside for depreciation losses, resulting in the recovery of net realized value of inventories and the reduction of recognized operating costs.

(Blank Below)

(V) Property, plant, and equipment

	Land	Buildings	Machinery equipment	Office equipment And other equipment	Equipment awaiting examination	Total
January 1, 2018						
Cost	$ 194,924	$ 845,057	$ 10,849,189	$ 1,186,026	$ 33,909	$ 13,109,105
Accumulated depreciation	-	(730,072)	(9,185,756)	(1,090,213)	-	(11,006,041)
	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
2018						
January 1	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
Add	-	17,379	423,589	94,116	86,094	621,178
Disposals or retirements	-	-	(10,348)	-	-	(10,348)
Reclassification	-	-	33,654	381	(34,035)	-
Depreciation expenses	-	(35,966)	(590,866)	(42,559)	-	(669,391)
Net exchange differences	-	-	37,153	2,230	263	39,646
December 31	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149
December 31, 2018						
Cost	$ 194,924	$ 848,779	$ 11,056,984	$ 1,286,930	$ 86,231	$ 13,473,848
Accumulated depreciation	-	(752,381)	(9,500,369)	(1,136,949)	-	(11,389,699)
	$ 194,924	$ 96,398	$ 1,556,615	$ 149,981	$ 86,231	$ 2,084,149

	Land	Housing and construction	Machinery equipment	Office equipment And other equipment	Equipment awaiting examination	Total
January 1, 2017						
Cost	$ 194,924	$ 845,057	$ 11,578,658	$ 1,274,635	$ 33,592	$ 13,926,866
Accumulated depreciation	-	(692,248)	(9,058,499)	(1,142,842)	-	(10,893,589)
	$ 194,924	$ 152,809	$ 2,520,159	$ 131,793	$ 33,592	$ 3,033,277
2017						
January 1	$ 194,924	$ 152,809	$ 2,520,159	$ 131,793	$ 33,592	$ 3,033,277
Add	-	-	34,405	9,382	34,338	78,125
Reclassification	-	-	22,715	9,348	(32,063)	-
Depreciation expenses	-	(37,824)	(767,430)	(46,921)	-	(852,175)
Net exchange differences	-	-	(146,416)	(7,789)	(1,958)	(156,163)
December 31	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064
December 31, 2017						
Cost	$ 194,924	$ 845,057	$ 10,849,189	$ 1,186,026	$ 33,909	$ 13,109,105
Accumulated depreciation	-	(730,072)	(9,185,756)	(1,090,213)	-	(11,006,041)
	$ 194,924	$ 114,985	$ 1,663,433	$ 95,813	$ 33,909	$ 2,103,064

1. The capitalized amount of the borrowing costs of property, plant, and equipment was $0 in both 2018 and 2017.
2. Please refer to Note VIII for detailed information regarding the guarantee of property, plant, and equipment.

(VI) Intangible asset

	Technical royalties	Computer software	Total
January 1, 2018			
Cost	$ 35,712	$ 147,678	$ 183,390
Accumulated amortization and impairment	(35,712)	(126,225)	(161,937)
	$ -	$ 21,453	$ 21,453
2018			
January 1	$ -	$ 21,453	$ 21,453
Add - derived from separate gain	-	5,338	5,338
Amortization	-	(6,394)	(6,394)
Net exchange differences	-	418	418
December 31	$ -	$ 20,815	$ 20,815
December 31, 2018			
Cost	$ 36,858	$ 156,450	$ 193,308
Accumulated amortization and impairment	(36,858)	(135,635)	(172,493)
	$ -	$ 20,815	$ 20,815

	Technical royalties	Computer software	Total
January 1, 2017			
Cost	$ 38,700	$ 140,204	$ 178,904
Accumulated amortization and impairment	(38,700)	(128,203)	(166,903)
	$ -	$ 12,001	$ 12,001
2017			
January 1	$ -	$ 12,001	$ 12,001
Add	-	15,635	15,635
Amortization expenses	-	(5,506)	(5,506)
Net exchange differences	-	(677)	(677)
December 31	$ -	$ 21,453	$ 21,453
December 31, 2017			
Cost	$ 35,712	$ 147,678	$ 183,390
Accumulated amortization and impairment	(35,712)	(126,225)	(161,937)
	$ -	$ 21,453	$ 21,453

Please refer to Note VIII for detailed information of the guarantee provided by intangible assets.

The amortization details of intangible assets are as follows:

	2018	2017
Operating cost	$ 3,376	$ 3,110
Administrative expenses	3,018	2,396
	$ 6,394	$ 5,506

(VII) Other payables

	December 31, 2018	December 31, 2017
Bonus and salaries payable	$ 116,786	$ 130,602
Compensation payable to employees and remuneration payable to Directors and Supervisors	47,363	144,742
Payables on equipment	47,404	54,812
	$ 211,553	$ 330,156

(VIII) Long-term loans

Loan type	Loan period and repayment method	Interest range	Collateral	December 31, 2018
Long-term bank loans				
Guaranteed loan	From April 27, 2018 to April 27, 2021, to repay in installments over the period of the agreement	1.7970%	Property, plant, and equipment	$ 450,000
Credit borrowing	From November 27, 2018 to November 27, 2021, to repay in installments over the period of the agreement	1.3877%	None	300,000
				750,000
Less: Long-term loans due within one year or one operating cycle				(105,000)
Less: Arranger fees				(6,731)
				$ 638,269

Loan type	Loan period and repayment method	Interest range	Collateral	December 31, 2017
Long-term bank loans				
Guaranteed loan	From July 23, 2015 to July 23, 2018, to pay interest by quarterly	3.72%	Property, plant, and equipment and intangible assets	$ 995,305
Less: Long-term loans due within one year or one operating cycle				(995,305)
				$ -

To complete the reorganization plan of STATS ChipPAC Ltd. Group, and to subsequently obtain 100% of Winstek Semiconductor Technology, on July 23, 2015, the Company and Winstek Semiconductor Technology with Singapore's DBS Bank signed a

credit contract with a total amount of US$127 million, the duration of which was three years and may be extended for another two years with application and additional payment of extension fee of 0.2% of the unamortized balance. The Company provided guarantee and reverse commitment for Winstek Semiconductor Technology, when Winstek Semiconductor Technology applied US$127 million credit extension from DBS Bank, and when Winstek Semiconductor Technology applied to open the guaranteed letter of credit of US$127 million from DBS Bank (Taiwan) for the guarantee of such credit extension to DBS Bank.

Corresponding with the above credit guarantee case, the Company shall adjust the amount of guarantee and endorsement provided to Winstek Semiconductor Technology in accordance with the net value of financial statements audited or reviewed by CPA on a quarterly basis.

Provisions of the loan agreement signed on July 23, 2015:

1. During the loan period, the Company (joint guarantor) shall maintain the specific financial ratios such as the debt ratio and the interest coverage ratio, etc. in the annual consolidated financial statements audited and verified by the CPA and the quarterly consolidated financial statements reviewed by the CPA. The consolidated financial statements of the Group for the year 2017 met its financial ratio limits.
2. After the closing date of the acquisition of Winstek Semiconductor Technology, DBS Bank (Taiwan) shall have the right to cancel the loan and request Winstek Semizonductor Technology to deposit the amount equal to the outstanding guarantee amount into the specified account immediately if the following control rights of the Group have changed.
   (1) Bloomeria Ltd. does not directly or indirectly hold more than 45% equity of Winstek Semiconductor Co., Ltd.
   (2) Singapore Technologies Semiconductor Pte Ltd. does not directly or indirectly hold more than 50% equity of Bloomeria Ltd.
   (3) Winstek Semiconductor Technology is not a 100% owned subsidiary of the Group.
3. The Group shall not be arbitrarily merged, divided or restructured without the consent of DBS Bank, unless the merged parties belong to the same group.
4. According to the agreement, the Group shall not pay dividends to shareholders from the date of loan until full repayment, unless:
   (1) At the time of dividend payment, there is no default by the Group.
   (2) After the allocation of dividends, the cash and cash equivalents of the Group shall not be less than US$30 million or less than the other equivalent currency.

5. The Group shall not amend its terms of the technical services agreement between the Group and STATS ChipPAC Ltd., that shall have a material influence, unless the loan has been fully repaid.

Silicon Microelectronics Corporation on October 13, 2017, obtained the control right of the Group's parent company Bloomeria Ltd. The equity trading has contravened the bank loan contractual provision where Singapore Technologies Semiconductor Pte Ltd. shall not hold more than 50% equity of Bloomeria Ltd. In accordance with the provisions, DBS Bank shall have the right to cancel the loan and request Winstek Semiconductor Technology to deposit the amount equal to the outstanding guarantee amount into the specified account immediately. In order to meet the above restrictions, Winstek had repaid all the balance of the loan (US$33,691,000) in advance on January 23, 2018, and because of this, it paid the additional fee of NT$4,506 as agreed in the contract. In addition, in accordance with the above repayment, the Company's endorsement guarantee provided to Winstek Semiconductor Technology has been cancelled on January 26, 2018.

Secured bank borrowings

In accordance with the provisions of the credit extension contract signed on April 16, 2018, the following financial ratios and agreements shall be maintained prior to the full repayment of the debts incurred, for the duration of this credit extension case:

1. Net financial ratio: the total net financial liabilities divided by the profit before tax of consolidated financial statements plus interest expenses plus depreciation expenses and amortization expenses shall be less than 3 times.
2. Interest coverage ratio: the net profit before tax plus interest expenses plus depreciation expenses and amortization expenses divided by interest expenses of consolidated financial statements shall be more than 4 times.

Credit loans

In accordance with the provisions of the credit extension contract signed on August 14, 2018, the following financial ratios and agreements shall be maintained prior to the full repayment of the debts incurred, for the duration of this credit extension case:

1. Current ratio: the net current assets divided by the net current liabilities in the consolidated financial statements shall not be less than 100%.
2. Debt ratio: the total net liabilities plus contingent liabilities divided by tangible net value in the consolidated financial statements shall not be more than 100%.
3. Interest coverage ratio: the net profit before tax plus interest expenses plus depreciation expenses and amortization expenses divided by interest expenses in the consolidated financial statements shall not be less than 10 times.

The consolidated financial statements of the Group for the year 2018 met its financial ratio limits.

(IX) Pension Funds

1. (1) The company and the subsidiaries in accordance with the provisions of the "Labor Standards Law," have made the method to define retirement allowance, which applies to the length of service of all regular employee before the implementation of "Labor Pensions Ordinance" on July 1, 2005, and the length of follow-up service of employee choosing to continue to apply to "Labor Standards Law" after the implementation of "Labor Pensions Ordinance." Pension payments for employees qualified for the aforementioned retirement criteria are calculated in accordance with the years of service rendered and the average salaries or wages of the last 6 months prior to retirement. Two bases are given for each full year of service over the first 15 years, and one base is given for an additional year of service thereafter, provided that the total bases do not exceed forty-five (45). The Company shall contribute 2% of the total salary to the pension fund on a monthly basis, which shall be deposited into an account of the Bank of Taiwan in the name of the Supervisory Committee of Workers' Pension Preparation Fund. Prior to the end of each annual period, the Company assesses the balance of the aforementioned designated account for the labor pension fund. If the balance is determined insufficient to pay off the pension amount computed by the aforementioned approach for employees qualified for retirement within next year, the Company will make a lump sum contribution to make up the shortfall before the end of March of the following year.

(2) Amounts recognized on the balance sheets are as follows:

	December 31, 2018	December 31, 2017
Present value of funded obligations	$ 37,392	$ 32,725
Fair value of plan assets	(20,561)	(18,731)
Net defined benefit liabilities	$ 16,831	$ 13,994

(3) Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Plan fair value of assets	Net defined benefit liabilities
2018			
Balance as of January 1	$ 32,725	($ 18,731)	$ 13,994
Interest expense (income)	491	(281)	210
	33,216	(19,012)	14,204
Remeasurement amount:			
Plan assets return (excluding amounts included in interest income or expenses)	-	(480)	(480)
Impacts of changes in demographic assumptions	2,927	-	2,927
Impacts of changes in	635	-	635

financial assumptions			
Experience adjustment	614	-	614
	4,176	(480)	3,696
Provision of pension funds	-	(1,069)	(1,069)
Balance as of December 31	$ 37,392	($ 20,561)	$ 16,831

	Present value of defined benefit obligations	Plan fair value of assets	Net defined benefit liabilities
2017			
Balance as of January 1	$ 27,648	($ 18,549)	$ 9,099
Interest expense (income)	415	(278)	137
	28,063	(18,827)	9,236
Remeasurement amount:			
Plan assets return (excluding amounts included in interest income or expenses)	-	96	96
Impacts of changes in demographic assumptions	4,289	-	4,289
Experience adjustment	373	-	373
	4,662	96	4,758
Balance as of December 31	$ 32,725	($ 18,731)	$ 13,994

(4) The fund asset of the Company's defined benefit pension plan (hereinafter referred to as the "Fund") is entrusted to the Bank of Taiwan, which manages, or entrusts others to manage, the Fund in accordance with entrusted items enumerated in Article 6 of the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (i.e. deposit in domestic or foreign institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, and investment in domestic or foreign real estate and its securitization products) to the extent of limitations on investment percentage and amount as stipulated in the Fund's annual utilization plan. The status of utilization of the Fund is subject to supervision by the Labor Pension Fund Supervisory Committee. With regard to utilization of the Fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. In case any deficiency in the earnings arises, Treasury Funds can be used to cover the deficits after the approval of the competent authority. Since the Company has no right to participate in the operation and management of the Fund, it is not able to disclose the classification of the fair value of plan assets as required in IAS 19 paragraph 142. For the fair value of the total assets of the Fund as of 31 December, 2017 and 31 December, 2018, please refer to the various annual labor pension utilization reports issued by the government.

(5) Actuarial assumptions on pensions are summarized as follows:

	2018	2017
Discount rate	1.375%	1.500%
Future increase rate of wage	3.000%	3.000%

The assumptions for future mortality rate are estimated by the Fifth

Experience Mortality Table of Taiwan's life insurance industry.

Effects of changes in the principal actuarial assumptions on present value analysis of defined benefit obligation are as follows:

	Discount rate		Future increase rate of wage	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2018				
The impact on present value of defined benefit obligations	($ 1,367)	$ 1,434	$ 1,390	($ 1,333)
December 31, 2017				
The impact on present value of defined benefit obligations	($ 1,200)	$ 1,259	$ 1,223	($ 1,172)

The sensitivity analysis above is based on other conditions that are unchanged but only one assumption is changed. In practice, many changes in assumptions may be linked together. The method used for the sensitivity analysis and calculation of the net defined benefit pension liability is the same. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

The method and assumptions used for the preparation of the sensitivity analysis for the current period are the same as those used in the previous period.

(6) The Group's projected allocation to the pension plan for the year 2019 is $1,648.

(7) As at 31 December 2018, the weighted average duration of the pension plan is 15 years. The analysis of the due dates of retirement allowance payment is as follows:

Within 1 year	175
1 - 2 years	491
2 - 5 years	1,951
5-10 years	8,603
	$11,220

2. (1) As of July 1, 2005, the Company and its subsidiaries have, in accordance with the "Labor Pensions Ordinance," have made the method to define retirement allowance, which applies to local employees. Where the employees have elected to apply the labor pension system as stipulated in the Labor Pension Act, the Company and subsidiaries make a contribution in an amount equal to 6% of the employees' monthly salaries or wages to their individual accounts

in the Bureau of Labor Insurance.

(2) The retirement allowance costs recognized by the Group under the above retirement allowance method were $24,549 and $23,230 respectively in the years of 2018 and 2017.

3. The other long-term employee benefit plans (pension) provided by the Group to the employees, which is measured by an actuarial technology on other long-term employee benefit liabilities, in accordance with the actuarial report, the amounts recognized as costs and expenses of other long-term employee benefit plans were $1041 and $802 respectively in the years of 2018 and 2017, and on December 31, 2018 and 2017, other long-term employee benefit liabilities were $3,335 and $2,294 respectively.

(X) Share capital

On December 31, 2018, the Company's authorized capital was NT$4 million, divided into 400 million shares, and the paid-up capital was NT$1,362,617, with a face value of NT$ 10 per share. Share payments for the Company's issued shares have been collected in full.

Quantities of the Company's outstanding ordinary shares at the beginning and ending of periods were reconciled as follows:

Unit: 1,000 shares

	2018	2017
January 1/December 31	136,262	136,262

(XI) Capital surplus

According to the provisions of the Company Act, over face value of share premium gifts of assets donated to additional paid-in capital for covering deficit. If there is no accumulated deficit in company, company shall issue new shares with existing shares or cash by ratio to shareholders According to the relevant provisions of the Securities Exchange Act, allocated capital from additional paid-in capital, its maximum not exceed the limit of 10% of the paid-up capital each year Company in surplus reserves to fill the capital loss still remains insufficient, may not be complemented by additional paid-in capital.

	2018	
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries
January 1/December 31	$ 250,734	$ 115,509

	2017	
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries
January 1/December 31	$ 250,734	$ 115,509

(XII) Retained earnings

1. In accordance with the Articles of Association of the Company, if there is after-tax surplus in the annual accounts, 10% of the statutory capital reserve shall be appropriated after covering the loss of previous years, and the special capital reserve shall be appropriated as necessary. If there is still surplus, together with the accumulated undistributed surplus of the previous years, the Board of Directors may reserve a portion of the surplus based on the operating circumstances, and draw the allocation plan of net income and submit to the shareholders' meeting for resolution.
2. The dividend distribution policy of the Company shall consider the current surplus status of the Company and the future investment environment, the capital demand, capital budget plan and operating plan, etc., allocated according to the financial structure and the surplus dilution situation, the amount of which shall be not less than 10% of the net surplus after-tax in current year, but shall be retained and not assigned if the EPS is below NT$ 0.5 or dividend distribution will result in a breach of contract. The Company's surplus may be distributed as stock dividends or cash dividends, of which the cash dividends shall not be less than 10% of the total dividends.
3. The statutory capital reserve shall not be used except to cover the Company's losses and to issue new shares or cash in proportion to the shareholders' original holdings. However, when new shares are issued or cash is distributed, the amount shall exceed 25% of the reserves of the paid-in capital.
4. By resolutions of the shareholders' meeting on June 12, 2018 and June 14, 2017, respectively, the Company adopted the following surplus allocation for the years of 2017 and 2016:

	2017		2016	
	Amount	Dividend per share (NT$)	Amount	Dividend per share (NT$)
Cash dividend	$ 177,140	$ 1.30	$ 115,822	$ 0.85

5. By a resolution of the Board of Directors on March 6, 2019, the Company adopted the following surplus allocation plan for the year 2018:

	2018 (note)	
	Amount	Dividend per share (NT$)
Cash dividend	$ 163,514	$ 1.20

Note: this is still pending resolution of shareholders' meeting.

(XIII) Turnover

	2018
Revenue from customer contracts	$ 2,869,643

1. Segments of revenue from contracts with customers

The revenue of the Group is derived from the provision of services that are gradually transferred over time and can be categorized into the following main product lines:

2018	Testing income	Packaging income	Other labor services income	Total
Segment revenue	$ 1,085,236	$ 1,784,154	$ 253	$ 2,869,643
Revenue from external customer contracts	$ 1,085,236	$ 1,784,154	$ 253	$ 2,869,643

2. Contract assets and liabilities

The assets and liabilities associated with the client's contract revenue recognized by the Group are as follows:

	December 31, 2018
Contract assets:	
Contract assets - packaging testing	$ 13,161

3. Please refer to Note XII(V) for details of the disclosure ofthe year of 2017.

(XIV) Other income

	2018	2017
Interest income:		
Interest from bank deposits	$ 8,683	$ 8,712
Interest income from financial assets at amortized cost	16,489	-
Interest income from debt instrument investment without active market	-	11,020
Total interest income	25,172	19,732
Rental income	1,446	-
	$ 26,618	$ 19,732

(XV) Other gains and losses

	2018	2017
Interests from disposal of property, plant, and equipment	$ 14,120	$ 15,653
Foreign exchange gains (losses)	4,740	(105,589)
Miscellaneous expenses		
Advance repayment losses on long-term loans	(4,506)	(5,277)
Other gains and losses	3,974	(9,040)
	$ 18,328	($ 104,253)

(XVI) Financial cost

	2018	2017
Interest expense	$ 24,574	$ 63,898

(XVII) Additional information regarding the nature of expense

	2018	2017
Employee benefit expenses	$ 718,688	$ 790,946
Depreciation expenses of property, plant, and equipment	$ 669,391	$ 852,175
Amortization expense of intangible assets	$ 6,394	$ 5,506

(XVIII) Employee benefit expenses

	2018	2017
Wages and salaries expenses	$ 607,735	$ 692,147
Labor and health insurance expenses	53,730	47,530
Pension expense	24,759	23,367
Other employment expenses	32,464	27,902
	$ 718,688	$ 790,946

1. According to the Articles of Association of the Company, if the Company earns profits during the year, 0.1%~15% of which shall be allocated to the employees bonus. Where employees bonus is paid in stock or cash, the payees includes employees who meet certain conditions in their subordinate companies. However, if the Company still has an accumulated deficit, the amount to offset the deficit shall be retained first. if the company earns profits during the year, 1%~3% of which shall be appropriated as directors' bonus depending on the operating circumstances. However, if the Company still has an accumulated deficit, the amount to offset the deficit shall be retained first.
2. The estimated amount of employee bonus of the Company in the year of 2018 and year 2017 is $28,088 and $120,750 respectively; the estimated amount of directors' bonus was $0. The foregoing amounts were accounted as pay expenses.

   The employees bonus and directors' bonus in resolution of the Board of Directors in 2017 are the same as the amount recognized in the financial report of 2017.

   Information about employee compensation and remuneration to directors and supervisors approved by the Board of Directors is available on the Market Observation Post System.

(XIX) Income tax

1. Income tax expense

(1) Components of income tax expense:

	2018	2017
Current income tax:		
Income tax incurred in current period	$ 88,123	$ 144,752
0% surtax on unappropriated retained earnings	40,506	42,860
Underestimation (overestimation) of prior year's annual income tax	(3,148)	12,045
Total income tax in the period	125,481	199,657
Deferred income tax:		
Initial recognition and reversal of temporary differences	2,687	15,530
Impacts of tax rate changes	(1,776)	-
Total deferred income tax	911	15,530
Income tax expense	$ 126,392	$ 215,187

(2) Income tax amounts associated with other comprehensive income: None.

(3) Income tax amounts directly debited or credited to equity: None.

2. Relation between income tax expense and accounting profit

	2018	2017
Income tax calculated on net profit before tax by statutory tax rate	$ 91,241	$ 160,282
Expenses which shall be excluded in accordance with the provisions of the tax law	715	-
Underestimation (overestimation) amount of prior year's annual income tax	(3,148)	12,045
Impacts of tax law amendments on income tax	(1,776)	-
0% surtax on unappropriated retained earnings	40,506	42,860
Other	(1,146)	-
Income tax expense	$ 126,392	$ 215,187

3. The amounts of deferred income tax assets or liabilities arising from temporary differences, levy losses, and investment allowances are as follows:

	2018		
	January 1	Recognized in profit and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 8,344	$ 2,068	$ 10,412
Unrealized exchange loss	1,555	769	2,324
Inventory allowance loss from falling price	167	98	265
Other	-	1,603	1,603
Subtotal	10,066	4,538	14,604
- Deferred income tax liabilities:			
Unrealized exchange gains	-	(5,304)	(5,304)
Other	-	(145)	(145)
Subtotal	-	(5,449)	(5,449)
Total	$ 10,066	($ 911)	$ 9,155

	2017		
	January 1	Recognized in profit and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 7,839	$ 505	$ 8,344
Unrealized exchange loss	15,044	(13,489)	1,555
Inventory allowance loss from falling price	1,230	(1,063)	167
Tax loss	28,414	(28,414)	-
Subtotal	52,527	(42,461)	10,066
- Deferred income tax liabilities:			
Unrealized exchange gains	(2,710)	2,710	-
Depreciation expenses and other fiscal and tax differences	(24,221)	24,221	-
Subtotal	(26,931)	26,931	-
Total	$ 25,596	($ 15,530)	$ 10,066

4. The Company's business income tax has been audited and approved by the taxation authority until the year of 2016.

5. The amendments to the Income Tax Act of Taiwan have become effective on February 7, 2018, which amendments raise the profit-seeking enterprise income tax rate from 17% to 20% and are applicable from 2018. The Group has assessed the impact on income tax from such tax rate changes.

(XX) Earnings per share (EPS)

	2018		
	After-tax amount	Weighted average flow Number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	$ 329,820	136,262	$ 2.42
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	329,820	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	1,621	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders of the parent company in the current period	$ 329,820	137,883	$ 2.39

	2017		
	After-tax amount	Weighted average flow Number of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	$ 727,651	136,262	$ 5.34
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	727,651	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	4,711	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders of the parent company in the current period	$ 727,651	140,973	$ 5.16

(XXI) Operating lease

The Group leases machinery and equipment under a business lease, the lease term of which is from 2018 and 2020, with the right to renew the lease at the end of the lease term. Rental expenses of $188,376 and $281,390 were recognized as current profits and losses for the years of 2018 and 2017, respectively. In addition, the total minimum future lease payments due to the non-cancelable contract are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 122,151	$ 83,431
More than 1 year but not more than 5 years	46,680	24,736
	$ 168,831	$ 108,167

(XXII) Additional information regarding cash flows

Investing activities with partial cash payments:

	2018	2017
Purchase of property, plant, and equipment	$ 621,178	$ 78,125
Add: payable on equipment at the beginning of period	54,812	45,156
Less: payable on equipment at the end of the period	(47,404)	(54,812)
Cash paid in the period	$ 628,586	$ 68,469

(XXIII) Changes in financing liabilities

	Short-term loans	Long-term loans (note)	Total liabilities of guarantee deposits	From financing activities
January 1, 2018	$ -	$ 995,305	$ 202	$995,507
Changes in cash flows from financing activities	-	(274,043)	7	(274,036)
Other non-cash changes:				
Impacts of exchange rate changes	-	12,830	-	12,830
Amortization of arranger fees	-	9,177	-	9,177
December 31, 2018	$ -	$ 743,269	$ 209	$743,478

Note: include long-term loans due within one year or one operating cycle.

VII. Related-party transactions

(I) The parent company and the ultimate controlling party

Prior to the date of October 13, 2017, the ultimate controlling party of the Company was Temasek Holding Ltd. Group. Since October 13, 2017, Sigurd Microelectronics Corporation is the ultimate parent company and ultimate controlling party of the Company. The direct holding parent company of the Company is still Bloomeria Ltd.

(II) Name and relation of affiliates

Name of related party	Relationship with the Group
Sigurd Microelectronics Corporation	Ultimate parent company

(III) Major transactions between related parties

1. Operating revenue

	2018	2017
Ultimate parent company	$ 13,663	$ -

Income from labor service is processed according to the general transaction price and conditions, and the payment condition is 30-day monthly statement.

2. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable		
Ultimate parent company	$ 118	$ -

The receivables from related parties mainly come from the provision of labor services. The receivables are unsecured and non-interest bearing. There is no provision for liability reserve for the receivables from related parties.

3. Payables to related parties

	December 31, 2018	December 31, 2017
Other payables - machine rental		
Ultimate parent company	$ 484	$ -

The payables to related parties mainly come from the machine rental provided by the affiliates. The payables are non-interest bearing.

4. Property transactions

Disposal of property, plant, and equipment:

	2018		2017	
	Disposal price	Gain (loss) from disposal	Disposal price	Gain (loss) from disposal
Ultimate parent company	$ 18,076	$ 7,695	$ -	$ -

5. Other transactions

	Accounting subject	Amount of transaction 2018	2017
Ultimate parent company	Rental receipt	$ 959	$ -
	Rental receipt	$ 230	$ -

(IV) Information about Remunerations to the Major Management:

	2018	2017
Short-term employee benefits	$27,826	$ 72,182
Benefits after retirement	756	558
Total	$28,582	$ 72,740

VIII. Pledged Assets

Assets pledged as collateral by the Group are enumerated as follows:

Assets	Book value December 31, 2018	December 31, 2017	Collateral purpose
Hypothecated time deposits (financial assets account measured at amortized cost - non-current)	$ 19,700	$ -	Customs security
Hypothecated time deposits (accounted to other non-current assets - other)	-	30,234	Customs security
Property, plant, and equipment	1,271,381	1,885,219	Long-term loans
Intangible asset	-	155	Long-term loans

IX. Significant contingent liabilities and unrecognized commitments

(I) The Group has signed a five-year technical service agreement with STATS ChipPAC Ltd. on August 5, 2015, and has retained the capacity of the Group to provide STATS ChipPAC Ltd. with wafer level packaging and testing services for five years from the date of this agreement. As stipulated in the contract:

1. The Group must retain the minimum capacity for STATS ChipPAC Ltd. to provide services timely on a monthly basis; the Group shall provide the services within the range of the existing production capacity that can be adjusted, if STATS ChipPAC Ltd. placed orders that fall between the minimum production capacity and maximum production capacity; the Group is not obligated to provide the services if STATS ChipPAC Ltd.'s order exceeds the maximum capacity of the Group.
2. During the period of the contract, STATS ChipPAC Ltd. shall place an order with

the Group at the agreed minimum purchase quantity for each year at the agreed price, that is, the Group may claim the balance consideration in accordance with the procedures stipulated in the contract for the part of its retained capacity that does not meet the minimum purchase quantity. If STATS ChipPAC Ltd. does not meet the minimum purchase amount, it may exercise the right to defer the minimum purchase amount by 5% to the next year, and provide consideration to the Group for any portion of the deferred purchase amount that does not meet the minimum purchase amount every 12 months from the date of signing the contract. STATS ChipPAC Ltd. may exercise the right to deferred purchase quantity only once a year, and the deferred portion may not be renewed in the following year, and the right cannot be exercised in the last year of the contract.

3. In accordance with the agreement signed by both parties on January 2017, STATS ChipPAC Ltd. agreed to pay the Group a consideration amount of US$30,197,000 for it did not meet the minimum purchase amount for the first contract year (from the date of signing contract to August 4, 2016). The Group recognized the consideration amount as consideration income in the fourth quarter of the year 2016 and the first quarter of the year 2017, of US$15,098,000 ($487,007) and US$15,099,000 ($463,024), respectively, accounted under the subject of other income and expenses and in other composite income sheet respectively.

4. In addition, the minimum purchase amount shall be combined in calculation and the total minimum purchase amount shall remain unchanged as agreed by both parties from the second contract year. The combined minimum purchase amount that STATS ChipPAC Ltd. shall realize for the Group for the next coming four years is as follows:

Currency: US$ 1,000

	The second year	The third year	The fourth year	The fifth year
Minimum purchase amount	$80,800	$75,100	$63,200	$ 51,400
Deferred amount for the second year	4,750	-	-	-
Deferred amount for the third year	(4,040)	4,040	-	-
Deferred amount for the fourth year	-	(3,755)	3,755	-
	$81,510	$75,385	$66,955	$ 51,400

5. Both parties signed the agreement in November 2017. STATS ChipPAC Ltd. deferred 5% of the minimum purchase quantity for the second year (the second contract year is from August 5, 2016 to August 4, 2017) to the next year in accordance with the contract, and agreed to pay the Group a consideration amount of US$15,694,000 ($467,331) for it did not meet the minimum purchase amount in the second year of the contract. STATS ChipPAC Ltd. has performed payment according to the above agreement and also carried out the related purchase in the

third year in accordance with the contract, therefore the Group's management believed that the payment of compensation income can almost be ascertained, thus the whole value of it was recognized as compensation income (accounted under the subject of other income and net expense of composite income sheet.

6. From August 5, 2017 to August 4, 2018, the amount of combined purchase performed by STATS ChipPAC Ltd. for the third contract year was US$68,555,000 and the minimum purchase amount for the third year of the agreement is deferred to the next year as agreed. The Company has claimed for the balance consideration from STATS ChipPAC Ltd., in accordance with the procedures stipulated in the contract, for it did not meet the minimum purchase amount in the third year of the contract.

   In consideration of the long-term cooperative relationships of both parties, STATS ChipPAC Ltd. proposed to reconcile based on the long-term business interests. The Company also considered its business operations and judgment. The proposed settlement with STATS ChipPAC Ltd. that has been approved by the Board of Directors of the Company on September 20, 2018, is as follows:

   (1) Both parties agree that the technical services agreement shall be extended for another two years (from August 5, 2020 to August 4, 2022) and the combined minimum purchase amount that STATS ChipPAC Ltd. shall perform for the Group in accordance with the future agreement shall be as follows:

   Currency: US$ 1,000

	The sixth year	The seventh year
Minimum purchase amount	$30,000	$ 30,000

   (2) The Group reserves the capacity of US$40 million per contract year for the extended period of two years to STATS ChipPAC Ltd.

   (3) If STATS ChipPAC Ltd. fails to meet the above commitment amount in the current year, the insufficient amount may be postponed to the next year.

   (4) STATS ChipPAC Ltd. agrees to purchase from the Group on a preferential basis during the fourth year of contract.

   (5) Based on the above commercial interests and the long-term cooperative relationship between the two parties, the Group will not claim the difference of US$6,830,000 from STATS ChipPAC Ltd., which is less than the minimum purchase amount for the third year of contract.

   As of March 6, 2019, the above-mentioned reconciliation agreement has not been signed, and the reconciliation is still in the stage of detailed consultation.

7. From August 5, 2018 to December 31, 2018, STATS ChipPAC Ltd. has performed a combined purchase amount of US$17,233,000 for the Company and Winstek in the fourth year of contract.

(II) Capital expenditures contracted but not yet incurred

	December 31, 2018	December 31, 2017
Property, plant, and equipment	$ 105,652	$ 49,605

X. Significant losses from disasters

No.

XI. Material subsequent events

The company adopted the appropriation plan of net income for the year of 2018 by the Board of Directors on March 6, 2019. Please refer to Note VI(XII) for details.

XII. Others

(I) Financial situation

The Group's strategy in the year of 2018 remains the same as that in the year of 2017, with the aim of reducing the debt-to-capital ratio to a reasonable level of risk. As of December 31, 2018 and December 31, 2017, the Group's debt-to-capital ratios were as follows:

	December 31, 2018	December 31, 2017
Total borrowing	$ 743,269	$ 995,305
Less: cash and cash equivalent	(1,275,492)	(849,682)
Net debt	(532,223)	145,623
Total equity	4,574,411	4,310,297
Total capital	$ 4,042,188	$ 4,455,920
Capital and liabilities ratio	-	3.27%

(II) Financial Instruments

1. Types of Financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 1,275,492	$ 849,682
Financial assets measured at amortized cost - current		
through profit or loss - current	1,458,175	-
Debt instrument investment without active market - current	-	1,341,120
Accounts receivable	751,857	1,108,706
Accounts receivable - related parties	118	-
Other receivables	5,631	441,538
Refundable deposits	3,788	4,481
Financial assets measured at amortized cost - non-current		
Assets - noncurrent	19,700	-
Other non-current assets	-	30,234
	$ 3,514,761	$ 3,775,761

	December 31, 2018	December 31, 2017
Financial liability		
Financial liabilities measured at amortized cost		
Accounts payable	45,925	125,420
Other payables	211,553	330,156
Other accounts payable - related parties	484	-
Long-term loans (including whose due within one year or one operating cycle)	743,269	995,305
Guarantee deposits	209	202
	$ 1,001,440	$ 1,451,083

2. Risk Management Policy

(1) The Board of Directors shall fully take the responsibilities for establishment and supervision of the risk management structure of the Group, and take the responsibilities for development and control of the risk management policies of the Group.

(2) The risk management policy of the Group is established to identify and analyze risks encountered by the Group, set appropriate risk limits and control, and supervise the compliance of risks and risk limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions and the Group's operations. The Group, through its training and management standards and procedures, aims to develop a

disciplined and constructive control environment in which all employees understand their roles and obligations.

(3) The Audit Committee of the Group shall supervise the management to monitor the compliance of the Group's risk management policies and procedures, and review the appropriateness of the Group's relevant management framework for the risks encountered. Internal auditors assist the Group's audit committee in a supervision role. These officers conduct review on risk management controls and procedures and report the review results to the Audit Committee.

3. Nature and degree of significant financial risks

(1) Market risk

Foreign currency risk

A. The functional currency of the Company is New Taiwan Dollar and the functional currency of the subsidiary is United States Dollar. Therefore, the information of foreign currency assets and liabilities affected by significant exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	$ 12,077	30.715	$ 370,945
NT$:US$	670,582	0.033	670,582
Financial liability			
Monetary items			
NT$:US$	$ 543,269	0.033	$ 543,269

	December 31, 2017		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	$ 37,102	29.76	$ 1,104,156
NT$:US$	66,738	0.034	66,738
Financial liability			
Monetary items			
US$:NT$	$ 162	29.76	$ 4,821
NT$:US$	200,105	0.034	200,105

B. The monetary items of the Group have been recognized and disclosed in the aggregate amounts of US$4,740 and $105,589 respectively in the years of 2018 and 2017 due to the significant influence of exchange rate fluctuations.

C. The table below illustrates assets and liabilities denominated in foreign currencies of which the values were materially affected by the exchange rate volatility:

	2018		
	Sensitivity analysis		
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	1%	$ 3,709	$ -
NT$:US$	1%	6,706	-
Financial liability			
Monetary items			
NT$:US$	1%	($ 5,433)	$ -

	2017		
	Sensitivity analysis		
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial asset			
Monetary items			
US$:NT$	1%	$ 11,042	$ -
NT$:US$	1%	667	-
Financial liability			
Monetary items			
US$:NT$	1%	($ 48)	$ -
NT$:US$	1%	(2,001)	-

Cash flow interest rate risk and fair value interest rate risk

The Group's short-term borrowing is measured at amortized cost and is subject to an annual fixed interest rate as agreed in the contract, so the Group is not exposed to future market rate changes.

(2) Credit risk

A. The Group's credit risk is the risk of financial loss to the Group due to the failure of the customer or counterparty of the financial instrument to perform its contractual obligations, which are mainly resulted from the failure of the counterparty to pay off accounts receivable payable on the terms of collection, and the contractual cash flow of the debt instrument investment classified as amortized cost.

B. The Group establishes credit risk management from the Group's perspective. In accordance with internally defined credit policies, risk management and credit risk analysis shall be carried out prior to the setting of terms and conditions of payment and delivery. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits are based on internal or external ratings, and the use of credit limits is regularly monitored.

C. In accordance with the credit risk management procedures, the Group shall deem the contract to have been breached, if the counterparty fails to make payment in accordance with the agreed payment terms within a certain period.

D. The Group's categorizes customers' accounts receivable and contract assets according to the characteristics of customer ratings, using a simplified approach to estimate expected credit losses based on a reserve matrix.

E. The indicators used by the Group to determine credit impairment on debt instrument investments are as follows:

(A) The possibility of the issuer experiencing material financial difficulties or entering into bankruptcy or other financial restructuring increases;

(B) The loss of the active market for the financial assets by the issuer due to financial difficulties;

(C) Delay or non-payment of interest or principal by the issuer;

(D) Adverse changes in national or regional economic conditions that result in a default by issuer.

F. The Group mainly provides specific customers with semiconductor wafer packaging and testing services. Therefore, the Group assesses the credit risk of individual customers, adjusts loss rate according to the specific historical and current information, in consideration of future prospects, so as to estimate the loss allowance on accounts receivable. On December 31, 2018, as a result of assessment, the expected shortfall rate was between 0% and 1%.

G. Changes in loss allowance for accounts receivables using the simplified approach are as follows:

Accounts receivable	2018
January 1_IAS 39	$ -
Adjustments under new standards	-
January 1_IAS 39	-
Provision of impairment loss	-
December 31	$ -

H. Please refer to Note XII(IV) for credit risk information for the year of 2017.

(3) Liquidity risk

A. The details of the Group's undrawn borrowing facilities are as follows:

	December 31, 2018	December 31, 2017
Fixed interest rate		
Due within 1 year	$ 860,430	$ 708,520
Due for more than 1 year	1,699,999	-
	$ 2,560,429	$ 708,520

B. The table below analyzes the Group's non-derivative financial liabilities and net-settled or gross-settled derivative financial liabilities into relevant maturity groupings, based on the remaining period at the balance sheet date to the contractual maturity date for non-derivative financial liabilities, and to the expected maturity date for derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

December 31, 2018	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 45,925	$ -	$ -	$ -
Other payables	211,553	-	-	-
Other payables - related parties	484	-	-	-
Total liabilities of guarantee deposits	-	-	-	209
Long-term loans (including those due within one year or one business circle)	36,090	80,747	248,579	407,880

December 31, 2017	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 125,420	$ -	$ -	$ -
Other payables	330,156	-	-	-
Corporate bonds payable	-	-	-	-
Liabilities of preferred stock	-	-	-	-
Total liabilities of guarantee deposits	-	-	-	202
Long-term loans (including those due within one year or one business circle)	377,065	646,904	-	-

(III) Fair value information:

The Group does not have financial instruments measured at fair value.

(IV) Effects of initial application of IFRS 9 and information on application of IAS 39 in 2017

1. The material accounting policies adopted in the year 2017 are described as follows:

(1) Loans and receivables

A. Accounts receivable

The term "accounts receivable" refers to the original loans and receivables generated in connection with the sale of commodity or the provision of services in the normal course of business. Accounts receivable are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. However, short-term receivables without interest payment, given insignificant effects of their discount, are subsequently measured at the invoice price.

B. Debt instrument investment without active market

(A) It refers to loans and receivables not originated by the entity, such as bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

a. Not classified as measured at fair value through profit and loss.

b. Not designated for sale.

c. The holder may not be able to recover nearly all of the original investment due to factors other than deterioration of credit.

(B) Investments in debt instruments (that comply with regular way of purchase or sale) without active market are recognized and

derecognized using trade date accounting.

(C) At the time of original recognition, it is measured at the fair value plus transaction costs of the trade day, and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of discounts or premium under the effective interest method is recognized in profit or loss.

(D) The debt instrument investment without active market held by the Group are time deposits that do not meet criteria for cash equivalents. As such assets are held for short periods, the impact of cash discount is immaterial and they are measured based on the original investment amounts.

(2) Impairments of financial assets

A. The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events (loss events) that has occurred after the initial recognition of the asset and that the impact from those loss events on the estimated future cash flows of the financial assets can be estimated reliably.

B. The criteria that the Group uses to determine whether there is objective evidence of an impairment loss is as follows:

(A) Significant financial difficulty of the issuer or debtor;

(B) A breach of contract, such as a default or delinquency in interest or principal payments;

(C) The Group granted the borrower a concession that a lender would not otherwise consider for economic or legal reasons relating to the borrower’s financial difficulty;

(D) It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

(E) The disappearance of the active market for the financial asset as a result of financial difficulties;

(F) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified for the individual financial assets in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

(G) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

(H) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Group assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows in accordance with the category of financial assets:

Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

2. The reconciliation of financial assets book value prepared under IAS 39 since December 31, 2017 is transferred to the amount under IFRS 9 starting from January 1, 2018 is stated as follows:

					Impact	
	Held-to-maturity Measured at amortized cost	Debt instrument without active market	Other non-current assets	Total	Retained earnings	Other equity
IAS39	$ -	$ 1,341,120	$30,234	$ 1,371,354	$ -	$ -
Transferred-in as measured at amortized cost	1,371,354	(1,341,120)	(30,234)	-	-	-
IFRS9	$ 1,371,354	$ -	$ -	$ 1,371,354	$ -	$ -

Debt instruments amounting to NT$1,371,354 fell under IAS 39 "Debt Instruments without Active Market" and "Other Non-current Assets." As the cash flows met the condition that they are intended to settle the principal and interest on the outstanding principal balance, and the Group held those instruments to

collect contractual cash flows, they were reclassified as "Financial Assets Measured at Amortized Cost" of NT$1,371,354 upon initial application of IFRS 9.

3. The important accounting items as at December 31, 2017 are described below:

Debt instrument investment without active market

Item	December 31, 2017
Current items:	
Time deposits	$ 1,341,120

The Group's debt instrument investment without active market as of December 31, 2006 were not pledged as collateral.

4. The credit risk information as at December 31, 2017 is as follows:

(1) Credit risk refers to the risk of financial loss to the Company arising from default by customers or counterparties of financial instruments on the contract obligations. It is mainly derived from cash and cash equivalents, financial commodities such as debt instrument investment without active market, receivables, etc. The carrying amount of financial assets represents the maximum credit exposure amount, and the maximum credit exposure amount as of December 31, 2017 was $3,771,280.

(2) As of December 31, 2017, the Group's cash and debt instrument investment without active market at two domestic financial institutions accounted for 83% of the subjects' balance, causing the situation of credit risk concentration, however due to good credit standing of the two institutions, no significant credit risk loss is expected.

(3) As of December 31, 2017, 92% of accounts receivable were made up of four customers. To reduce credit risk, the Group regularly assess the financial status of these customers and the possibility of account receivable recovery. These customers are companies with good credit standing and the Group does not expect to incur significant credit risk losses due to these key customers.

(4) The aging analysis information of the Group's overdue but unimpaired financial assets is as follows:

	December 31, 2017
Accounts receivable	
Within 30 days	$ 192,398
31-90 days	397,205
91-180 days	5,660
	$ 595,263

(5) The annual allowance for bad debts of accounts receivable 2017 of the Group is as follows:

	Impairment loss by individual assessment	Impairment losses by group assessment	Total
January 1/December 31	$ -	$ -	$ -

(V) Impacts of the initial application of IFRS 15 and information on the application of IAS 18 in the year of 2017

1. The material accounting policies for revenue recognition adopted in the year of 2017 are described below:

   Revenue from rendering of services

   The Group provides semiconductor testing and packaging services to customers. The income generated by labors provided is subject to the transaction conditions of testing and packaging or delivery. Most of the earned income has been completed and labor income has been realized or can be realized.

2. The Group shall apply the foregoing accounting policies in year 2017 and shall recognize the following revenues:

	2017
labor services income	$ 2,842,923

3. If the Group continues to apply the above accounting policies in year 2018, the influence on the current balance sheet and combined profit and loss items is as follows:

		December 31, 2018		
Balance sheet item details	Details	The balance recognized by adopting IFRS 15	The recognized balance by adopting the original accounting policy	Impacts of changes in accounting policies
Contract assets		$ 13,161	$ -	$ 13,161

		2018		
Composite income sheet items	Details	The balance recognized by adopting IFRS 15	The recognized balance by adopting the original accounting policy	Impacts of changes in accounting policies
Operating revenue		$ 2,869,643	$ 2,865,765	$ 3,878

XIII. Additional disclosure

(I) Information about significant transactions:

1. Loans to others: Please refer to Appendix Table 1.
2. Endorsements and guarantees: Please refer to Appendix Table 2.
3. Marketable securities held (excluding investments in subsidiaries, affiliates, and jointly control identities): None
4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-up capital: None
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None
7. The amount of purchase and sales with related parties amounts to NT$100 million or more than 20% of the paid-up capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None
9. Information about the derivative financial instruments transaction: None.
10. The business relationship between the parent company and its subsidiaries and their subsidiaries, and the status and amount of important transactions: no.

(II) Information on reinvestment

Name of investee companies, location, and other relevant information (excluding investee companies in Mainland China): please refer to attached table III for details.

(III) Information on investment in mainland china

No.

XIV. Segment information

(I) General information:

There are two reporting divisions in the Group: Testing Division and Packaging Division.

(II) Measurement of segment information

The Group has apportioned its non-recurring profit and loss to the reporting department. In addition, all reported department profits and losses include significant non-cash items other than depreciation and amortization. The amount of departmental information reported is consistent with the amount used by operational decision makers. The accounting policies of the operating departments are the same as the important accounting policies of the Group. The Group's operating departments' profit and loss are measured by sales income and net profit before tax, and serve as the basis for assessing the performance of the departments.

(III) Information on segment profit or loss, and assets and liabilities

The financial information of reportable segments provided to chief operating decision maker is as follows:

2018	Testing business segment	Packaging business segment	Adjustment and elimination	Total
External revenue	$ 1,085,489	$ 1,784,154	$ -	$ 2,869,643
Depreciation and amortization expenses	$ 174,207	$ 501,578	$ -	$ 675,785
Segment Income	$ 292,366	$ 143,474	$ -	$ 435,840
Segment assets	$ 1,826,776	$ 3,972,893	($ 19,658)	$ 5,780,011
Segment assets - capital expenditures	$ 213,448	$ 407,730	$ -	$ 621,178

2017	Testing business segment	Packaging business segment	Adjustment and elimination	Total
External revenue	$ 1,020,772	$ 1,822,151	$ -	$ 2,842,923
Depreciation and amortization expenses	$ 186,323	$ 671,358	$ -	$ 857,681
Segment Income	$ 731,284	$ 359,973	$ -	$ 1,091,257
Segment assets	$ 2,317,235	$ 3,776,300	($ 50,763)	$ 6,042,772
Segment assets - capital expenditures	$ 11,557	$ 66,568	$ -	$ 78,125

(IV) Information by product and service:

Please refer to Note VI(XIII) for details.

(V) Geographical information:

The geographical information of the Group for 2018 and 2017 is as follows:

	2018		2017	
	Income	Non-current assets	Income	Non-current assets
Singapore	$ 1,725,554	$ -	$ 1,735,727	$ -
Taiwan	861,680	2,104,964	988,392	2,124,517
USA	278,844	-	114,918	-
Malaysia	412	-	3,010	-
Other	3,153	-	876	-
Total	$ 2,869,643	$ 2,104,964	$ 2,842,923	$ 2,124,517

(VI) Major customer information

Information on major customers of the Group for 2018 and 2017 is as follows:

	2018 Income	2017 Income
Customer D	$ 1,755,261	$ 1,731,092
Customer A	447,203	563,995
	$ 2,202,464	$ 2,295,087

Winstek Semiconductor Co., Ltd. and Subsidiaries
Providing Capital Loan to Others
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 1

Number (Note 1)	Lender	Borrower	Accounting subjects involved (Note 2)	Whether both parties are affiliated	Maximum amount for current period (Note 3)	Ending balance (Note 8)	Actual amount drawn	Interest range	Nature of capital loan (Note 4)	Amount of business transactions (Note 5)	Reason for requiring short-term financing (Note 6)	Amount of provision for bad debt allowance	Collateral (security)		Maximum loan amount for individual borrower (Note 7)	Maximum total capital loan amount (Note 7)	Note
													Name	Value			
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	-	Yes	$ 1,366,109	$ -	$ -	1%	2	$ -	Operating turnover	$ -	None	$ -	$ 1,372,323	$ 1,372,323	

Note 1: The description of the number column is as follows:
(1) The issuer shall fill in 0.
(2) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 2: The accounting subjects including amount receivable from affiliates, amount receivable from related parties, shareholders' transactions, advance payments, suspense payments, etc.; in the case the loan is of capital nature, this field shall be filled.

Note 3: The maximum balance of funds loaned to others in the current year.

Note 4: The nature of capital loan shall be listed as business transactions or necessary for short-term financing.

Note 5: If the nature of capital loan is of business transactions, the amount of business transactions shall be filled in. The amount of business transactions refers to the amount of business transactions between the Company and the borrower in the most recent year.

Note 6: If the nature of capital loan requires short-term financing, the reasons for the necessity of loan and the borrower's purpose of loaning, such as repayment of loan, purchase of equipment and operating turnover, shall be specified...Etc.

Note 7: The total capital loan amount of the Company shall not exceed 30% of the net value of the Company in its most recent financial reports audited or reviewed by CPA. The amount of the Company's funds loaned to individual borrower shall not exceed 30% of the net value of the Company in its most recent financial reports audited or reviewed by CPA.

Note 8: If a public company submits specific transactions of the capital loan to the Board of Directors for resolution, in accordance with Paragraph 1, Article 14 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (the Regulations), the amount resolved shall be included in the announced balance to expose its risk undertaking, although no appropriation has been made.
However, in the event of subsequent capital repayments, the balance after the repayments shall be disclosed to reflect the adjustment of risk. If a public company authorizes the Chairman by resolution of the Board of Directors in accordance with Paragraph 2, Article 14 of the Regulations to make appropriation of loans in installments or revolving loan of a certain amount within one year, in consideration of the possibility of re-appropriation, the company still shall take the capital loan and amount approved by the Board of Directors as the balance declared in the public announcement, even the capital may be repaid subsequently.

Winstek Semiconductor Co., Ltd. and Subsidiaries
Providing Endorsement/guarantee to Others
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 2

Number (Note 1)	The name of the company that provides endorsement/guarantee	The object receiving endorsement/guarantee		Maximum amount of endorsement/guarantee for a single enterprise (Note 3)	Maximum balance of endorsement/guarantee for the current period (Note 4)	Balance of endorsement/guarantee at the end of current period (Note 5)	Actual amount drawn (Note 6)	Amount of endorsement/ guarantee guaranteed with property	Percentage of aggregated amount of endorsement/guarantee with the net value in the most recent financial reports	Maximum amount of endorsement/ guarantee (Note 3)	A parent company provides endorsement/ guarantee for its subsidiary (Note 7)	A subsidiary provides endorsement/ guarantee for its parent company (Note 7)	The endorsement/ guarantee involves Mainland China (Note 7)	Note
		Name of company	Relationship (Note 2)											
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	2	$ 4,574,411	$ 1,500,000	$ 1,500,000	$ 450,000	$ -	32.79%	$ 4,574,411	Y	N	N	

Note 1: The description of the number column is as follows:
(1) The issuer shall fill in 0.
(2) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 2: Please indicate the relationship between the provider of endorsement/guarantee and the object of endorsement/guarantee, which can be classified into the following six categories:
(1) Companies which are doing business with each other.
(2) Companies of which the Company directly or indirectly holds more than 50% of the voting shares.
(3) Companies of which directly or indirectly hold more than 50% of the voting shares in the Company.
(4) Among companies of which the Company directly or indirectly holds more than 90% of the voting shares.
(5) Companies in the same industry that endorse/guarantee for each other due to the need to contract project; or companies which are endorsed/guaranteed mutually by the same founders under provision of contract.
(6) Companies which are endorsed/guaranteed by all shareholders based on their shareholding percentage due to joint investment.
(7) In accordance with the consumer protection law, Companies in the same industry who perform housing pre-sale contract, are jointly and severally endorsed/guaranteed.

Note 3: The total amount of the Company's external endorsement/guarantee shall not exceed 50% of the Company's most recent net value. The amount of the Company's endorsement/guarantee for a single enterprise shall not exceed 20% of the net value at the time when the company endorses/guarantees.
However, an endorsement/guarantee between the Company and among companies of which the Company directly or indirectly holds 100% of the voting shares, or other companies that the Company has agreed to purchase and upon completion will become a subsidiary of which the Company directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise.
However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA. In addition, the endorsement/guarantee not between the Company and among companies of which the Company directly or indirectly holds 100% voting shares,
the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA.

Note 4: The maximum balance of endorsement/guarantee for others in the current year.

Note 5: By the end of the year, Chu Fan Company shall undertake the obligation of endorsement/guarantee when the amount of endorsement/guarantee contract/bill signed by it to the bank is approved; Other relevant endorsements/guarantees shall be accounted in the balance of endorsements/guarantees.

Note 6: The actual amount drawn by the company endorsed/guaranteed within the balance of the endorsement/guarantee shall be filled here.

Note 7: To be filled if a listed/OTC parent company provides endorsement/guarantee for its subsidiary, or if a subsidiary provides endorsement/guarantee for its listed/OTC parent company; "Y" shall be filled in if the endorsement/guarantee involves Mainland China.

Winstek Semiconductor Co., Ltd. and Subsidiaries
Name, Location, and Other Relevant Information of the Investee Companies (excluding Investee Companies in Mainland China)
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 3

Name of investing company	Name of the investee company (Notes 1, 2)	Location	Main business items	Original investment amount		Holding at the end of period			Profit and loss of investee company in the current period (Note 2(2))	Investment gains and losses recognized in the current period (Note 2(3))	Note
				At the end of this period	At the end of last year	Number of shares	Ratio	Carrying amount			
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Wafer bumping and wafer level packaging services	$ 2,875,740	$ 2,125,740	310,000,000	100%	$ 3,271,369	$ 120,002	$ 120,002	

Note 1: If a public company has a foreign holding company and the consolidated financial report is the main financial report according to local laws and regulations, the disclosure of information about the foreign investee may only include the relevant information of the holding company.

Note 2: In cases other than those described in Note 1, the following information shall be provided:

(1) The columns of "Name of the investee company", "Location", "Main business items", "Original investment amount" and "Shareholding at the end of period", etc., shall be filled in in order according to the reinvestment situation of the (public) company and each reinvestment situation of the investee company under direct or indirect control. The relationship between each investee company and the (public) company (if it is a subsidiary or sub-subsidiary) shall be indicated in the remarks column.

(2) In the column B of "Profit and loss of investee company in the current period", the current profit and loss amount of each investee shall be filled in.

(3) In the column B of "investment gains and losses recognized in the current period", only the recognized profit and loss amount of each directly reinvested subsidiary of this (public) Company and each investee assessed by equity method shall be filled in, and the balance is not required to be filled in. When filling in "recognized profit and loss amount of each directly reinvested subsidiary for the current period", it shall be confirmed that the amount of profit and loss of each subsidiary for the current period has included the reinvestment profit and loss that should be recognized as investment profit and loss according to provisions.

V. Individual Financial Report Certified by A CPA for the Most Recent Fiscal Year:

Independent Auditors' Report

(108) TWSE Review No. 18002697

Winstek Semiconductor Co., Ltd. Company seal:

Audit Opinion

The Individual Balance Sheets as on December 31, 2018; Individual Composite Income Statements, Individual Statement of Changes in Equity, Individual Statement of Cash Flows from January 1, 2018 to December 31 2018; and the Notes to the Individual Financial Statements (including the Summary of Significant Accounting Policies) of Winstek Semiconductor Co., Ltd., have been audited by the certified public accountant (hereafter referred to as "CPA").

In the opinion of the CPA, all the material items prepared in the above mentioned Individual Financial Statements are in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", which properly present the financial position of Winstek Semiconductor Co., Ltd. as of December 31, 2018, and individual financial performance and individual cash flows from January 1, 2018 to December 31 2018.

Basis of Audit Opinion

We have performed the auditing work in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and auditing standards generally accepted in the ROC. Our CPAs will further explain the responsibilities auditors shall execute during the audit of Individual Financial Statements under the above principles. The personnel of our accounting firm who are subject to independent regulations have acted according to the ROC CPA Code of Professional Ethics to remain neutral from Winstek Semiconductor Co., Ltd. while fulfilling other duties set forth in the said Code. We are convinced that we have acquired enough and appropriate audit evidence to serve as the basis of the auditor's opinion.

Key Audit Matters

Key audit key matters refer to those most material key matters for the audit on the Individual Financial Statements of the year 2018 of Winstek Semiconductor Co., Ltd., based on the professional judgment of the accountant. Such matters have been taken into account in audit of the overall Individual Financial Statements and have been considered to the formation of audit opinions, therefore the CPA is not giving any personal opinions on such key matters.

The key audit matters of the Individual Financial Statements of the year 2018 of Winstek Semiconductor Co., Ltd. are as followings:

The accuracy of revenue recognition

Matters descriptions

Please refer to the related accounting policies of revenue recognition on IV. (XXIV) of Notes to the Individual Financial Statements. Winstek Semiconductor Co., Ltd. mainly engages in research and development (R&D) and testing of various integrated circuits, and services of turnkey wafer bumping and wafer level packaging. The corresponding revenue of such services gradually meet performance obligations and is recognized into income, by the control of services over time. Winstek Semiconductor Co., Ltd. measures the completion degree of performance obligations based on the input cost to fulfill the obligations for the current period, in relation to the total expected cost input to meet the overall performance obligations. In view of the uncertainty in the total expected cost input estimation, which will affect Winstek Semiconductor Co., Ltd.'s accuracy in recognizing revenue by measuring completion degree of performance obligations based on unfinished work orders. The above mentioned matters also exist in the subsidiaries held by Winstek Semiconductor Co., Ltd. (listed investments under equity method). Therefore, we considered the accuracy of revenue recognition as the most material matters.

Corresponding auditing procedures

We performed the following audit procedures in respect of the above key audit matters:

1. Understand and assess the accounting policies for revenue recognition, and test the effectiveness of the design and implementation of relevant internal controls;
2. Check the supporting documents and calculation to measure the completion degree of performance obligation;
3. Verify the accuracy of revenue recognition by measurement of completion degree of performance obligation.

Other matters - audit scope

The Individual Financial Statements of Winstek Semiconductor Co., Ltd. of the year 2017 was audited by another CPA, who has issued the unqualified individual audit report on March 6, 2018.

The responsibility of the management and governance units for the Individual Financial Statements

The responsibility of the management was to establish financial statements in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" to properly indicate the company's financial status and also to maintain necessary internal control with regard to establishment of Individual Financial Statements to ensure such financial statements did not contain any false contents as a result of fraudulence or mistakes.

When preparing the Individual Financial Statements, the management is also responsible for the assessment of Winstek Semiconductor Co., Ltd.'s ability on going concern, the disclosure of relevant matters, the adoption of the accounting base for going concern, unless the management intends to proceed with the liquidation to Winstek Group or to discontinue its operations, or has no other practical alternative solutions except for liquidation or closure.

The governing body of Winstek Semiconductor Co., Ltd. (including the Audit Committee) had the responsibility to supervise the financial reporting process.

The responsibility of CPAs when auditing Individual Financial Statements

Our objective when auditing the parent company only financial statements was to ascertain whether they contained any false contents as a result of fraudulence or mistakes and whether they were reasonably reliable and issue the auditor's report. Reasonably reliable means highly reliable. However, auditing work carried out in accordance with commonly accepted ROC audit guidelines cannot guarantee detection of significant false contents in parent company only financial statements. Misstastements could be caused by fraud or error. If the individual amounts or sums that false contents involved could be reasonably expected to affect the financial decision making of users of Individual Financial Statements such false contents would be considered significant.

We conducted the auditing work according to audit standards generally accepted in the ROC and also exercised our profession judgment and remained professionally skeptical. We have also executed the following tasks:

1. Identifying and evaluating likely risks from significant false contents in the Individual Financial Statements as a result of fraudulence of errors, designing and executing proper counter measures against the risks identified, and also establishing sufficient and appropriate audit evidence to serve as the basis of the auditor's report. As fraudulence can involve conspiracy, forgery, intentional omissions, false statements or transgressions of internal control, the risk of failing to detect significant false contents resulting from fraudulence is higher than the risk of failing to identify those coming from errors.
2. Obtaining necessary understanding of internal controls relevant to the audit, in order to design appropriate audit procedures in the circumstances, but the purpose is not to express an opinion on the effectiveness of internal controls of Winstek Semiconductor Co., Ltd.
3. Evaluating the appropriateness of the accounting policy adopted by the management and the reasonableness of the accounting assessment and related disclosures made accordingly.
4. Based on the audit evidence obtained, conclusions are drawn on the appropriateness of the management's continuing adoption of the going concern accounting foundation and whether there was any significant doubt (in the events or circumstances) about the capacity of Winstek Semiconductor Co., Ltd. to remain in operation or whether any significant uncertainty existed. If we thought such doubt or significant uncertainty existed, we had to point it out in the auditor's report to remind users of the Individual Financial Statements to look out for related disclosures in the Individual Financial Statements to revise out audit opinion if such

disclosures were considered inappropriate. Our conclusion was established according to the audit evidence obtained before the deadline for the auditor's report. However, future events or circumstances may result in Winstek Semiconductor Co., Ltd. no longer being able for going concern.

5. Evaluating the overall expression, structure and contents of the Individual Financial Statements (including related notes) and whether the Individual Financial Statements could appropriately express related transactions and events.
6. Obtaining sufficient and appropriate audit evidence with regard to the finance of the individual entities in Winstek Semiconductor Co., Ltd. to establish our opinion about the Individual Financial Statements. We were responsible for guiding, supervising, and executing the audit work for the Company and also establishing the auditor's opinion.

We communicated with governance units about the planned audit range and time and important audit discoveries (including significant internal control defects found during the audit process).

We provided governance units with a statement assuring the personnel of our accounting firm who are subject to independent regulations had acted according to the ROC CPA Code of Professional Ethics to remain neutral and also communicate with them about the all relations and other matters (including related preventive measures) that could affect the independence of CPAs.

Based on the result of our discussion with the governance body, we decided the key audit matters when auditing the 2018 Individual Financial Statements of Winstek Semiconductor Co., Ltd. We have clearly described the said matters in the auditor's report except certain matters whose public disclosure is prohibited by law or certain matters we decided not to mention under some extremely rare circumstances because disclosure of such matters can be reasonably expected to lead negative effects that would be greater than public good they might benefit.

PwC Taiwan
Li Tien-I
Certified public accountant
Chiang Tsai-Yen

Financial Supervisory Commission (FSC)
Approved certificate No.: 1020028992
FSC Approved Certificate No. 1060025097

March 6, 2019

Winstek Semiconductor Co., Ltd.

Individual Balance Sheet

December 31, 2018 and 2017

Unit: NT$ thousand

	Assets	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current asset					
1100	Cash and cash equivalents	6(1)	$ 431,800	9	$ 433,120	9
1136	Financial assets measured at amortized cost - current	6(2)	360,715	7	-	-
1140	Contract assets - current	5(2), 6(13), and 12(5)	6,096	-	-	-
1147	Debt instrument investment without active market - current	12(4)	-	-	478,080	10
1170	Net accounts receivable	6(3) and 12(4)	239,101	5	227,604	5
1180	Accounts receivable from related parties (net)	6(3) and 7	118	-	-	-
1200	Other receivables	9	589	-	390,482	8
1210	Other accounts receivable - related parties	7	19,069	-	50,102	1
1479	Other current assets - others		43,908	1	40,564	1
11XX	**Total current assets**		1,101,396	22	1,619,952	34
	Non-current asset					
1535	Financial assets measured at amortized cost - non-current	6(2) and 8	12,000	-	-	-
1550	Investment under equity method	6(4)	3,271,369	64	2,399,228	51
1600	Property, plant, and equipment	6(5) and 8	694,059	14	656,746	14
1780	Intangible assets	6(6) and 8	5,014	-	6,551	-
1840	Deferred income tax assets	6(19)	12,585	-	9,666	-
1990	Other non-current assets - others	8	1,723	-	24,320	1
15XX	**Total non-current assets**		3,996,750	78	3,096,511	66
1XXX	**Total assets**		$ 5,098,146	100	$ 4,716,463	100

(To be continued on next page)

Winstek Semiconductor Co., Ltd.

Individual Balance Sheet

December 31, 2018 and 2017

Unit: NT$ thousand

	Liability and shareholder's equity	Notes	December 31, 2018 Amount	%	December 31, 2017 Amount	%
	Current liability					
2170	Accounts payable		$ 1,131	-	$ 2,815	-
2200	Other payables	6(7)	71,071	2	187,959	4
2220	Other payables - related parties	7	1,074	-	661	-
2230	Current income tax liabilities		57,316	1	146,477	3
2250	Liability reserve - current		2,761	-	1,679	-
2320	Long-term liabilities due within one year or one operating cycle	6(8)	60,000	1	-	-
2399	Other current liabilities - others		69,923	1	50,149	1
21XX	**Total current liabilities**		263,276	5	389,740	8
	Non-current liability					
2540	Long-term loans	6(8)	240,000	5	-	-
2570	Deferred income tax liabilities	6(19)	183	-	-	-
2640	Net defined benefit liability - non-current	6(9)	16,831	-	13,994	1
2670	Other non-current liabilities - others	6(9)	3,445	-	2,432	-
25XX	**Total non-current liabilities**		260,459	5	16,426	1
2XXX	**Total liabilities**		523,735	10	406,166	9
	Equity					
	Capital	6(10)				
3110	Capital from ordinary share		1,362,617	27	1,362,617	29
	Capital reserve	6(11)				
3200	Capital surplus		366,243	7	366,243	8
	Retained earnings	6(12)				
3310	Statutory surplus reserve		604,109	12	531,343	11
3320	Special surplus reserve		67,932	1	-	-
3350	Retained earnings		2,135,595	42	2,118,026	45
	Other equity					
3400	Other equity		37,915	1	(67,932)	(2)
3XXX	**Total equity**		4,574,411	90	4,310,297	91
	Material commitments and contingencies	9				
	Significant subsequent events	11				
3X2X	**Total liabilities and equity**		$ 5,098,146	100	$ 4,716,463	100

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd.
Individual Statement of Comprehensive Income
January 1, to December 31, 2018 and 2017

Unit: NT$ thousand
(Except for earnings per share)

	Items	Notes	2018 Amount	2018 %	2017 Amount	2017 %
4000	**Turnover**	6(13), 7, and 12(5)	$ 1,085,489	100	$ 1,020,772	100
5000	**Operating cost**		(677,546)	(62)	(790,765)	(77)
5950	**Net amount of operating margin**		407,943	38	230,007	23
	Operating expenses	6(17) and (18)				
6100	Selling expenses		(13,730)	(1)	(6,093)	(1)
6200	General and administrative expenses		(94,940)	(9)	(136,084)	(13)
6300	Research and development expenses		(6,907)	(1)	(6,143)	(1)
6000	**Total operational expenses**		(115,577)	(11)	(148,320)	(15)
6500	**Other gains (losses) - net**	9	-	-	649,597	64
6900	**Operating profit**		292,366	27	731,284	72
	Non-operating income and expenses					
7010	Other income	6(14)	4,849	-	11,380	1
7020	Other gains and losses	6(15)	11,066	1	(95,780)	(9)
7050	Financing cost	6(16)	(393)	-	-	-
7070	Shares of profit (loss) of subsidiaries, associates, and joint ventures accounted for using the equity method	6(4)	120,002	11	238,616	23
7000	**Total non-operating income and expenses**		135,524	12	154,216	15
7900	**Profit before tax**		427,890	39	885,500	87
7950	Income tax expense	6(19)	(98,070)	(9)	(157,849)	(16)
8200	**Net profit of this period**		$ 329,820	30	$ 727,651	71
	Other comprehensive gain or loss					
	Items that will not be reclassified to profit or loss:					
8311	Remeasurements of defined benefit plans	6(9)	($ 3,696)	-	($ 4,758)	-
8310	**Total amount of items that will not be reclassified subsequently to profit or income**		(3,696)	-	(4,758)	-
	Items that may be reclassified to profit or loss					
8361	Foreign currency translation difference of financial statements of overseas business units	6(4)	105,847	10	(79,103)	(8)
8360	**Total amount of items that may be reclassified subsequently to profit of loss**		105,847	10	(79,103)	(8)
8500	**Total comprehensive income**		$ 431,971	40	$ 643,790	63
	Earnings per share	6(20)				
9750	**Basic earnings per share**		$	2.42	$	5.34
9850	**Diluted earnings per share**		$	2.39	$	5.16

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd.
Individual Statement of Changes in Equity
January 1, to December 31, 2018 and 2017

Unit: NT$ thousand

	Notes	Ordinary share	Capital surplus	Retained earnings			The balance of translation of the financial statements of foreign operating institutions	Total equity
				Appropriated as legal capital reserve	Appropriated as special capital reserve	Retained earnings		
2017								
Balance as of January 1, 2017		$ 1,362,617	$ 366,243	$ 470,207	$ -	$ 1,572,091	$ 11,171	$ 3,782,329
Net income in current period		-	-	-	-	727,651	-	727,651
Other comprehensive income of the period	6(9)	-	-	-	-	(4,758)	(79,103)	(83,861)
Total comprehensive gain or loss in current period		-	-	-	-	722,893	(79,103)	643,790
Annual appropriation of net income and allocation of the year 2016								
Appropriated as statutory surplus reserve		-	-	61,136	-	(61,136)	-	-
Cash dividend	6(12)	-	-	-	-	(115,822)	-	(115,822)
Balance as at December 31, 2017		$ 1,362,617	$ 366,243	$ 531,343	$ -	$ 2,118,026	($ 67,932)	$ 4,310,297
2018								
Balance as at January 1, 2018		$ 1,362,617	$ 366,243	$ 531,343	$ -	$ 2,118,026	($ 67,932)	$ 4,310,297
Effects of retrospective application and retrospective restatement	3(1) and 6(4)	-	-	-	-	9,283	-	9,283
The balance after retrospective application on January 1, 2018		1,362,617	366,243	531,343	-	2,127,309	(67,932)	4,319,580
Net income in current period		-	-	-	-	329,820	-	329,820
Net income in current period	6(9)	-	-	-	-	(3,696)	105,847	102,151
Total comprehensive gain or loss in current period		-	-	-	-	326,124	105,847	431,971
Annual appropriation of net income and allocation of the year 2017								
Appropriated as statutory surplus reserve		-	-	72,766	-	(72,766)	-	-
Appropriated as special surplus reserve		-	-	-	67,932	(67,932)	-	-
Cash dividend	6(12)	-	-	-	-	(177,140)	-	(177,140)
Balance as of December 31, 2018		$ 1,362,617	$ 366,243	$ 604,109	$ 67,932	$ 2,135,595	$ 37,915	$ 4,574,411

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd
Individual Statement of Cash Flow
January 1, to December 31, 2018 and 2017

Unit: NT$ thousand

	Notes	2018	2017
Cash flow from operating activities			
Current net profit before tax		$ 427,890	$ 885,500
Adjusted items			
Income expense items			
Depreciation expenses	6(5)(17)	171,789	183,792
Amortization expenses	6(5)(17)	2,418	2,531
Interest expense	6(16)	393	-
Interest income	6(14)	(4,367)	(11,380)
Disposition of plant, property, and equipment	6(15)	(10,755)	-
The share of gains and losses of subsidiaries recognized by the equity method	6(4)	(120,002)	(238,616)
Changes in assets and liabilities relating to operating activities			
Net change in assets relating to operating activities			
Contract assets		(2,035)	-
Accounts receivable		(11,497)	38,295
Accounts receivable - related parties		(118)	-
Other receivables		390,482	(118,242)
Other accounts receivable--related parties		(863)	(687)
Other current assets - other		(4,789)	44,085
Net change in liabilities related to operating activities			
Accounts payable		(1,684)	250
Other payables		(113,687)	-
Other payables - related parties		413	(221)
Provisions		1,082	1,679
Other current liabilities		19,728	30,258
Net defined benefit liability		(861)	137
Other non-current liabilities	6(9)	1,040	-
Cash flow from operating activities		744,577	817,381
Interest income received		5,223	12,209
Dividends received	6(4)	108,930	-
Interest paid		(347)	-
Income tax paid		(158,069)	(99,875)
Net cash inflow from operating activities		700,314	729,715
Cash flow from investment activities			
Increase in financial assets measured at amortized cost		(1,036,549)	-
Decrease in financial assets measured at amortized cost		1,164,448	-
Acquisition of debt instrument investment without active market		-	(1,806,480)
Disposal of debt instrument investment without active market		-	2,328,650
Other receivables - related party decrease		-	258,000
Acquisition of investments under equity method		(750,000)	(1,653,690)
Acquisition of property, plant, and equipment	6(22)	(216,648)	(16,480)
Sale of property, plant, and equipment		15,101	-
Intangible assets acquired		(881)	(2,562)
Decrease of refundable deposits		63	-
Increase in other non-current assets		-	(10,181)
Decrease of other non-current assets		-	11
Net cash flow from investing activities (out)		(824,466)	(902,732)
Cash from financing activities			
Short-term loans borrowed	6(23)	300,000	-
Increase in guarantee deposits	6(23)	6	-
Decrease in guarantee deposits	6(23)	(34)	(11)
Cash dividends paid	6(12)	(177,140)	(115,822)
Net cash inflow (outflow) from financing activities		122,832	(115,833)
Decrease in cash and cash equivalents for the current year		(1,320)	(288,850)
Cash and cash equivalents at beginning of year	6(1)	433,120	721,970
Cash and cash equivalents at end of year	6(1)	$ 431,800	$ 433,120

The notes to the combined financial statements attached is part of the combined financial report for your reference.

Chairman of the Board: Huang Hsing-Yang Manager: Weng Chih-Li Accounting Officer: Liu Kui-Chu

Winstek Semiconductor Co., Ltd.

Notes to the Individual Financial Statements

2017 and 2018

Unit: NT$ thousand

(unless otherwise specified)

I. Overview

Winstek Semiconductor Co., Ltd. (hereinafter referred to as "the Company") was established in April 26, 2000 in the ROC. The Company's shares were listed and traded at GreTai Securities Market in August 2005. The Company is mainly engaged in the research and development and testing of integrated circuits and other related businesses.

Based on the operational consideration, and to comply with the reorganization plan of the Company's original parent, STATS ChipPAC Ltd. Group, the Company signed a legally binding list of important clauses on December 30, 2014, which were approved by the board of directors on December 25, 2014, to purchase the full shares of Winstek Semiconductor Technology Co., Ltd. (hereinafter referred to as "Winstek Semiconductor Technology") which were 100% held by STATS ChipPAC Ltd, at a total price of US$15 million. The main business of Winstek Semicondutor Technology is the services of turnkey wafer bumping and wafer level packaging, etc. The Company completed the payment to STATS ChipPAC Ltd. on July 30, 2014 and acquired the equity of Winstek Semiconductor Technology.

STATS ChipPAC Ltd., the original parent company of the Company, transferred all its shares in the Company to Bloomeria Ltd. in Singapore, its wholly owned subsidiary, on July 30, 2014. In addition, STATS ChipPAC Ltd., has distributed the above US$ 15 million and all the shares of Bloomeria Ltd. to the eligible shareholders of STATS ChipPAC Ltd., by capital reduction. Upon completion of the reorganization and capital reduction program of the group on August 5, 2015, the Company and its subsidiary Winstek Semiconductor Technology became separated from the STATS ChipPAC Ltd. group.

The ultimate parent company of the Company was originally Temasek Holding Limited, and Silicon Microelectronics Corporation (hereinafter referred to as "Sigurd Corporation") took control of the parent company Bloomeria Limited on October 13, 2017, and indirectly acquired 51.88% equity of the Company, becoming the ultimate parent company of the Company.

II. Approval date and procedures of the financial statements

This Individual Financial Statements was approved and issued by the Board of Directors on March 6, 2019.

III. Application of New and Amended International Financial Reporting Standards (IFRS) and Interpretations

(I) Effects of the adoption of new and amended IFRSs endorsed by the Financial Supervisory Commission (FSC):

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2018:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendment to IFRS 2, "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4, "Application of IFRS 9 'Financial Instruments' under IFRS 4 'Insurance Contracts'"	January 1, 2018
IFRS 9, "Financial Instruments"	January 1, 2018
IFRS 15, "Revenue of Customer Contracts"	January 1, 2018
Amendment to IFRS 15, "Interpretation of IFRS 15 'Revenue of Customer Contracts'"	January 1, 2018
Amendment to IAS 7, "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12, “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendments to IAS 40, “Transfer of Investment Real Estate”	January 1, 2018
IFRIC 22, "Foreign Currency Transactions and Advance (Prepay) Considerations"	January 1, 2018
Annual Improvements for the 2014-2016 Cycle - IFRS 1, "First-time Adoption of International Financial Reporting Standards"	January 1, 2018
Annual Improvements for the 2014-2016 Cycle - IFRS 12, "Disclosure of Interests in Other Entities"	January 1, 2017
Annual Improvements for the 2014-2016 Cycle - IAS 28, "Investment in Related Companies and Joint ventures”	January 1, 2018

The Company assessed the effects of adopting the aforementioned standards and interpretations and found no significant effects on the Company's financial position and financial performance, except for those stated below:

1. IFRS 9 "Financial Instruments"

(1) Debt instruments may be classified as financial assets measured at fair value through profit or loss (FVTPL), financial assets measured at fair value through other comprehensive income (FVTOCI), or financial assets measured at amortized cost according to the business model of the entity and the characteristics of its contractual cash flows; equity instruments are classified as financial assets measured at FVTPL, unless the entity makes an irrevocable election to recognize the fair value of the equity instruments not held for trading in other comprehensive income.

(2) The impairment assessment on debt instruments should adopts the expected credit losses model, which assesses on the balance sheet date as to whether the credit risk of such instrument has increased significantly so as to determine (a) whether it’s appropriate to adopt the 12-month expected credit losses or the full lifetime expected credit losses (interest revenue is calculated

based on the asset's gross carrying amount before impairment occurs); or (b) whether an impairment has occurred, and if so, the interest revenue is estimated at the amount equal to the gross carrying amount adjusted for any loss allowance. A loss allowance for full lifetime expected credit losses is required for accounts receivable consisting no material financial component.

(3) In line with the IFRS No. 9 (hereinafter referred to as "IFRS 9"), the Company opted not to restate the financial statements from the previous period (hereinafter referred to as "amendatory retrospect"). For the significant influence as on the date of January 1, 2018, please refer to Notes XII(IV)2. and 3.

2. IFRS 15 "Revenue from Contracts with Customers"; and related amendments

(1) Replace IAS 11 "Construction Contracts," IAS 18 "Revenue," and related interpretations and interpretations announcement with IFRS No. 15 "Revenue from Contracts with Customers" (hereinafter referred to as "IFRS 15"). IFRS 15 stipulates that revenue is recognized when customers obtain the control of goods or services and that control is deemed achieved when customers have the ability to direct the use of and obtain substantially all the remaining benefits from the assets.

The core principle of IFRS 15 is that "an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services". An entity determines the recognition timing and amount in accordance with the core principle by applying the five-step model framework as stated below:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in contracts.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

In addition, IFRS 15 contains a set of integrated disclosure requirements, which require an entity to disclose comprehensive information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

(2) During the initial application of IFRS No. 15 (hereinafter referred to as "IFRS 15"), the Company chose to adopt formal amendatory retrospect, and recognized the cumulative influence of the initial application as the retained surplus in January 1, 2018. The significant influence of the adoption of formal amendatory retrospect transition on January 1, 2018 is summarized as

follows:

A. The Company, in accordance with the provisions of IFRS 15, recognize revenue based on the completion degree of performance obligations over time. Therefore, the Company simultaneously increased the equity investment under equity method of $5,222, contract assets of $4,061 and retained surplus of $9,283 on January 1, 2018.

B. Other disclosures relating to the initial application of IFRS 15 please refer to the specific Note XII(V).

3. Amendments to IAS 7 "Disclosure Initiative"

The amendment requires an entity to disclose more information regarding the changes in liabilities arising from financing activities, including changes in cash and non-cash items.

After assessments, the Company expects a more extensive disclosure of changes in liabilities arising from financing activities.

(II) Effects of not yet applying the newly-announced and revised IFRSs endorsed by the FSC:

The following table summarizes the new, revised, and amended standards and interpretations of IFRSs endorsed by the FSC that are applicable in 2019:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendment to IFRS 9, "Repayment Features with Negative Compensation"	January 1, 2019
IFRS 16, "Leases"	January 1, 2019
Amendments to IAS 19, “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28, “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23, “Uncertainty over Income Tax Treatments”	January 1, 2019
Annual improvement for the 2015-2017 cycle	January 1, 2019

The Company has assessed that the above standards and interpretations have no significant influence on the Company's financial position and financial performance, except as those indicated below:

IFRS 16 "Leases"

IFRS 16 “Leases” supersedes IAS 17 “Leases” and its relevant IFRIC and SIC interpretations. IFRS 16 requires that a lessee recognize right-of-use assets and lease liabilities for all leases unless the lease is less than 12 months or the underlying asset has a low value. Accounting treatment under IFRS 16 for a lessor is substantially unchanged, which allows a lessor to continue to classify leases as either operating or finance, except that additional disclosures are required.

The Group will treat the tenancy agreement of the lessee according to IFRS 16, adopting amendatory retrospect, and may increase the right-of-use assets and lease liabilities by $135,934 and $135,934, respectively, on January 1, 2019.

(III) Effects of IFRSs issued by IASB but not yet endorsed by the FSC:

The following table summarizes the new, amended, revised standards and interpretation of IFRSs that have been issued by IASB but not yet endorsed by the FSC:

The Newly Issued/Amended/Revised Standards and Interpretations	Effective date issued by IASB
Amendments to IAS 1 and IAS 8, “Disclosure Initiative—Definition of Material”	January 1, 2020
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"	To be determined by International Accounting Standards Board (IASB)
IFRS 17, "Insurance Contracts"	January 1, 2021

The Company has assessed that the above standards and interpretations have no significant influence on the Company's financial position and financial performance.

IV. Summary of Significant Accounting Policies

Accounting policies applied in preparing this Individual Financial Statements are listed below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(I) Statement of Compliance

The Individual Financial Statements has been prepared in accordance with "Regulations Governing the Preparation of Financial Reports by Securities Issuers."

(II) Basis of Preparation

1. The Individual Financial Statements are prepared at historical cost, except for the following significant items:

   Defined benefit liabilities recognized based on the amount of pension fund assets less net present value of defined benefit obligations.

2. Some material accounting estimates will be used for the preparation of financial reports to comply with IFS, IAS, interpretation and interpretation announcement (hereafter referred to as IFRSs), and also will be applied by the management for judgment in the application of the Company's accounting policies. For the items involving high judgment or complexity, or items involving material hypotheses and estimates of individual financial reports, please refer to the specific Note V.

3. In the initial application of IFRS 9 and IFRS 15 as at January 1, 2018, the Company adopts the amendatory retrospect approach to recognize translation balance as the retained earnings on January 1 2018; therefore, the Company does not restate the financial statements and Note for 2017. In accordance with the International Accounting Standards No. 39 (hereinafter referred to as "IAS 39")

and International Accounting Standards No. 18 (hereinafter referred to as "IAS 18") and relevant interpretations and interpretation announcements, please refer to Notes XII(IV) and (V) for the statements of material accounting policies and important accounting items adopted in the year of 2017.

(III) Foreign currency translation

All items on the financial statements of each entity of the Company are measured at the currency of the principal economic environment in which the entity operates (i.e. functional currency). The Individual Financial Statements are presented in NT$, which is the Company's functional and presentation currency.

1. Foreign currency transaction and balance

   (1) Foreign currency transaction is translated to the functional currency by using the spot exchange rate on the trade date or measurement date. Any translation differences occurred are to be recognized in the current profit or loss.
   (2) Balances of monetary assets and liabilities denominated in foreign currencies are adjusted at the spot exchange rates prevailing at the balance sheet date. Exchange gains or losses arising from such adjustments are recognized in profit or loss
   (3) For non-monetary assets and liabilities denominated in foreign currency, if they are measured at FVTPL, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in profit or loss; if they are measured at FVOCI, they are adjusted using the spot exchange rate prevailing at the balance sheet date and any exchange differences arising therefrom are recognized in other comprehensive income; and if they are not measured at fair value, they are measured at the historical exchange rates on initial transaction dates.
   (4) All exchange gains and losses are presented as "Other gains and losses" on the statement of comprehensive income.

2. Translation from Foreign Operations

   All Group's entities, related companies and joint agreements with different functional currency and presentation currency, the operating results and financial position of which are translated to presentation currency in the following ways:

   (1) The assets and liabilities presented in each balance sheet are translated at the closing rate of the balance sheet date;
   (2) The assets and liabilities presented in each composite income sheet are translated at the current average exchange rate; and
   (3) All translation differences generated by translations are recognized as other comprehensive income.

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

1. Assets shall be classified as current assets if comply with one of the following conditions:

   (1) The asset is expected to be realized in the normal operating cycle, or is intended to be sold or consumed.
   (2) The asset is held mainly for transaction purposes.
   (3) The asset is expected to be realized within 12 months after the balance sheet date.
   (4) Cash or cash equivalents, except for those are restricted because of exchange at least twelve months after the date of the balance sheet or using for liquidation of liabilities.

   The Company classifies all assets that do not comply with the conditions above as non-current assets.

2. Liabilities shall be classified as current liabilities if comply with one of the following conditions:

   (1) The liability is expected to be settled in the normal operation cycle.
   (2) The asset is held mainly for transaction purposes.
   (3) The liability is expected to be settled due within 12 months after the date of the balance sheet.
   (4) The settlement term of the liability cannot be deferred unconditionally to at least 12 months after the date of the balance sheet. The terms of liability, which may lead to the settlement by issue equity instruments at the option of the counterparty, shall not affect the classification of assets.

   The Company classifies all liabilities that do not comply with the conditions above as non-current liabilities.

(V) Cash equivalents

Cash equivalents is a short-term investment with highly liquidity that can be readily converted into quota cash at any time with little risk of change in value. Fixed deposits are classified as cash equivalents if they comply with the above mentioned definitions and are held for meeting short-term cash commitments in operating.

(VI) Financial assets measured at amortized cost

1. Refer to those comply with all the following conditions:

   (1) The financial asset is held under a business model for the purpose of collecting contractual cash flow.
   (2) The cash flow generated on a specific date from the contractual terms of the financial asset is solely for the payment of interest on the principal and the amount of principal outstanding.

2. The Company uses the trade day accounting for financial assets measured at amortized cost complied with trade practices.

3. The Company originally recognized the financial assets measured at its fair value plus transaction costs. Subsequently, the Company recognized interest income and impairment loss within the period of circulation by adopting the effective interest method in accordance with the amortization procedure. A gain or loss is recognized in profit or loss when the asset is derecognized or impaired.

4. The time deposits which are not comply with the definitions of cash equivalents held by the Company are measured by the amount of investment due to the short holding period and the insignificant influence of the discounting.

(VII) Accounts receivable

1. Refers to the accounts which, as agreed in the contract, are entitled to unconditionally receive the amount of consideration for the transfer of commodity or services.

2. For the short-term accounts receivable with unpaid interest, the Company measures at the original invoice amount due to the immaterial influence of discounting.

(VIII) Impairments of financial assets

For the financial assets measured at amortized cost on each balance sheet date, the Company, after consideration of all reasonable and verifiable information (including prospective information), and the credit risk of which has not increased significantly since the initial recognition, measures the allowance losses by the amount of expected credit losses within 12 months; For the credit risk of those has increased significantly since the initial recognition, measures the allowance losses by the amount of the lifetime expected credit losses; For those accounts receivables or contract assets that do not include significant financial components, measures the allowance losses by the amount of lifetime expected credit losses.

(IX) Derecognition of financial assets

When the Company's contractual right to receive cash flows from financial assets lapses, the financial assets will be derecognized.

(X) Operating lease (lessee)

The benefits of an operating lease, less receipts from the lessor for any inducements, shall be amortized and recognized as current gains and losses during the lease term under the straight-line method.

(XI) Investment / Subsidiaries under equity method

1. A subsidiary is an entity controlled by the Company (including structural individuals). When the Company is exposed to the participation on changes in remuneration of the entity or is entitled to the rights to such changes, and has the ability to influence such remuneration through its power over the entity, the Company controls the entity.
2. The unrealized gains and losses between the Company and its subsidiaries have been eliminated. The accounting policies of the subsidiaries have been adjusted as necessary in line with those adopted by the Company.
3. The Company recognized the share of gain and loss after acquisition of the subsidiary as current gain and loss, and the other comprehensive gain and loss after acquisition of the subsidiary as other comprehensive gain and loss. The Company shall continue to recognize losses in proportion to its shareholding if the company's share of losses recognized on the subsidiary is equal to or greater than its equity in the subsidiary.
4. As stipulated in "Regulations Governing the Preparation of Financial Reports by Securities Issuers", the current gains and losses and other comprehensive income in the Individual Financial Statements shall be the same as the allocation of other comprehensive income attributable to the parent company owners in the consolidated financial statements, and the owners' equity in the Individual Financial Statements shall be the same as the equity attributable to the parent company's owners in the consolidated financial statements.

(XII) Property, plant, and equipment

1. Property, plant and equipment are on the accounting foundation of acquisition cost, capitalize relevant interest during the period of acquisition and construction.
2. The subsequent costs shall be included in the carrying amount of the assets or recognized as a separate asset only if the future economic benefits related to the project are likely to flow to the Company and the cost of the project can be measured reliably. The carrying amount of the replacement shall be derecognized All other maintenance expenses are recognized as current gains and losses when incurred.
3. The property, plant and equipment shall be subsequently measured by the cost model, and the depreciation of which, except for the land, shall be itemized for depreciation under straight-line method according to the estimated useful life. If each item of property, plant and equipment is significant, it should be itemized for depreciation individually.
4. In the end of each financial year, the Company reviews the residual value, useful

life and depreciation method of each assets, if the expected values of the residual value and useful life are different from previous estimates, or the consumption patterns of the future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" from the date of change. The useful life of each asset is as follows:

Housing and construction equipment	5 ~ 25 years
Machinery equipment	3 ~ 8 years
Office and other equipment	3 ~ 6 years

(XIII) Operating lease (lessee)

The benefits of an operating lease, less receipts from the lessor for any inducements, shall be amortized and recognized as current gains and losses during the lease term under the straight-line method.

(XIV) Intangible asset

Computer software

Computer software is recognized at acquisition cost, amortized by the straight-line method, with an estimated useful life of 3 to 5 years.

(XV) Impairment of non-financial assets

On the balance sheet date, the Company estimates the recoverable amount of the assets with indicators of impairment, and recognizes the impairment loss when the recoverable amount is lower than its book value. Recoverable amount refers to the fair value less costs of disposal of the assets or its use value, whichever is higher. When circumstances contributed to the recognition of impairment loss of an asset in the previous period do not exist or are decreased, the recognized impairment loss is reversed to the carrying amount of an asset to the extent that it does not exceed the carrying amount (net of depreciation and amortization) if the impairment loss had not been recognized.

(XVI) Loan

1. Refers to the long-term or short-term funds borrowed from a bank. The Company originally recognizes the loans measured at its fair value abating transaction costs, and subsequently recognizes interest expense as gain and loss within the period of circulation adopting the effective interest method in accordance with the amortization procedure in respect of any balance between the price after transaction costs abatement and the redemption value.
2. Expenses paid at the establishment of the borrowing limit, if it is likely to

withdraw some or all of the limit, shall be recognized as the transaction cost of the loan, deferred to the withdrawal incurrence and recognized as the adjustment of the effective interest rate; When it is unlikely to withdraw some or all of the limit, the expenses shall be recognized as advance payment and amortized over the period in which the limit is relevant.

(XVII) Accounts payable

1. Refers to the debts that incurred for the purchase of raw materials, commodity or services and notes payable that incurred by both operating and non-operating activities.
2. For the short-term accounts payable without paid interest, the Company measures them by the original invoice amount due to the immaterial influence of discount.

(XVIII) Derecognition of financial liabilities

The Company shall, upon the performance, cancellation or expiration of obligations under the agreement, derecognize the financial liabilities.

(XIX) Liability reserve

Liability reserve is a current statutory or constructive obligation generated from a past event. It is likely that outflow of resources with economic benefit will be required to settle the obligation and the amount of the obligation shall be recognized when it can be estimated reliably. Liability reserve is measured by the best estimated present value required to pay for the settlement to the obligation at the balance sheet date. The discounting rate adopts the pre-tax discounting rate reflecting the current market assessment of the time value of the currency and the specific risks of the liability, and the amortization of which is recognized as interest expense. Future operating losses shall not be recognized as liability reserves.

(XX) Employee benefits

1. Short-term employee benefits

   Short-term employee benefits are measured by expected payment amount for non-discounting, and are recognized as expenses at the time of service delivery.

2. Retirement allowance

   (1) Defined allocation plan

   Defined allocation plan is to recognize the amount of the pension fund to be allocated as the current retirement allowance cost on an accrual basis. Allocation funds paid in advanced are recognized as assets within the scope that they are refundable in cash or reduce future benefit.

   (2) Defined benefit plan

   A. Net obligations under defined benefit plan are calculated by discounting

the amount of future benefits earned by the employee from the current or past services, and by present value of defined benefit obligations abating the fair value of plan assets on the balance sheet date. Defined benefit net obligation is calculated annually by the actuary adopting the projected unit credit method, and the discounting rate adopts the market yield-to-maturity of government bonds (at the balance sheet date).

B. The amount of remeasurement generated from defined benefit plan are recognized as other comprehensive income in the current period and presented in retained earnings.

C. Related expenses of past service cost shall be immediately recognized as gain and loss.

3. Other long-term employee benefits

The Company has long-term employee benefits in addition to pension plans. Its net obligation is calculated by projected unit credit method. It is measured by discounting the amount of future benefits earned by the employee from the current or past services less the fair value of any relevant assets. The discounting rate adopts the yield-to-maturity on the reporting date of government bonds, the due date which is close to the Group's obligations deadline. All actuarial gains and losses are recognized as profit and loss in the current period.

4. Compensation to employees and remuneration to directors and supervisors

Employees' bonus and consideration of directors and supervisors, with legal or constructive obligations and the amount of which can be reasonably estimated, are recognized as expenses and liabilities. If there is any difference between the actual allocation amount and the estimated amount after resolution, it shall be treated by the changes in accounting estimates.

(XXI) Income tax

1. Income tax expense comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

2. The income tax expenses are calculated on tax rates on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. For the income tax levied on retained earnings in accordance with the income tax law, it shall be recognized as retained earnings income tax expenses, based on the actual allocation status of surplus,

after the surplus allocation plan has been approved in the shareholders' meeting in the following year of the year in which the surplus is generated.

3. Deferred income tax shall be recognized as the temporary difference generated between the levy foundation of assets and liabilities and the carrying amount of the amalgamated balance sheet adopting the balance sheet method. Deferred income tax liabilities generated from the goodwill of original recognition shall not be recognized, and deferred income tax liabilities generated from the original recognition of assets or liabilities in transactions (excluding enterprise merger) shall not be recognized if the accounting profits or taxable income (taxable loss) are not influenced at the time of the transaction. The temporary differences generated from investment in subsidiaries, the reversal time point of which can be controlled by the Company, and which is likely not to reverse in the foreseeable future, shall not be recognized. Deferred income tax shall adopt the tax rate (and tax law) on which already has legislation or substantially legislation on the balance sheet date and is expected to apply when the deferred income tax asset is realized or the deferred income tax liability is settled.
4. Deferred income tax assets are recognized within the scope of that temporary differences are likely to be used to offset future taxable income, and will be reassessed on those unrecognized and recognized on each balance sheet date.
5. If tax rate changes occur in the interim, the Group recognizes all effects of changes to the period when such changes accrue; for income tax attributable to items not included in profit or loss, effects of changes are recognized in other comprehensive income or equity; and for income tax related to items included in profit or loss, effects of changes are recognized in profit or loss.

(XXII) Share capital

Ordinary shares are classified as equity. The net amount of increased cost (directly attributed to the issue or warrant of new shares) less income tax, will be recognized as price reduction in equity.

(XXIII) Dividend distribution

The dividend allocated to the shareholders of the Company shall be recognized in the financial report during the resolution of the shareholders' meeting to distribute dividend, while cash dividends shall be recognized as liabilities.

(XXIV) Revenue recognition

1. Revenue from labor services

   The Company engages in R&D and testing of integrated circuits, and services of turnkey wafer bumping and wafer level packaging and other related businesses. If

the following conditions are complied with: (a) with the performance of contract by enterprises, customers acquire and consume the benefits provided by enterprises; (b) the performance of contract by enterprises creates or strengthens the assets which are controlled by the customer during the performance process; (c) the performance of contract by enterprises does not create assets which are useful for other purposes, in addition to the presence of executable rights on the currently completed performance items, then the enterprise will gradually transfer control of the commodity or services over time, thus the performance obligations are gradually fulfilled and are recognized as income. The testing and packaging services provided by the Company meet the condition (b) above, hence they shall be recognized as revenue gradually over time by following the procedure of completion measurement on the performance obligations.

The Company's completion degree of R&D and testing integrated circuits, and services of turnkey wafer bumping and wafer level packaging, is defined on the basis of the actual service costs incurred as a percentage of the estimated total service costs; The Group provides testing and packaging services as per the specification of customer requirements. Therefore, the service costs required are not incurred on an average basis during the service period. The Company considers that it is appropriate to measure the completion degree of performance obligations to customers by adopting the method mentioned above.

The Company has not adjusted the transaction price to reflect the time value of the currency, because the time interval between the transfer of the promised commodity or services to the customer and the customer's payment time has not exceeded one year.

2. Consideration income

The Company retains production capacity to provide semiconductor testing and packaging services to customers. During the term of the contract, if the purchase quantity of customer less than the minimum purchase amount agreed in the contract each year, the Company may claim the balance consideration for the part of the reserved production capacity not exceeding the purchase amount in accordance with the procedures stipulated in the contract. The income from the balance consideration shall meet the performance obligations upon the transfer of control of each performance obligation and shall be recognized as income.

V. The primary sources of uncertainties in major accounting judgments, estimates, and assumptions

While preparing this individual financial report, the management has applied its judgment to determine the accounting policies to be adopted and has made accounting estimates and hypotheses on reasonable expectations of future events based on the current situation on the

balance sheet date. The material accounting estimates and hypotheses have been made may differ from the actual results, and the historical experience and other factors will be taken into account for continuous assessment and adjustment. Such estimates and hypotheses carry the risk of leading to material adjustments in the carrying amounts of assets and liabilities in the next financial year. Please refer to the following descriptions of uncertainty of material accounting judgments, estimates and hypotheses:

(I) Important judgment of accounting policy adoption

None.

(II) Significant accounting estimates and hypotheses

Measurement of the degree of completion of the performance obligations

The Company recognizes revenue by measuring the degree of completion of performance obligations during the period of service delivery. For the research and development and testing of various integrated circuits, the Company recognizes the revenue on the foundation of the input cost of the current period to meet the performance obligations and the expected total input cost to meet the performance obligations. Due to the uncertainty of the estimated total input cost, the assessment process of the completion degree of the performance obligations depends on the subjective judgment of the Group.

As at December 31, 2018, the uncompleted work orders of the Company were recognized as contract assets by the degree of completion of the performance obligations, valued at $6,096.

VI. Description of major accounting subjects

(I) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 100	$ 100
Checking deposits and demand deposits	170,270	254,460
Time deposits	261,430	178,560
Total	$ 431,800	$ 433,120

The credit quality of the financial institutions with which the Company has transactions is good, and the Company has transactions with a number of financial institutions to spread credit risk and the possibility of an expected default is low.

(II) Financial assets measured at amortized cost

Items	December 31, 2018
Current items:	
Time deposits	$ 360,715
Non-current items:	
Time deposits	$ 12,000

1. The details of recognition of financial assets measured by amortized cost as gains

or losses are as follows:

	2018
Interest income	$ 1,324

2. The fixed deposits of amount of $12,000, the purpose of which is limited by the customs guarantee are accounted in "financial assets measured at amortized cost - non-current". Please refer to Note VIII for details.

3. For information on December 31, 2017, please refer to Note XII (IV) for details.

(III) Accounts receivable

	December 31, 2018	December 31, 2017
Accounts receivable	$ 239,101	$ 227,604
Accounts receivable - related parties	118	-
	239,219	227,604
Less: allowance for losses and bad debts	-	-
	$ 239,219	$ 227,604

There is no such situation of that the Company have accounts provided as hypothecation security.

1. The aging analysis of accounts receivable is as follows:

	December 31, 2018	December 31, 2017
Not overdue	$ 184,619	$ 213,816
≤30 days	26,489	-
31-90 days	16,996	13,788
91-180 days	11,115	-
	$ 239,219	$ 227,604

The above is an aging analysis based on overdue days.

2. Without regard to the security held or other credit enhancement, the maximum amounts of exposure at default best representing credit risk of the Company's accounts receivable on December 31, 2018 and December 31, 2017 are $239,219 and $227,604, respectively.

3. For credit risk information, please refer to Note 12 (2).

(IV) Investment under equity method

	2018	2017
January 1	$ 2,399,228	$ 586,025
Effects of retrospective application and retrospective restatement	5,222	-
Balance after retrospective application on January 1	2,404,450	586,025
Increase investments under equity method	750,000	1,653,690
Share of interests from investments under equity method	120,002	238,616
Surplus allocation of investments under equity method	(108,930)	-
Changes in other equity	105,847	(79,103)

December 31	$ 3,271,369	$ 2,399,228
	December 31, 2018	December 31, 2017
Subsidiary	$ 3,271,369	$ 2,399,228
	December 31, 2018	December 31, 2017
Subsidiary	$ 3,271,369	$ 2,399,228

1. For information about the company's subsidiaries, please refer to Note 4 (3) to the combined financial statements of the company in the year of 2018.
2. In April, 2018 and June, 2017, the Company acquired 100% of the capital increase equity of Winstek Semiconductor Technology at the total transaction price of NT $750 million and NT $1.65 billion respectively.

(Blank below)

(V) Property, plant and equipment

	Land	Buildings	Machinery equipment	Office and other equipment	Equipment awaiting examination	Total
January 1, 2018						
Cost	$ 194,924	$ 845,057	$ 3,603,203	$ 456,467	$ -	$ 5,099,651
Accumulated depreciation	-	(730,072)	(3,275,141)	(437,692)	-	(4,442,905)
	$ 194,924	$ 114,985	$ 328,062	$ 18,775	$ -	$ 656,746
2018						
January 1	$ 194,924	$ 114,985	$ 328,062	$ 18,775	$ -	$ 656,746
Additions	-	17,379	123,385	72,362	322	213,448
Disposals or retirements	-	-	(4,346)	-	-	(4,346)
Depreciation expenses	-	(35,966)	(118,197)	(17,626)	-	(171,789)
December 31	$ 194,924	$ 96,398	$ 328,904	$ 73,511	$ 322	$ 694,059
December 31, 2018						
Cost	$ 194,924	$ 848,779	$ 3,510,289	$ 511,698	$ 322	$ 5,066,012
Accumulated depreciation	-	(752,381)	(3,181,385)	(438,187)	-	(4,371,953)
	$ 194,924	$ 96,398	$ 328,904	$ 73,511	$ 322	$ 694,059

	Land	Buildings	Machinery equipment	Office equipment and other equipment	Equipment awaiting examination	Total
January 1, 2017						
Cost	$ 194,924	$ 845,057	$ 3,692,221	$ 491,419	$ 4,774	$ 5,228,395
Accumulated depreciation	-	(692,247)	(3,238,807)	(468,360)	-	(4,399,414)
	$ 194,924	$ 152,810	$ 453,414	$ 23,059	$ 4,774	$ 828,981
2017						
January 1	$ 194,924	$ 152,810	$ 453,414	$ 23,059	$ 4,774	$ 828,981
Additions	-	-	9,347	2,210	-	11,557
Reclassification	-	-	-	4,774	(4,774)	-
Depreciation expenses	-	(37,825)	(134,699)	(11,268)	-	(183,792)
December 31	$ 194,924	$ 114,985	$ 328,062	$ 18,775	$ -	$ 656,746
December 31, 2017						
Cost	$ 194,924	$ 845,057	$ 3,603,203	$ 456,467	$ -	$ 5,099,651
Accumulated depreciation	-	(730,072)	(3,275,141)	(437,692)	-	(4,442,905)
	$ 194,924	$ 114,985	$ 328,062	$ 18,775	$ -	$ 656,746

1. The capitalized amount of the borrowing costs of property, plant and equipment was $0 in both 2018 and 2017.
2. Please refer to Note 8 for detailed information regarding the guarantee of property, plant and equipment.

(VI) Intangible asset

	Computer software	Total
January 1, 2018		
Cost	$ 41,165	$ 41,165
Accumulated amortization	(34,614)	(34,614)
	$ 6,551	$ 6,551
2018		
January 1	$ 6,551	$ 6,551
Additions	881	881
Amortization expenses	(2,418)	(2,418)
December 31	$ 5,014	$ 5,014
December 31, 2018		
Cost	$ 42,046	$ 42,046
Accumulated amortization	(37,032)	(37,032)
	$ 5,014	$ 5,014

	Computer software	Total
January 1, 2017		
Cost	$ 38,603	$ 38,603
Accumulated amortization	(32,083)	(32,083)
	$ 6,520	$ 6,520
2017		
January 1	$ 6,520	$ 6,520
Additions	2,562	2,562
Amortization expenses	(2,531)	(2,531)
December 31	$ 6,551	$ 6,551
December 31, 2017		
Cost	$ 41,165	$ 41,165
Accumulated amortization	(34,614)	(34,614)
	$ 6,551	$ 6,551

The amortization details of intangible assets are as follows:

	2018	2017
Operating cost	$ 1,218	$ 1,770
Administration expenses	1,200	761
	$ 2,418	$ 2,531

(VII) Other payables

	December 31, 2018	December 31, 2017
Bonus and salaries payable	$ 41,045	$ 62,071
Compensation payable to employees and remuneration payable to Directors and Supervisors	28,088	120,750
Payables on equipment	1,938	5,138
	$ 71,071	$ 187,959

(VIII) Long-term loans

Loan type	Loan period and repayment method	Interest range	Collateral	December 31, 2018
Long-term bank loans				
Credit borrowing	From November 27, 2018 to November 27, 2021, to repay in installments over the period of the agreement	1.3877%	None	$ 300,000
Less: Long-term loans due within one year or one operating cycle				(60,000)
				$ 240,000

31 December 2017: none.

In accordance with the provisions of the credit extension contract signed on August 14, 2018, the following financial ratios and agreements shall be maintained prior to the full repayment of the debts incurred in the duration of this credit extension case:

1. Current ratio: that is, the net current assets divided by the net current liabilities in combined financial report shall not be less than 100%.
2. Debt ratio: that is, the total net current liabilities plus contingent liabilities divided by tangible net value in the combined financial report shall not be more than 100%.
3. Interest coverage ratio: that is, the net profit before tax plus interest expenses plus depreciation and amortization expenses divided by interest expenses in the combined financial report shall not be less than 10 times.

The combined financial report of the Company of the year 2018 met its financial ratio limits.

(IX) Retirement allowance

1. (1) In accordance with the provisions of the "Labor Standards Law", the Company has developed the method to define retirement allowance, which applies to the length of service of all regular employee before the implementation of "Labor Pensions Ordinance" on July 1, 2005, and the length of follow-up service of employee choosing to continue to apply to "Labor Standards Law" after the implementation of "Labor Pensions Ordinance". If the employee is eligible for retirement, the retirement allowance payment shall be calculated based on the service length and the average salary of 6 months before retirement. The service length within 15 years (including) shall be given two cardinalities for each full year, and the service length over 15 years shall be given one cardinality for each full year. However, the cumulative maximum shall be limited to 45 cardinalities. The Company shall transfer 2% of the total salary to the pension fund on a monthly basis, which shall be deposited in the special account of the Bank of Taiwan in the name of the Labor Retirement Reserve Fund Supervision Committee. In addition, the Company

shall, before the end of each fiscal year, estimate the balance of the labor retirement reserve fund special account in the preceding paragraph. If the balance is insufficient to pay the retirement allowance amount calculated in accordance with the foregoing calculation for the labor eligible for retirement in the next one fiscal year, the Company shall once allocate the balance by the end of March of the next fiscal year.

(2) The amounts recognized in the balance sheet are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligations	$ 37,392	$ 32,725
Fair value of plan assets	(20,561)	(18,731)
Net defined benefit liabilities	$ 16,831	$ 13,994

(3) Changes in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
2018			
Balance as of January 1	$ 32,725	($ 18,731)	$ 13,994
Interest expense (income)	491	(281)	210
	33,216	(19,012)	14,204
Remeasurement:			
Plan assets return (excluding amounts included in interest income or expenses)	-	(480))	480
Impacts of changes in demographic assumptions	2,927	-	2,927
Impacts of changes in financial assumptions	635	-	635
Experience adjustment	614	-	614
	4,176	(480)	3,639
Provision of pension funds	-	(1,069))	1,069
Balance as of December 31	$ 37,392	($ 20,561)	$ 16,831

2017	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liabilities
Balance as of January 1	$ 27,648	($ 18,549)	$ 9,099
Interest expense (income)	415	(278)	137
	28,063	(18,827)	9,236
Remeasurement:			
Plan assets return (excluding amounts included in interest income or expenses)	-	96	96
Impacts of changes in demographic assumptions	4,289	-	4,289
Experience adjustment	373	-	373
	4,662	96	4,758
Balance as of December 31	$ 32,725	($ 18,731)	$ 13,994

(4) The Company's defined benefit retirement plan fund assets, is handled entrusted operating by Bank of Taiwan, within the scope of the entrusted operating ratio and amount defined by the fund's annual investment application plan, in accordance with items in article 6 of the regulations for the custody and use of the income and expenditure of the labor retirement fund (namely the deposit in financial institutions at home and abroad, investment on equity securities listed at home and abroad, over-the-counter (OTC) or private placed, and investment of property securitization products at home and abroad, etc.), related use is supervised by the Board of Supervisors of the Labor Pension Fund. For the utilization of the fund, the minimum annual income allocated in the final accounts shall not be less than the income calculated according to the two-year fixed deposit interest rate of the local bank. Any insufficiency, shall be made up by the national treasury after being approved by the competent authority. Since the Company has no right to participate in the operation and management of the fund, it is unable to disclose the classification of the fair value of the plan assets in accordance with paragraph 142 of IAS 19. For the composition of the fair value of the total assets of the fund as at 31 December 2018 and 2017, please refer to the annual report on the use of the labor pension fund published by the government.

(5) Actuarial hypotheses relating to retirement allowance are summarized as follows:

	2018	2017
Discount rate	1.375%	1.500%
Future increase rate of wage	3.000%	3.000%

The hypotheses for future mortality rate are estimated by the fifth experience life table of Taiwan life insurance industry.

The analysis of present value of defined benefit obligations affected by the changes of main actuarial hypotheses adopted is as follows:

	Discount rate		Future increase rate of wage	
	Increase of 0.25%	Decrease of 0.25%	Increase of 0.25%	Decrease of 0.25%
December 31, 2018				
Impact on the present value of defined benefit obligations	($ 1,367)	$ 1,434	$ 1,390	($ 1,333)
December 31, 2017				
Impact on the present value of defined benefit obligations	($ 1,200)	$ 1,259	$ 1,223	($ 1,172)

The above sensitivity analysis is based on the influence of the change of a single hypothesis with other hypotheses unchanged. In practice many of the changes in hypotheses may be linked. The methodology used for sensitivity analysis is consistent with that used to calculate the net pension liabilities of the balance sheet.

The methods and assumptions used in preparing the current sensitivity analysis are the same as those used in the previous period.

(6) The Company's projected allocation to the retirement plan for the year 2019 is $1,648.

(7) As at 31 December 2018, the weighted average duration of the retirement plan is 15 years. The maturity analysis of retirement allowance payment is as follows:

Within 1 year	$ 175
1 - 2 years	491
2 - 5 years	1,951
5-10 years	8,603
	$ 11,220

2. (1) As of July 1, 2005, the Company, in accordance with the "Labor Pensions Ordinance", has developed the method to define retirement allowance, which applies to employees of the nationality. For the retirement system as provided in "Labor Pensions Ordinance" chose by employees, the Company transfer labor retirement allowance of 6% of monthly salary to personal accounts of

employees in Labor Security Bureau. Employees can draw the retirement allowance by monthly pension payments or one-time payment based on the amount in the individual pension account and accumulated income of employees

(2) The retirement allowance costs recognized by the Company by the above mentioned retirement allowance method were $9,773 and $8,879 respectively in the years of 2018 and 2017.

3. The other long-term employee benefit plans (pension) provided by the Company to the employees, which is measured by an actuarial technology on other long-term employee benefit liabilities, in accordance with the actuarial report, recognized as costs and expenses of other long-term employee benefits under the other long-term employee benefit plans of $1,041 and $802 respectively in the years of 2018 and 2017, and in 2018 and on December 31,2017, other long-term employee benefit liabilities is $3,335 and $2,294 respectively.

(X) Share capital

On December 31, 2018, the Company's authorized capital was NT$4 million, divided into 400 million shares, and the paid-up capital was NT$1,362,617, with a nominal amount of $10 per share. Share payments for the Company's issued stocks have been collected in full.

Quantities of the Company's outstanding common shares at the beginning and ending of periods were reconciled as follows:

Unit: 1,000 shares

	2018	2017
January 1/December 31	136,262	136,262

(XI) Capital surplus

According to the provisions of the Company Act, over face value of share premium, gifts of assets donated to additional paid-in capital for covering deficit. If there is no accumulated deficit in company, company shall issue new shares with existing shares or cash by ratio to shareholders According to the relevant provisions of the Securities Exchange Act, allocated capital from additional paid-in capital, its maximum not exceed the limit of 10% of the paid-up capital each year Company in surplus reserves to fill the capital loss still remains insufficient, may not be complemented by additional paid-in capital.

	2018	
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries or disposal of a subsidiary and its book value
January 1/December 31	$ 250,734	$ 115,509

	2017	
	Issue premium	Difference in the share price and nominal value of the acquired or disposed shares in subsidiaries or disposal of a subsidiary and its book value
January 1/December 31	$ 250,734	$ 115,509

(XII) Retained earnings

1. In accordance with the articles of association of the Company, if there is after-tax surplus in the annual accounts, 10% of the legal capital reserve shall be appropriated after covering the deficiency of previous years, and the special capital reserve shall be appropriated as necessary. If there is still surplus, together with the accumulated undistributed surplus of the previous years, the board of directors may reserve a portion of the surplus based on the business situation, and draw the allocation plan of net income and submit to the board of shareholders for resolution.
2. The dividend allocation policy of the Company shall consider the factors of surplus situation of the Company and the future investment environment, the capital demand, capital budget plan and operating plan, etc., allocated according to the financial structure and the surplus dilution situation, the amount of which shall be not less than 10% of the after-tax surplus in current year, but shall be retained and not assigned if EPS is below $0.5 or dividend allocation will result in a breach of contract. The Company's surplus may be allocated with stock dividends or cash dividends, of which the cash dividends shall not be less than 10% of the total dividends.
3. The legal capital reserve shall not be used except to cover the Company's deficiency and to issue new shares or cash in proportion to the original shares held by shareholders with the limit of the portion of the reserve exceeding 25% of the paid-in capital.

4. The allocation of surplus for 2017 and 2016 has been resolved in the shareholders' meetings on June 12, 2018 and June 14, 2017, respectively. The distribution of earnings plan is as follows:

	2017		2016	
	Sum	Dividend per share (NT$)	Sum	Dividend per share (NT$)
Cash dividend	$ 177,140	$ 1.30	$ 115,822	$ 0.85

5. The Company resolved the surplus allocation plan for the year 2018 by the shareholders' meeting on March 6, 2019,

	2018 (Note)	
	Sum	Dividend per share (NT$)
Cash dividend	$ 163,514	$ 1.20

Note: pending resolution of shareholders' meeting.

(XIII) Operating revenue

	2018
Revenue from customer contracts	$ 1,085,489

1. Disaggregation of revenue from client contract

The revenue of the Company is derived from the provision of services that are transferred over time and can be disaggregate into the following main product lines:

2018	Testing income	Revenue from rendering of services	Total
Segment Revenue	$ 1,085,236	$ 253	$ 1,085,489
Revenue from external customer contracts	$ 1,085,236	$ 253	$ 1,085,489

2. Contract assets

The assets and liabilities associated with the client's contract revenue recognized by the Company are as follows:

	December 31, 2018
Contract assets:	
Contract asset - testing	$ 6,096

3. Please refer to Note XII (V) for details of the disclosure of the year 2017.

(XIV) Other income

	2018	2017
Interest income:		
Interest from bank deposits	$ 3,043	$ 4,090
Interest income from financial assets at amortized cost	1,324	-
Interest income from debt instrument investment without active market	-	5,305
Other interest income	-	1,985
Total interest income	4,367	11,380
Rental income	482	-
	$ 4,849	$ 11,380

(XV) Other gains and losses

	2018	2017
Interests from disposal of property, plant, and equipment	$ 10,755	$ -
Foreign exchange gains (losses)	(1,064)	(97,538)
Miscellaneous expenses		
Other gains and losses	1,375	1,758
	$ 11,066	($ 95,780)

(XVI) Financial cost

	2018	2017
Interest expense	$ 393	$ -

(XVII) Additional information on the nature of expense

	2018	2017
Employee benefit expenses	$ 306,475	$ 351,657
Depreciation expenses of property, plant, and equipment	$ 171,789	$ 183,792
Amortization expenses of intangible assets	$ 2,418	$ 2,531

(XVIII) Employee benefits expense

	2018	2017
Wages and salaries expenses	$ 262,027	$ 312,977
Labor and health insurance expenses	22,331	19,227
Pension expense	9,983	9,016
Other employment expenses	12,134	10,437
	$ 306,475	$ 351,657

1. According to the Articles of Association of the Company, if the Company earns profits during the year, 0.1%~15% of which shall be allocated to the employees' bonus. Employee's remuneration may be distributed in shares or cash, and the counterparty to whom shares or cash are distributed may include the employees of its subordinate companies that meet certain criteria. Bur if the Company still has an accumulated deficiency, the amount to cover should be retained in advance. If

the Company earns profits during the year, 1%~3% of which shall be appropriated as bonus to directors depending on the situation of the business. Bur if the Company still has an accumulated deficiency, the amount to cover should be retained in advance.

2. The estimated amount of employee bonus of the Company in the years of 2018 and year 2017 is $28,088 and $120,750 respectively; The estimated amount of bonus to directors is $0. The foregoing amount is accounted in the subject of pay expense account.

   The amount of employees' bonus and bonus to directors that had been resolved by the board of directors are the same as the amount recognized in the financial report of 2017.

   Information regarding employees' bonus and bonus to directors approved by the board of directors of the Company can be found at the open information observatory.

(XIX) Income tax

1. Income tax expense

   (1) Income tax expense components:

	2018	2017
Current income tax:		
Income tax incurred in current period	$ 62,607	$ 114,507
0% surtax on unappropriated retained earnings	40,506	42,860
Underestimation (overestimation) of prior year's annual income tax	(2,307)	5,019
Total income tax in the period	100,806	162,386
Deferred income tax:		
Initial recognition and reversal of temporary differences	(1,030)	(4,537)
Impacts of tax rate changes	(1,706)	-
Total deferred income tax	(2,736)	(4,537)
Income tax expense	$ 98,070	$ 157,849

   (2) Income tax amount related to other comprehensive income: none.

   (3) The amount of income tax directly debited or credited to equity: none.

2. The relationship between income tax expense and accounting profit

	2018	2017
Income tax calculated on net profit before tax by statutory tax rate	$ 85,577	$ 150,535
Underestimation (overestimation) amount of prior year's annual income tax	(2,307)	5,019
Impacts of tax law amendments on income tax	(1,706)	-
0% surtax on unappropriated retained earnings	40,506	42,860
Recognition of investments gain or loss of domestic subsidiaries under equity method	(24,000)	(40,565)
Income tax expense	$ 98,070	$ 157,849

3. The amounts of deferred income tax assets or liabilities generated from temporary differences are as follows:

	2018		
	January 1	Recognized in gain and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 8,344	$ 2,068	$ 10,412
Unrealized exchange loss	1,322	299	1,621
Others	-	552	552
Subtotal	9,666	2,919	12,585
Deferred income tax liabilities			
Unrealized exchange gains	-	(38)	(38)
Others	-	(145)	(145)
Subtotal	-	(183)	(183)
Total	$ 9,666	$ 2,736	$ 12,402

	2017		
	January 1	Recognized in gain and loss	December 31
Deferred income tax assets:			
- Temporary differences:			
Tax differentials in depreciation expenses	$ 7,839	$ 505	$ 8,344
Unrealized exchange loss	-	1,322	1,322
Subtotal	7,839	1,827	9,666
Deferred income tax liabilities			
Unrealized exchange gains	(2,710)	2,710	-
Subtotal	(2,710)	2,710	-
Total	$ 5,129	$ 4,537	$ 9,666

4. The Company's business income tax has been checked and approved by the taxation authority until the year 2016.

5. The amendment to the Taiwan Income Tax Act was promulgated and taken into effect on February 7, 2018. The rate of business income tax was increased from 17% to 20%, which will be applicable from 2018. The Company has assessed the influence of this tax rate change on income tax.

(XX) Proprietors of parent company

	2018		
	After-tax amount	Weighted average flow of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	$ 329,820	136,262	$ 2.42
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	329,820	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	1,621	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders in the current period	$ 329,820	137,883	$ 2.39

	2017		
	After-tax amount	Weighted average flow of outstanding shares (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	$ 727,651	136,262	$ 5.34
Diluted earnings per share			
Net profit of this period attributable to the ordinary shareholders of the parent company			
Net profit of this period	727,651	136,262	
Impacts of dilutive potential ordinary shares			
Employee remuneration	-	4,711	
Impacts of net profits plus potential ordinary shares attributable to the ordinary shareholders in the current period	$ 727,651	140,973	$ 5.16

(XXI) Operating lease

1. The Company leases part of the real estate, plant and equipment to its subsidiary Winstek Semiconductor Technology under an operating lease for a period of two years starting from November, 2017. If either party doesn't notify the other party of the termination of the contract before the expiration of the contract, the contract will be automatically extended for another one year. In addition, please refer to Note VII for details of the rental income generated from the base platform for production and the rental income from the lease to related parties.

   In addition, the total minimum future lease payments due to the non-cancelable contract are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 3,658	$ 3,093
More than 1 year but not more than 5 years	8,982	12,441
	$ 12,640	$ 15,534

   The company's rental income is presented as net amount of depreciation, with details as follows:

	2018	2017
Rental receipt (Note)	$ 28,672	$ 28,634
Depreciation expense of leased assets	(28,190)	(28,190)
	$ 482	$ 444

   Note: It is accounted in other income and other benefits and losses for the years 2018 and 2017.

2. The Company rents machinery and equipment under an operating lease, the lease term of which is from 2018 and 2020, with the right to renew the lease at the end of the lease term. Rental expenses of $188,118 and $275,183 were recognized as current gains and losses for the years of 2018 and 2017, respectively. In addition, the total minimum future lease payments due to the non-cancelable contract are as follows:

	December 31, 2018	December 31, 2017
Less than 1 year	$ 112,204	$ 83,431
More than 1 year but not more than 5 years	29,995	24,736
	$ 142,199	$ 108,167

(XXII) Supplement information of Cash flow

Investment activities with only partial cash payment:

	2018	2017
Purchase of property, plant, and equipment	$ 213,448	$ 11,557
Add: payable on equipment at the beginning of period	5,138	10,061
Less: payable on equipment at the end of the period	(1,938)	(5,138)
Cash paid in the period	$ 216,648	$ 16,480

(XXIII) Changes in liabilities generated from financing activities

	Long-term loans (Note)	Total liabilities of guarantee deposits	From financing activities
January 1, 2018	$ -	$ 138	$ 138
Changes in cash flows from financing activities	300,000	(28)	299,972
December 31, 2018	$ 300,000	$ 110	$ 300,110

Note: include long-term loans due within one year or one operating cycle.

VII. Related-party transactions

(I) Parent Company and ultimate controlling party

Prior to the date of October 13, 2017, the ultimate control of the Company shall be Temasek Holding Limited Group. As of October 13, 2017, Sigurd Corporation is the ultimate parent company and ultimate controller of the Company. The direct holding parent company of the Company is still Bloomeria Limited.

(II) Name and relation of affiliates

Name of related party	Relationship with the Company
Sigurd Microelectronics Corporation	Ultimate parent company
Winstek Semiconductor Technology Co., Ltd.	Subsidiary

(III) Material transactions with affiliates

1. Operating revenue

	2018	2017
Ultimate parent company	$ 11,353	$ -

Income from labor service mentioned above is processed according to the general transaction price and conditions, and the payment condition is monthly statement 30 days.

2. Receivables from related parties

	December 31, 2018	December 31, 2017
Accounts receivable:		
Ultimate parent company	$ 118	$ -
Other receivables - plant leasing:		
Subsidiary	2,467	2,471
Other receivables - management services and services support:		
Subsidiary	1,565	1,556
Other receivables - advance money for another:		
Subsidiary	9,024	8,165
Subtotal	13,056	12,192
Total	$ 13,174	$ 12,192

The receivables from related parties mainly come from the provision of labor services, operating lease, related party management service and business support. There is no mortgage and non-interest bearing on receivables. There is no provision for liability reserve for the receivables from related parties. Please refer to Note 6 (21) of the operating lease for details.

3. Accounts payables to related parties

	December 31, 2018	December 31, 2017
Other payables - machine leasing:		
Ultimate parent company	$ 484	$ -
Other payables - business support:		
Subsidiary	473	594
Other payables - advance money for another:		
Subsidiary	117	67
Total	$ 1,074	$ 661

The payables to related parties mainly come from the machine rental and business support provided by the affiliates. There is no bearing interest on the amount payable.

4. Property transactions

Disposal of property, plant and equipment:

	2018		2017	
	Disposal price	Disposal interest	Disposal price	Disposal interest
Ultimate parent company	$ 8,789	$ 4,444	$ -	$ -

5. Other transactions

		Amount of transaction	
	Accounting subject	2018	2017
Subsidiary	Rental income (accounting for operating costs reduction)	$ 28,190	$ 28,190
	Manage revenue from services and business support (accounting for operating costs and operating expenses reduction)	$ 6,573	$ 24,429
	Business support cost (recorded as operating cost and operating expenses)	$ 21,041	$ 8,859
Ultimate parent company	Rental expenses	$ 230	$ -

6. Endorsement guarantee provided by affiliates

	December 31, 2018	December 31, 2017
Subsidiary	$ 1,500,000	$ 5,810,297

7. Linked tax regime

Since 2016, the Company and its subsidiaries Winstek Semiconductor Technology have adopted the linked tax regime for combined settlement to declare the affiliates accounts receivable (payable) generated from business income tax. The Company estimates the linked tax receivable (payable) under linked tax regime as

follows (respectively accounted in other receivables - affiliates and other payables - affiliates):

	December 31, 2018	December 31, 2017
Subsidiary	$ 6,013	$ 37,910

(IV) Compensation information of main management

	2018	2017
Short-term employee benefits	$ 13,633	$ 56,275
Benefits after retirement	432	333
Total	$ 14,065	$ 56,608

VIII. Pledged Assets

The details of the asset pledged as collateral provided by the Company are as follows:

	Book value		
Assets	December 31, 2018	December 31, 2017	Guarantee use
Hypothecated time deposits (financial assets account measured at amortized cost - non-current)	$ 12,000	$-	Customs security
Hypothecated time deposits (accounted to other non-current assets - other)	-	22,534	Customs security
Property, plant, and equipment	274,187	584,157	Long-term loans of subsidiaries

IX. Significant contingent liabilities and unrecognized contractual commitments

(I) The Company has signed a five-year technical service agreement with STATS ChipPAC Ltd. on August 5, 2015. Within five years from the signed date of this agreement, the Company and Winstek Semiconductor Technology shall retain the capacity to provide STATS ChipPAC Ltd. 's wafer level packaging and testing services. As stipulated in the contract as follows:

1. The Company and Winstek Semiconductor Technology must retain the minimum capacity for STATS ChipPAC Ltd. to provide services timely on a monthly basis; if the purchased quantity from STATS ChipPAC Ltd. is between the minimum production capacity and maximum production capacity, the Company shall provide the services within the adjustable range of the existing production capacity. If STATS ChipPAC Ltd. 's order exceeds the maximum capacity of the Company, the Company is not obligated to provide the services.
2. During the term of the contract, STATS ChipPAC Ltd. Shall place an order with the Company and Winstek Semiconductor Technology at the agreed minimum purchase quantity for each year at the agreed price, that is, the Company and Winstek Semiconductor Technology may claim the balance consideration in accordance with the procedures stipulated in the contract for the part of its retained capacity that does not meet the minimum purchase quantity. Settlement should be carried out every twelve months from the date of signing the contract. If

STATS ChipPAC Ltd does not meet the minimum purchase amount, it may exercise the right to defer the minimum purchase amount by 5% to the next year, and pay the consideration to the Company and Winstek Semiconductor Technology for the portion of the unfulfilled minimum purchase amount deducted the deferred purchase amount. STATS ChipPAC Ltd. may exercise the right to deferred purchase quantity only once a year, and the deferred portion may not be re-deferred in the following year, and the right cannot be exercised in the last year of the contract.

3. In accordance with the agreement signed by both parties on January 2017, STATS ChipPAC Ltd. agreed to pay the Company consideration amount of US $16,883,000 which is generated from the failure to meet the minimum purchase amount in the second year of the contract (from the date of signing contract to August 4, 2016). The Company recognized the consideration amount as consideration income in the fourth quarter of the year 2016 and the first quarter of the year 2017, of US $8,442,000 ($272,240) and US $8,441,000 ($256,032), respectively, accounted under other income and expenses in the subject of other composite income sheet respectively.

4. In addition, the minimum purchase amount shall be consolidated and the total minimum purchase amount shall remain unchanged as agreed by both parties from the second contract year. The combined minimum purchase amount that STATS ChipPAC Ltd. shall carry out for the Company and Winstek Semiconductor Technology for the next coming four years is as follows:

Currency: US$ 1,000

	The second year	The third year	The fourth year	The fifth year
Minimum purchase amount	$ 80,800	$ 75,100	$ 63,200	$51,400
Deferred amount for the second year	4,750	-	-	-
Deferred amount for the third year	(4,040)	4,040	-	-
Deferred amount for the fourth year	-	(3,755)	3,755	-
	$ 81,510	$ 75,385	$ 66,955	$51,400

5. Both parties signed the agreement in November 2017. STATS ChipPAC Ltd. deferred 5% of the minimum purchase quantity for the second year (the second contract year is from August 5 2016 to August 4, 2017) to the next year as per the contract, and agreed to pay the Company and Winstek Semiconductor Technology the consideration amount of US $15,694,000 ($467,331) which is generated from the failure to meet the minimum purchase amount in the second year of the contract (the amount for the Company is US $13,121,000 ($393,565)) Based on that STATS ChipPAC Ltd. has performed payment according to the above agreement and also carried out the related purchase in the third year as per contract, therefore the Company management authorities believe that the

realization of compensation income almost can be determined, thus recognized the whole value of it as compensation income (accounted under the subject of other income and net expense of composite income sheet.

6. From August 5 2017 to August 4, 2018, STATS ChipPAC Ltd. has performed a combined purchase amount of US $68,555,000 for the Company and Winstek Semiconductor Technology in the third year of contract and deferred 5% of the minimum purchase amount for the third year of contract to the next year as per contract. The Company has claimed in accordance with the procedures stipulated in the contract, the balance consideration from STATS ChipPAC Ltd. which is generated from the failure to meet the minimum purchase amount in the third year of the contract.

7. In consideration of the long-term cooperative relationships of both parties, STATS ChipPAC Ltd. proposed to conciliate based on the long-term business interests. And the Company and Winstek Semiconductor Technology considering the business operations and business judgment, resolved and approved the proposed settlement with STATS ChipPAC Ltd. by the board of directors on September 20, 2018, as follows:

   (a) Both parties agree that the technical services agreement shall be extended for another two years (from August 5, 2020 to August 4, 2022). And in accordance with the agreement, STATS ChipPAC Ltd. perform the combined minimum purchase amount for the Company and Winstek Semiconductor Technology of as follows:

   Currency: US$ 1,000

	The sixth year	The seventh year
Minimum purchase amount	$ 30,000	$ 30,000

   (b) The Company and Winstek Semiconductor Technology retain the capacity of US $40,000,000 per contract year for the extend period of two years to STATS ChipPAC Ltd.

   (c) If STATS ChipPAC Ltd. fails to meet the above commitment amount in the current year, the insufficient amount may be postponed to the next year.

   (d) STATS ChipPAC Ltd. agrees to purchase from the Company and Winstek Semiconductor Technology on a preferential basis during the fourth year of contract.

   (e) Based on the above commercial interests and the long-term cooperative relationship between the two parties, the Company and Winstek Semiconductor Technology will not claim the difference of US $6,830,000 from STATS ChipPAC Ltd., which is less than the minimum purchase amount for the third year of contract.

   As of March 6, 2019, the above-mentioned conciliation agreement has not been signed, and the conciliation is still in the stage of detailed consultation.

8. From August 5, 2018 to December 31, 2018, STATS ChipPAC Ltd. has performed a combined purchase amount of US $17,233,000 for the Company and Winstek Semiconductor Technology in the fourth year of contract.

(II) Capital expenditures contracted but not yet incurred

	December 31, 2018	December 31, 2017
Property, plant, and equipment	$ 15,624	$ -

X. Material disaster losses

None.

XI. Material subsequent events

The Company resolved and approved the appropriation plan of net income for the year 2018 by the board of directors on March 6, 2019. Please refer to Note 6 (12) for details.

XII. Others

(I) Capital management

The Company's strategy of the year 2018 remains the same as that of the year 2017, all are dedicating to reduce the debt-to-capital ratio to a reasonable level of risk. As at December 31, 2018 and December 31, 2018,

The Company's debt-to-capital ratios were as follows:

	December 31, 2018	December 31, 2017
Total borrowing	$ 300,000	$ -
Less: cash and cash equivalent	(431,800)	(433,120)
Net debt	(131,800)	(433,120)
Total equity	4,574,411	4,310,297
Total capital	$ 4,442,611	$ 3,877,177
Capital and liabilities ratio	-	-

(II) Financial instrument

1. Categories of financial instruments

	December 31, 2018	December 31, 2017
Financial assets		
Financial assets measured at amortized cost		
Cash and cash equivalents	$ 431,800	$ 433,120
Financial assets measured at amortized cost - current	360,715	-
Debt instrument investment without active market - current	-	478,080
Accounts receivable	239,101	227,604
Accounts receivable - related parties	118	-
Other receivables	589	390,482
Other accounts receivable - related parties	19,069	50,102
Refundable deposits	1,723	1,786
Financial assets measured at amortized cost - non-current	12,000	-
Other non-current assets - others	-	22,534
	$ 1,065,115	$ 1,603,708
Financial liabilities		
Financial liabilities measured at amortized cost		
Accounts payable	$ 1,131	$ 2,815
Other payables	71,071	187,959
Provisions	2,761	1,679
Long-term loans (including whose due within one year or one operating cycle)	300,000	-
Guarantee deposits	110	138
	$ 375,073	$ 192,591

2. Risk management policy

(1) The board of directors shall fully take the responsibilities for establishment and supervision of the risk management structure of the Company, and take the responsibilities for development and control of the risk management policies of the Company.

(2) The risk management policy of the Company is established to identify and analyze risks encountered by the Company, set appropriate risk limits and controls, and supervise the compliance of risks and risk limits. Risk management policies and systems are periodically reviewed to reflect changes in market conditions and the Company's operations. The Company develops a disciplined and constructive control environment through training, management guidelines and procedures to enable all employees to understand

their roles and obligations.

(3) The audit committee of the Company shall supervise the management level to monitor the compliance of the Company's risk management policies and procedures, and review the appropriateness of the Company's relevant management framework for the risks encountered. Internal auditors assist the Company's audit committee in a supervision role. These auditors conduct review on risk management controls and procedures and report the review results to the audit committee.

3. Nature and degree of material financial risks

(1) Market risks

Exchange rate risk

A. The company is engaged in business involving several non-functional currencies. The functional currency of the Company is New Taiwan dollar. The information of foreign currency assets and liabilities affected by significant exchange rate fluctuations is as follows:

	December 31, 2018		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
US$:NT$	$ 12,077	30.715	$ 370,945
Long-term equity investments under equity method			
US$:NT$	$ 106,507	30.715	$ 3,271,369

	December 31, 2017		
	Foreign Currency (in thousands)	Exchange rate	Carrying amount (NT$)
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
US$:NT$	$ 37,102	29.76	$ 1,104,156
Long-term equity investments under equity method			
US$:NT$	$ 80,619	29.76	$ 2,399,228
Financial liabilities			
Monetary items			
US$:NT$	$ 162	29.76	$ 4,821

B. The monetary items of the Company have significant influence due to the exchange rate fluctuations, and have been recognized and disclosed in the aggregate amounts of exchange gains (losses) of $1,064 and $97,538 respectively in the years of 2018 and 2017.

C. The foreign currency market risks of the Company due to material exchange rate fluctuations are analyzed as follows:

		2018	
		Sensitivity analysis	
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
US$:NT$	1%	$ 3,709	$ -
Long-term equity investments under equity method			
US$:NT$	1%	$ -	$ 32,714

		2017	
		Sensitivity analysis	
	Range of change	Affect the profit and loss	Affect other comprehensive income
(Foreign currency: functional currency)			
Financial assets			
Monetary items			
US$:NT$	1%	$ 11,042	$ -
Long-term equity investments under equity method			
US$:NT$	1%	$ -	$ 23,992
Financial liabilities			
Monetary items			
US$:NT$	1%	$ 48	$ -

Cash flow and fair value interest rate risk

The Company's short-term loans are measured at amortized cost and the fixed interest rate of which is appointed annually as per the contract, therefore the risks of the Company from future market rate changes is not exposed.

(2) Credit risk

A. The Company's credit risk is the risk of financial loss to the Company due to the failure of the customer or counterparty of the financial instrument to perform its contractual obligations, and is mainly from the failure of the counterparty to settle accounts receivable payable under the terms of collection, and the contractual cash flows of classified as debt instrument investment measured by amortized cost.

B. The Company establishes credit risk management from the Group's perspective. Management and credit risk analysis of terms and conditions on payment and delivery should be carried out before finalization in accordance with internal defined credit policies. The internal risk control assesses customers' credit quality by taking into account their financial position, historical experience, and other factors. Individual risk limits

are based on internal or external ratings, and the use of credit limits is regularly monitored.

C. In accordance with the credit risk management procedures, the Company shall be deemed to have breached the contract if the counterparty fails to make payment in accordance with the agreed payment terms within a certain period.

D. The Company groups customers' accounts receivable and contract assets according to the characteristics of customer ratings, using a simplified approach to estimate expected credit losses based on a reserve matrix.

E. The indicators used by the Company to determine credit impairment on debt instrument investments are as follows:

(A) The possibility of the issuer experiencing material financial difficulties or entering into bankruptcy or other financial restructuring increases;

(B) The issuer loss the active market for the financial assets due to financial difficulties;

(C) Arrearage or non-payment of interest or principal from the issuer;

(D) Adverse changes in national or regional economic conditions that result in issuer default.

F. The Company mainly provide specific customer integrated circuit and semiconductor wafer testing services, therefore, assess the credit risk of individual customers, considering its future prospective, adjust the loss rate established according to the specific historical and current information, to estimate allowance for losses on accounts receivable. On December 31, 2018, the expected shortfall rate after assessment is 0% to 1%.

G. Changes in allowance for losses on accounts receivable of the Company using the simplified approach are as follows:

Accounts receivable	2018
January 1_IAS 39	$ -
Adjustments under new standards	-
January 1_IAS 39	-
Provision of impairment loss	-
December 31	$ -

H. For credit risk information of 2017 please refer to Note 12 (4).

(3) Liquidity risk

A. Details of the Company's undrawn borrowing are as follows:

	December 31, 2018	December 31, 2017
Fixed interest rate		
Due within 1 year	$ 500,000	$ 350,000
Due for more than 1 year	600,000	-
	$ 1,100,000	$ 350,000

B. The below table is the non-derivative financial liabilities of the Company and the derivative financial liabilities delivered in net or total amount, grouped according to the relevant maturity date. The non-derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to contract expiration date, while derivative financial liabilities are analyzed according to the remaining period from the balance sheet date to expected maturity. The contractual cash flow amounts disclosed in the table below are undiscounted amounts.

December 31, 2018	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 1,131	$-	$ -	$ -
Other payables	71,071	-	-	-
Other payables - related parties	1,074	-	-	-
Total liabilities of guarantee deposits	-	-	-	110
Long-term loans (including those due within one year)	32,047	31,839	63,053	181,735

December 31, 2017	Less than 6 months	Between 6 months to 1 year	Between 1 to 2 years	Between 2 to 5 years
Non-derivative financial liabilities:				
Accounts payable	$ 2,815	$-	$ -	$ -
Other payables	187,959	-	-	-
Other payables - related parties	661	-	-	-
Total liabilities of guarantee deposits	-	-	-	138

(III) Fair value information

The Company does not have financial instruments measured at fair value.

(IV) Influence of the initial application of IFRS 9 and information on the application of IAS 39 in 2017

1. Critical accounting policies adopted for the year 2017 are stated as follows:

(1) Loans and receivables

A. Accounts receivable

Accounts receivable are loans and receivables, refer to the original loans

and customers' receivables generated from the sale of commodity or the provision of services in the normal process of business. It is measured at the fair value in initial recognition, and subsequently measured by the amount of deducting impairment from the amortized cost adopting effective interest method. However, for short-term accounts receivable with unpaid interest, the discount influence of which is not material, shall be measured by the original invoice value subsequently.

B. Debt instrument investments without active markets

(A) They are non-originally-generated loans and receivables, without publicly quoted in an active market, are bond investments with a fixed or determinable amount, also subject to the following conditions:

a. Not classified as through gain and loss measured at fair value.

b. Not designated as available-for-sale.

c. The holder may not be able to recover nearly all of the original investment due to factors other than credit deterioration.

(B) The Company uses trade day accounting for debt instrument investments in active markets that conform to trading practices.

(C) It is measured at the fair value plus transaction cost of the trade day in original recognition, and subsequently measured by the amount of deducting impairment from the amortized cost adopting effective interest method. The amortization of discount premium under the effective interest method is recognized as current gain and loss.

(D) The debt instrument that the Company holds in the inactive market is fixed deposit which are not conform with the definition of cash equivalents, with short holding period, and the influence of the discounting of which is not material, thus is measured by the amount of investment.

(2) Impairments of financial assets

A. The Company assess on each balance sheet date whether there is any objective evidence of impairment, indicating that one or a Company of financial assets have or a number of matters (i.e., the "loss item"), and the loss item has reliable estimated influence on the loss of financial assets or a set of financial assets estimates of future cash flow.

B. The Company's policy adopted to determine the existence of objective evidence of impairment is as follows:

(A) Material financial difficulties of the issuer or debtor;

(B) Default, such as delay or non-payment of interest or principal;

(C) Due to economic or legal reasons related to the financial difficulties of the debtor, the Company gives concessions to the debtor that

could not be considered;

(D) The possibility that the debtor will enter bankruptcy or other financial restructuring increases;

(E) The active market for the financial assets is lost due to financial difficulties;

(F) Observable data indicates that the Company of estimated future cash flow will have measurable decreases since initial recognition, while the decreased have yet cannot be recognized as a certain financial asset in the Company they belong to, and such data includes the adverse change of the debtor's solvency condition of this Company of financial asset, or national or regional economic conditions related to the assets default of this Company of financial assets;

(G) Information about a material change incurred in the technical, market, economic or regulatory environment in which the issuer operates and has an adverse influence, indicates that the cost of the equity investment may not be recovered; or

(H) The fair value of equity instrument investments falls substantially or persistently below cost.

C. With assessment that the objective evidence of impairment exists and the impairment loss has occurred, the Company treated based on the types as follows:

Financial assets measured at amortized cost

are recognized as impairment loss in the current gain and loss by the balance between the carrying amount of the asset and the present value of the estimated future cash flow discounted at the original effective interest rate of the financial asset. Where the amount of the impairment loss is decrease in a subsequent period and the reduction can be objectively linked to the events occurring after the recognition of the impairment loss, the previously recognized impairment loss shall be recovered the current gain and loss within the limit of the amortized cost due on the recovered day without recognition as impairment loss. The recognized and recoverable impairment losses is the carrying amount adjusted against the provision account on the assets.

2. The book value of financial assets the preparation basis of which is converted from IAS 39 on December 31, 2017 to IFRS 9 on January 1, 2018 is adjusted as follows:

	Held-to-maturity Measured at amortized cost	Debt instrument without active market	Other non-current assets	Total	Impact Retained earnings	Impact Other equity
IAS39	$ -	$ 478,080	$ 22,534	$ 500,614	$ -	$ -
Transferred-in as measured at amortized cost	500,614	(478,080)	(22,534)	-	-	-
IFRS9	$ 500,614	$ -	$ -	$ 500,614	$ -	$ -

For debt instruments classified as "debt instruments without active market" and "other non-current assets" of $500,614 under IAS 39, the corresponding interest condition that the cash flow can pay the principal and the amount of outstanding principal exists, and the Company held for collection of cash flow, therefore in the initial application of IFRS 9, it is classified as "financial assets measured at the amortized cost" with adjustment of $500,614.

3. The important accounting items as at 31 December 2017 are stated as follows:

Debt instrument investment without active market

Item	December 31, 2017
Current items:	
Time deposits	$ 478,080

The Company's unsecured debt instrument investments were not pledged as collateral as at December 31, 2017.

4. Credit risk information as at 31 December 2017 are stated as follows:

(1) Credit risk refers to the risk of financial loss of the Company due to the failure of the client or the counterparty of the financial instrument to perform its contractual obligations. Credit risk is mainly derived from financial commodity including cash and cash equivalent, bond instruments investment and receivables, and etc. The carrying amount of financial assets represents the maximum credit exposure amount, and the maximum credit exposure amount as of December 31, 2017 was $1,579,388.

(2) Of the Company on December 31, 2017, two gold deposit in a domestic institution of balance of cash and no active market of bond tools investment accounted for 78% of the subject’s balance, resulting the situation of credit risk concentration of the Company's cash and bond tool with no active market. However, with the good credit standing of such financial institutions, it is not expected to result in significant credit risk losses.

(3) On December 31, 2017, 87% of accounts receivable were made up from four customers. To reduce credit risk, the Company regularly assess the financial

status of these customers and the possibility of account receivable recovery. These customers are companies with good credit standing and the Company does not expect to incur significant credit risk losses due to these key customers.

(4) The aging analysis information of the Company's overdue but unimpaired financial assets is as follows:

	December 31, 2017
Accounts receivable	
≤30 days	$ 213,816
31-90 days	13,788
91-180 days	-
	$ 227,604

(5) The changes statement of annual allowance for bad debts of accounts receivable in 2017 of the Company is as follows:

	Impairment loss by individual assessment	Impairment loss by group assessment	Total
January 1/December 31	$ -	$ -	$ -

(V) Influence of the initial application of IFRS and information on the application of IFRS 18 in the year 2017

1. Critical accounting policies regarding revenue recognition for 2017 are stated as follows:

   Revenue from rendering of services

   The Company provides semiconductor testing and packaging services to customers. The income generated by labors provided is based on the transaction conditions of testing and packaging completion or delivery. Most of the earned income process has been completed and labor income has been realized or can be realized.

2. The Company recognized the revenues based on the application of the foregoing accounting policies in year 2017 are as follows:

	2017
Revenue from rendering of services	$ 1,020,772

3. If the Company continues to apply the above mentioned accounting policies in year 2018, the influences on the current balance sheet and individual gain and loss line items are stated as follows:

		December 31, 2018		
Balance sheet item details	Details	The balance recognized by adopting IFRS 15	The recognized balance by adopting the original accounting policy	Impacts of changes in accounting policies
Contract assets		$ 6,096	$ -	$ 6,096

Composite income sheet item details	Details	2018 The balance recognized by adopting IFRS 15	2018 The recognized balance by adopting the original accounting policy	2018 Impacts of changes in accounting policies
Operating revenue		$ 1,085,489	$ 1,083,454	$ 2,035

XIII. Additional disclosure

(I) Information about significant transactions:

1. Loans to others: Please refer to Appendix Table 1.
2. Endorsements and guarantees: Please refer to Appendix Table 2.
3. Marketable securities held (excluding investments in subsidiaries, affiliates, and jointly control identities): None
4. Accumulated to buy or sell the same marketable securities amount to NT$300 million or more than 20% of the paid-up capital: None
5. Acquisition of individual real estate properties at costs of at least NT$300 million or 20% of the paid-in capital: None
6. Disposal of individual real estate properties at prices of at least NT$300 million or 20% of the paid-in capital: None
7. The amount of purchase and sales with related parties amounts to NT$100 million or more than 20% of the paid-up capital: None.
8. Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None
9. Information about the derivative financial instruments transaction: None.
10. The business relationship between the parent company and its subsidiaries and their subsidiaries, and the status and amount of important transactions: None

(II) Information on reinvestment

Name of investee companies, location, and other relevant information (excluding investee companies in Mainland China): please refer to attached table III for details.

(III) Information on investment in mainland china

None.

XIV. Segment Information

Please refer to consolidated financial report of 2018 for details.

(Blank below)

Winstek Semiconductor Co., Ltd.
Providing Capital Loan to Others
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 1

Number (Note 1)	Lender	Borrower	Accounting subjects involved (Note 2)	Whether both parties are affiliated	Maximum amount for current period (Note 3)	Ending balance (Note 8)	Actual amount drawn	Interest range	Nature of capital loan (Note 4)	Amount of business transactions (Note 5)	Reason for requiring short-term financing (Note 6)	Amount of provision for bad debt allowance	Collateral (security)		Maximum loan amount for individual borrower (Note 7)	Maximum total capital loan amount (Note 7)	Note
													Name	Value			
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	-	Yes	$ 1,366,109	$ -	$ -	1%	2	$ -	Operating turnover	$ -	None	$ -	$ 1,372,323	$ 1,372,323	

Note 9: The description of the number column is as follows:
(3) The issuer shall fill in 0.
(4) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 10: The accounting subjects including amount receivable from affiliates, amount receivable from related parties, shareholders' transactions, advance payments, suspense payments, etc.; in the case the loan is of capital nature, this field shall be filled.

Note 11: The maximum balance of funds loaned to others in the current year.

Note 12: The nature of capital loan shall be listed as business transactions or necessary for short-term financing.

Note 13: If the nature of capital loan is of business transactions, the amount of business transactions shall be filled in. The amount of business transactions refers to the amount of business transactions between the Company and the borrower in the most recent year.

Note 14: If the nature of capital loan requires short-term financing, the reasons for the necessity of loan and the borrower's purpose of loaning, such as repayment of loan, purchase of equipment and operating turnover, shall be specified...Etc.

Note 15: The total capital loan amount of the Company shall not exceed 30% of the net value of the Company in its most recent financial reports audited or reviewed by CPA. The amount of the Company's funds loaned to individual borrower shall not exceed 30% of the net value of the Company in its most recent financial reports audited or reviewed by CPA.

Note 16: If a public company submits specific transactions of the capital loan to the Board of Directors for resolution, in accordance with Paragraph 1, Article 14 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies" (the Regulations), the amount resolved shall be included in the announced balance to expose its risk undertaking, although no appropriation has been made.
However, in the event of subsequent capital repayments, the balance after the repayments shall be disclosed to reflect the adjustment of risk. If a public company authorizes the Chairman by resolution of the Board of Directors in accordance with Paragraph 2, Article 14 of the Regulations to make appropriation of loans in installments or revolving loan of a certain amount within one year, in consideration of the possibility of re-appropriation, the company still shall take the capital loan and amount approved by the Board of Directors as the balance declared in the public announcement, even the capital may be repaid subsequently.

Winstek Semiconductor Co., Ltd.
Providing Endorsement/guarantee to Others
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 2

Number (Note 1)	The name of the company that provides endorsement/guarantee	The object receiving endorsement/guarantee		Maximum amount of endorsement/guarantee for a single enterprise (Note 3)	Maximum balance of endorsement/guarantee for the current period (Note 4)	Balance of endorsement/guarantee at the end of current period (Note 5)	Actual amount drawn (Note 6)	Amount of endorsement/ guarantee guaranteed with property	Percentage of aggregated amount of endorsement/guarantee with the net value in the most recent financial reports	Maximum amount of endorsement/ guarantee (Note 3)	A parent company provides endorsement/ guarantee for its subsidiary (Note 7)	A subsidiary provides endorsement/ guarantee for its parent company (Note 7)	The endorsement/ guarantee involves Mainland China (Note 7)	Note
		Name of company	Relationship (Note 2)											
0	Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	2	$ 4,574,411	$ 1,500,000	$ 1,500,000	$ 450,000	$ -	32.79%	$ 4,574,411	Y	N	N	

Note 8: The description of the number column is as follows:
(3) The issuer shall fill in 0.
(4) The investees are numbered in alphabetical order beginning with the Arabic numeral 1.

Note 9: Please indicate the relationship between the provider of endorsement/guarantee and the object of endorsement/guarantee, which can be classified into the following six categories:
(8) Companies which are doing business with each other.
(9) Companies of which the Company directly or indirectly holds more than 50% of the voting shares.
(10) Companies of which directly or indirectly hold more than 50% of the voting shares in the Company.
(11) Among companies of which the Company directly or indirectly holds more than 90% of the voting shares.
(12) Companies in the same industry that endorse/guarantee for each other due to the need to contract project; or companies which are endorsed/guaranteed mutually by the same founders under provision of contract.
(13) Companies which are endorsed/guaranteed by all shareholders based on their shareholding percentage due to joint investment.
(14) In accordance with the consumer protection law, Companies in the same industry who perform housing pre-sale contract, are jointly and severally endorsed/guaranteed.

Note 10: The total amount of the Company's external endorsement/guarantee shall not exceed 50% of the Company's most recent net value. The amount of the Company's endorsement/guarantee for a single enterprise shall not exceed 20% of the net value at the time when the company endorses/guarantees.
However, an endorsement/guarantee between the Company and among companies of which the Company directly or indirectly holds 100% of the voting shares, or other companies that the Company has agreed to purchase and upon completion will become a subsidiary of which the Company directly or indirectly holds 100% shares, and approved by a resolution of the Board of Directors, its endorsement/guarantee amount shall not be restricted by the aforesaid total amount of endorsement/guarantee and the limit of endorsement/guarantee for a single enterprise.
However, the endorsement/guarantee to a single enterprise shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA. In addition, the endorsement/guarantee not between the Company and among companies of which the Company directly or indirectly holds 100% voting shares,
the total cumulative amount of such external endorsements/guarantees shall not exceed 100% of the net value of the Company in its most recent financial reports audited or reviewed by CPA.

Note 11: The maximum balance of endorsement/guarantee for others in the current year.

Note 12: By the end of the year, Chu Fan Company shall undertake the obligation of endorsement/guarantee when the amount of endorsement/guarantee contract/bill signed by it to the bank is approved; Other relevant endorsements/guarantees shall be accounted in the balance of endorsements/guarantees.

Note 13: The actual amount drawn by the company endorsed/guaranteed within the balance of the endorsement/guarantee shall be filled here.

Note 14: To be filled if a listed/OTC parent company provides endorsement/guarantee for its subsidiary, or if a subsidiary provides endorsement/guarantee for its listed/OTC parent company; "Y" shall be filled in if the endorsement/guarantee involves Mainland China.

Winstek Semiconductor Co., Ltd.
Name, Location, and Other Relevant Information of the Investee Companies (excluding Investee Companies in Mainland China)
From January 1 to December 31, 2018

Unit: NT$1,000
(unless otherwise specified)

Table 3

Name of investing company	Name of the investee company (Notes 1, 2)	Location	Main business items	Original investment amount		Holding at the end of period			Profit and loss of investee company in the current period (Note 2(2))	Investment gains and losses recognized in the current period (Note 2(3))	Note
				At the end of this period	At the end of last year	Number of shares	Ratio	Carrying amount			
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	Taiwan	Wafer bumping and wafer level packaging services	$ 2,875,740	$ 2,125,740	310,000,000	100%	$ 3,271,369	$ 120,002	$ 120,002	

Note 3: If a public company has a foreign holding company and the consolidated financial report is the main financial report according to local laws and regulations, the disclosure of information about the foreign investee may only include the relevant information of the holding company.

Note 4: In cases other than those described in Note 1, the following information shall be provided:

(4) The columns of "Name of the investee company", "Location", "Main business items", "Original investment amount" and "Shareholding at the end of period", etc., shall be filled in in order according to the reinvestment situation of the (public) company and each reinvestment situation of the investee company under direct or indirect control. The relationship between each investee company and the (public) company (if it is a subsidiary or sub-subsidiary) shall be indicated in the remarks column.

(5) In the column B of "Profit and loss of investee company in the current period", the current profit and loss amount of each investee shall be filled in.

(6) In the column B of "investment gains and losses recognized in the current period", only the recognized profit and loss amount of each directly reinvested subsidiary of this (public) Company and each investee assessed by equity method shall be filled in, and the balance is not required to be filled in. When filling in "recognized profit and loss amount of each directly reinvested subsidiary for the current period", it shall be confirmed that the amount of profit and loss of each subsidiary for the current period has included the reinvestment profit and loss that should be recognized as investment profit and loss according to provisions.

Winstek Semiconductor Co., Ltd.

Statements of Cash and Cash Equivalents

December 31, 2018

Statement (I) Unit: NT$ thousand

Items	Abstract				Amount
Cash					
Petty cash (fund)					$ 100
Demand deposits					
- Taiwan Dollar					91,576
- USA Dollar	USD	2,552,530.97	Rate of exchange	30.715	78,403
- Singapore Dollar	SGD	12,204.23	Rate of exchange	22.480	274
- Japanese Yen	JPY	61,096.00	Rate of exchange	0.278	17
Time deposits					
- Taiwan Dollar					200,000
- USA Dollar	USD	2,000,000.00	Rate of exchange	30.715	61,430
					$ 431,800

(Blank below)

Winstek Semiconductor Co., Ltd.

Accounts Receivable

December 31, 2018

Statement (II) Unit: NT$ thousand

Customer name	Abstract	Amount	Note
General customers:			
Customer A		$ 81,320	
Customer D		65,122	
Customer C		49,326	
Customer F		19,225	
Customer E		17,265	
Other		6,843	The balance of each single customer does not exceed 5% of the amount of this subject
		239,101	
Affiliate			
Sigurd Corporation		118	
		$ 239,219	

Winstek Semiconductor Co., Ltd.

Changes in Investments under Equity Method

January 1, to December 31, 2018

Statement (III) Unit: NT$ thousand

Name	Opening balance		Increase in the period (Note 1)		Decrease in the period		Ending balance			Market price or net equity value		The situation of offering for pledge or collateral	Note
	Number of shares (thousand shares)	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares (thousand shares)	Shareholding Percentage	Amount	Unit price	Total price		
Winstek Semiconductor Technology Co., Ltd.	235,000	$ 2,399,228	75,000	$ 981,071	-	($ 108,930)	310,000	100	$ 3,271,369	$ -	$ 3,271,369	None	

Note 1: The current increase includes the impact number of the retrospective application and the retrospective restatement of the investee, cumulative translation adjustments, investment benefit and increase in investment amount.

(Blank below)

Winstek Semiconductor Co., Ltd.

Changes in Property, Plant, and Equipment

January 1, to December 31, 2018

Statement (IV)

Unit: NT$ thousand

Items	Opening balance	Increase in the period	Decrease in the period	Ending balance	The situation of offering for pledge or collateral	Note
Land	$ 194,924	$ -	$ -	$ 194,924	Part as pledge for long-term borrowing by subsidiaries	
Housing and construction	845,057	17,379	(13,657)	848,779	Part as pledge for long-term borrowing by subsidiaries	
Machinery equipment	3,603,203	123,385	(216,299)	3,510,289	None	
Office equipment and other equipment	456,467	72,362	(17,131)	511,698	None	
Equipment awaiting examination	-	322	-	322	None	
	$ 5,099,651	$ 213,448	($ 247,087)	$ 5,066,012		

Winstek Semiconductor Co., Ltd.

Changes in Accumulated Depreciation of Property, Plant, and Equipment

January 1, to December 31, 2018

Statement (V)

Unit: NT$ thousand

Items	Opening balance	Increase in the period	Decrease in the period	Ending balance	Note
Building and equipment	$ 730,072	$ 35,966	($ 13,657)	$ 752,381	
Machinery equipment	3,275,141	118,197	(211,953)	3,181,385	
Office equipment and other equipment	437,692	17,626	(17,131)	438,187	
	$ 4,442,905	$ 171,789	($ 242,741)	$ 4,371,953	

(Blank below)

Winstek Semiconductor Co., Ltd.

Statements of Revenue

January 1, to December 31, 2018

Statement (VI) Unit: NT$ thousand

Items	Amount	Note
Labor service income:		
Testing income	$ 1,085,236	
Other	253	
	$ 1,085,489	

(Blank below)

Winstek Semiconductor Co., Ltd.

Statements of Operating Cost

January 1, to December 31, 2018

Statement (VII) Unit: NT$ thousand

Items	Amount	Note
Rental expenditure	$ 180,329	
Pay expenditure	176,651	
Depreciation expenses	166,383	
Repairment fee	50,341	
Water, electricity and gas charges	38,436	
Other	65,406	The amount of each single subject does not exceed 5% of the amount of this subject
Total operating cost	$ 677,546	

(Blank below)

Winstek Semiconductor Co., Ltd.

Statements of Sales & Marketing Expense

January 1, to December 31, 2018

Statement (VIII) Unit: NT$ thousand

Items	Abstract	Amount	Note
Pay expenditure		$ 12,164	
Other		1,566	The amount of each single subject does not exceed 5% of the amount of this subject
		$ 13,730	

(Blank below)

Winstek Semiconductor Co., Ltd.

Administrative Expenses

January 1, to December 31, 2018

Statement (IX) Unit: NT$ thousand

Items	Abstract	Amount	Note
Pay expenditure		$ 55,328	
Fixed compensation of directors		12,250	
Depreciation expenses		5,406	
Other		21,956	The amount of each single subject does not exceed 5% of the amount of this subject
		$ 94,940	

(Blank below)

Winstek Semiconductor Co., Ltd.

Statements of Research and Development Expenses

January 1, to December 31, 2018

Statement (X) Unit: NT$ thousand

Items	Abstract	Amount	Note
Pay expenditure		$ 5,634	
Insurance expense		483	
Other		790	The amount of each single subject does not exceed 5% of the amount of this subject
		$ 6,907	

(Blank below)

Winstek Semiconductor Co., Ltd.

Summary Table of Employee Benefits, Depreciation, Depletion, and Amortization Expenses for the Period

January 1, to December 31, 2018

Statement (XI)

Function / Nature	2018			2017		
	Items belong to operating costs	Items belong to operating expenses	Total	Items belong to operating costs	Items belong to operating expenses	Total
Employee benefit expenses						
Wages and salaries expenses	$ 176,651	$ 73,126	$ 249,777	$ 198,513	$ 107,046	$ 305,559
Labor and health insurance expenses	17,975	4,356	22,331	15,140	4,087	19,227
Pension expense	7,599	2,384	9,983	7,005	2,011	9,016
Remuneration of Directors	-	12,250	12,250	-	7,417	7,417
Other employee benefits expenses	10,068	2,066	12,134	8,845	1,593	10,438
Depreciation expenses	166,383	5,406	171,789	178,899	4,893	183,792
Amortization expenses	1,218	1,200	2,418	1,770	761	2,531

Note: The number of employees in this year and the previous year is 325 and 306 respectively, among which the number of Directors who do not serve as employees is 8.

VI. In case of any financial turnover difficulties of the Company and affiliated companies in the most recent year, up to the date this report is published, the impact on the Company's financial condition shall be stated: None.

Chapter 7 Review and Analysis of the Company's Financial Position and Financial Performance, and A Listing of Risk

I. Comparative Analysis of Financial Condition

Unit: NT$ thousand; %

Item \ Year	2018.12.31	2017.12.31	Differences	
			Amount	%
Current asset	3,636,955	3,873,474	(236,519)	(6.11)
Property, Plant and Equipment	2,084,149	2,103,064	(18,915)	(0.90)
intangible asset	20,815	21,453	(638)	(2.97)
Other assets	38,092	44,781	(6,689)	(14.94)
Total Assets	5,780,011	6,042,772	(262,761)	(4.35)
Current liability	541,508	1,715,985	(1,174,477)	(68.44)
Non-current liabilities	664,092	16,490	647,602	3927.24
Total liabilities	1,205,600	1,732,475	(526,875)	(30.41)
Equity attributable to owners of parent Company	4,574,411	4,310,297	264,114	6.13
Share capital	1,362,617	1,362,617	0	0.00
Capital surplus	366,243	366,243	0	0.00
retained earnings	2,807,636	2,649,369	158,267	5.97
Other equity	37,915	(67,932)	105,847	(155.81)
Treasury Stocks	0	0	0	
Non-controlling Interests	0	0	0	
Total equity	4,574,411	4,310,297	264,114	6.13

Analysis of the change in the proportion of increase or decrease:

1. Current liabilities:

   Current liabilities of the current period are reduced compared with the previous period, mainly due to the repayment of long-term loans due within one year during the current period.

2. Non-current liabilities:

   The current non-current liabilities increased compared with the previous period, mainly due to the long-term borrowing in the current period.

3. Other Equity:

   Other equity increased in the current period compared with the previous period, mainly due to the increase in the translation balance of the financial statements of foreign operating institutions in the current period.

II. Financial Performance Analysis

Unit: NT$ thousand; %

Year / Item	2018	2017	Differences	
			Amount	%
Net Operating Income	2,869,643	2,842,923	26,720	0.94
Operating Cost	2,208,110	2,415,904	(207,794)	(8.60)
Gross Operating Profit	661,533	427,019	234,514	54.92
Operating Expense	225,693	266,117	(40,424)	(15.19)
Other Gains (Losses) - Net	0	930,355	(930,355)	(100.00)
Operating Profit	435,840	1,091,257	(655,417)	(60.06)
Non-Operating Income and Expenses	20,372	(148,419)	168,791	(113.73)
Current Net Profit Before Tax	456,212	942,838	(486,626)	(51.61)
Income Tax Expense (Profit)	126,392	215,187	(88,795)	(41.26)
Net Income in Current Period	329,820	727,651	(397,831)	(54.67)
Other Comprehensive Gain or Loss (Net of Tax)	102,151	(83,861)	186,012	(221.81)
Total Comprehensive Gain or Loss in Current Period	431,971	643,790	(211,819)	(32.90)

1. Analysis of the change in the proportion of increase or decrease:

   (1) Gross Operating Profit:

   Operating margin for the current period increased compared with the same period last year, mainly due to the decrease of depreciation expenses, rent expenses and employee welfare expenses.

   (2) Other Net Income and Expense Losses:

   There is no recognition of other income and net expense losses in the current period. In the previous period, there was recognition of compensation income of US$30, 793 ,000 in other income and expense losses.

   (3) Non-Operating Income and Expenses:

   The increase of non-operating income and expenditure in the current period compared with the same period last year is mainly due to the decrease of exchange interest and interest expense in the current period.

   (4) Income Tax Expense (Profit):

   The income tax expense of the current period is lower than that of the same period of last year, mainly due to the decrease of current income tax expense resulting from decrease of the current profit.

   (5) Other Comprehensive Gain or Loss (Net of Tax):

   Other comprehensive gain (loss) (net of tax) of the current period increased compared with the same period of last year, mainly due to the increase in the exchange balance in the financial statements of foreign operation institutions.

2. Expected sales volume and its basis:

The Company sets annual sales targets based on business plans, industry planning and past business performance.

3. Possible impacts on the Company's future financial business and response plans:

In order to provide a wider range of services and a more diversified customer base and enhance its market competitiveness, Sigurd Microelectronics Corporation became the ultimate holding company after acquiring the equity of major shareholders of the Company to enhance the effective use of resources and complementarity of the Group. The Company's financial condition is good, depending on the market demand changes and customer demand for products and services in the future, the Company will extend the scope of test services and provide customers with more in-depth integration of product reliability verification services and failure analysis services, expand the market share, so that the Company's operation could grow continuously.

III. Cash Flow

(1) Analysis of changes in cash flow in the most recent year

Unit: NT$ thousand

Cash Balance at The Beginning of Period	Net Cash Flow From Operating Activities Throughout The Year	Net Cash Flow From Investment and Financing Activities Throughout The Year	Influence of Fluctuation in Exchange on Cash and Cash Equivalents	Cash Balance	Remedial Measures for Cash Inadequacy	
					Investment Plan	Financial Plan
849,682	1,528,734	(1,133,574)	30,650	1,275,492	-	-
Analysis of changes in cash flow: 1. Net cash inflows from operating activities are mainly due to depreciation and profit growth in the current year. 2. Net cash outflows from investment activities were mainly due to increased capital expenditure. 3. The net cash outflow from financing activities is mainly caused by the repayment of bank loans and the payment of dividends.						

(2) Cash liquidity analysis for the following year

Unit: NT$ thousand

Cash Balance at The Beginning of Period	Net cash flow from operating activities throughout the year	Net cash flow from investment and financing activities throughout the year	Cash Balance	Remedial measures for cash inadequacy	
				Investment plan	Financial plan
1,275,492	1,327,000	(1,162,000)	1,440,492	-	-
Analysis of status of cash flow: 1. Operating activities: the expected operating income and profit, results in a net cash inflow of operating activities. 2. Investment activities: the expected acquisition of fixed assets will result in a net cash outflow. 3. Financial activities: the expected payment of cash dividends and repayment of short-term and long-term loans will result in net cash outflow. Remedial measures for projected cash deficit and liquidity analysis: None.					

IV. Impact of major capital expenditures on corporate finances and business for the most recent year: None.

V. The main reasons, improvement plan and investment plan for the upcoming fiscal year of the most recent annual reinvestment policy and its profit or loss:

1. Reinvestment Policy

Based on operational considerations, the Company mainly invests in related fields of the industry, so that the Company can provide a wider range of services and a more diversified customer base. At present, the main business of Winstek Semiconductor Co., Ltd. which the Company holds 100% reinvestment, is wafer bumping and wafer packaging services.

2. The State of Reinvestment Profit or Loss and Improvement Plan

Unit: NT$ thousand

Name of Investment Company	Name of Re-invested Business	Recognized Profit (Loss) Amount in 2018 (Note)	Main Reason for Profit or Loss	Improvement Plan
Winstek Semiconductor Co., Ltd.	Winstek Semiconductor Technology Co., Ltd.	120,002	Although the annual turnover of Winstek Semiconductor Technology Co., Ltd. in 2018 fell by 2% compared with the previous period, it generated profits due to the effective management of operating costs.	Not applicable.

3. Investment plans for the following year: None.

VI. Risks Management and Assessment

1. The impact of interest rate, exchange rate fluctuations and inflation on corporate profits and losses and future countermeasures:

Unit: NT$ thousand

Item/Year	2017	2018
Net Operating Income	2,842,923	2,869,643
Net Interest Expense	63,898	24,574
Interest Expenses As A Proportion of Net Operating Income (%)	2.25%	0.86%
Net Exchange (Loss) Gain	(105,589)	4,740
Exchange (Loss) Gain As A Proportion of Net Operating Income (%)	-3.71%	0.17%

(1) Changes In Interest Rates

The investment amount of the Company's fixed assets is relatively large, and the capital source is mainly bank loans except its own funds. Therefore, the Company's profit and loss are affected by interest rate changes. The Company pays close attention to the changes of market interest rate at any time, maintains good relationship with the bank to obtain more favorable loan interest rate, timely adjusts the loan amount of the bank and negotiates preferential loan terms with new bank according to the interest rate conditions, so as to reduce the impact of interest rate changes on the Company's finance.

(2) Fluctuation In Exchange

The Company's operating income is mainly valuated in US dollars, and the source of income is mainly in US currency. However, some of the Company's machinery equipment and raw materials are imported from other countries and are valuated in US dollars. Although they have the same position in US dollars, and have offset effects with each other, the profit and loss of the Company are still affected by the exchange rate fluctuations.

In order to reduce the exchange risk for the Company, in addition to collecting the information of international finance, exchange rate and interest rate provided by its correspondent bank for reference as the time point of exchange settlement and payment, specific measures in response to the exchange rate fluctuations as follows:

A. a. In order to achieve the effect of hedging, the foreign currency loans received is used to pay for imported machinery and equipment, to reduce the risk of exchange rate fluctuations by the mutual offset of the foreign currency assets and liabilities.

B. b. Continue to pay attention to the international financial condition, collect information on exchange rate movements from various sources, summarize and analyze exchange rate tendency for reference in response to exchange rate movements.

C. c. Keep close contact with the foreign exchange department of correspondent bank to understand the trend of exchange rate fluctuations, which can be used as a reference for instant/forward exchange trading and settlement.

(3) Depending on future inflation or deflation, the Company will adjust the selling price of products and reduce production costs in response to market price changes.

2. Policies for engaging in high-risk, highly leveraged investments, capital loans to others, endorsements, guarantees and derivatives trading, main reasons for profits or losses and future countermeasures:

The Company has not engaged in high-risk, highly leveraged investment and derivatives trading, the entity of the Company's loans to and endorsements, guarantees made to is its subsidiaries whose financial operations condition is normal, and the Company follows the relevant laws and the "Operational Procedures for Loaning of Company Funds, Endorsements and Guarantees", therefore, there is no possibility of loss.

3. Future R&D plans and expected R&D expenses:

   The Company will continue to carry out research and development and introduction of new technology and new processes of packaging and testing, cooperate with the customer's requirements on new product in future, developing toward the direction of multi-functionality, high-speed, high reliability and high precision, and actively research and develop and introduce new technology. Future R&D expenditure is estimated to account for 2% of annual net income.

4. The impact of changes in important domestic and foreign policies adopted and legal environment on the Company's financial operations and countermeasures:

   The Company's financial operation has not been affected by changes in important domestic and foreign policy and laws in recent years.

5. The impact of changes in science and technology as well as industry on the Company's financial operations and countermeasures:

   The Company keeps abreast of changes in technology related to the industry in which it operates and assesses the impact of such changes on the Company's operation. However, the Company's financial operation has not been affected by material changes in technology in recent years.

6. The impact of changes in corporate image on corporate crisis management and countermeasures:

   Since the establishment, the Company has been continuously and actively strengthening internal management and improving its quality management ability. There has been no material change in the corporate image in recent years, and there are not any reports in the market that are unfavorable to corporate image.

7. Expected benefits and possible risks associated with any merger and acquisitions:

   As of the date of publication of the annual report, the Company has no merger and acquisition plan.

8. Expected benefits and possible risks associated with any plant expansion:

   The Company has no plans to expand the plant at present.

9. Risks associated with any centralized purchasing or sales:

   In response to frequent changes in market demand, there are multiple suppliers stably supply each major materials required for the operation of the Company, and the Company assesses new suppliers on a planned basis every year, actively looks for new qualified suppliers and alternative material. The Company's major material suppliers are all internationally renowned large factories with sound finance and continuous supply of materials, so there is no risk of centralized purchasing.

   The Company has signed a five-year technical service agreement with STATS ChipPAC Ltd. on August 5, 2015. Within five years from the signed date of this agreement, the merged company shall retain the capacity to provide STATS ChipPAC Ltd. with wafer level packaging and testing services. In addition to providing STATS ChipPAC Ltd. with wafer packaging and testing services, the Company is actively developing new customer services on the basis of the deployment of spare capacity to enhance the overall competition niche and diversify the risks of centralized sales.

10. The impact and risk of substantial share transfer or replacement of directors, supervisors or major shareholders holding more than 10% of the shares on the Company: None.

11. The impact and risk of any changes in management right on the Company: none.

12. Disposal of litigation or non-litigation matters: None.

13. Other important risk: None.

VII. Other Important Matters: None.

Information Security Risk Assessment

Winstek has built a complete cost-effective network and information security protection system, so as to filter the malicious software and viruses, to protect functional operation of the Company's manufacturing and financial accounting and enterprise resource planning (ERP) and other important systems, in order to reduce the unexpected natural disasters or the risk of information system interruption caused by human error.

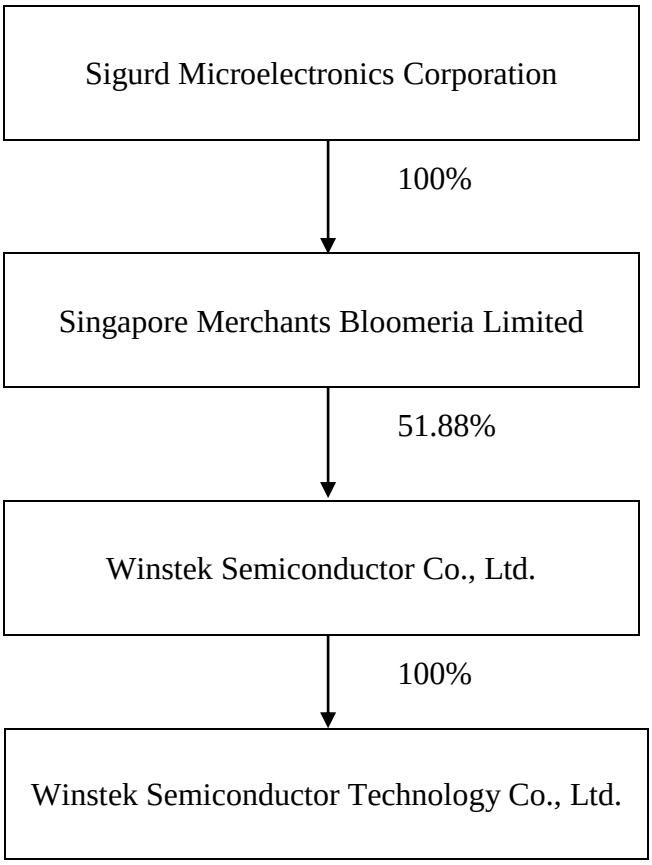
To reduce the risk caused by interruption of information system in the production of the lockout, Winstek continues to eliminate single points system failure, update system security correction program, establish backup assistance architecture with high usability, no tape backup system with rapid recovery, and different backup off-site storage mechanism, to ensure to achieve maximum data preservation and minimum impact on production.

In addition, information security education and guidance on information security practices will be implemented in the on-boarding training program for new employees. Every year, all employees will be given information security promotion and tests, and their scores will be included in the employees appraisal to enhance their information security awareness. To fulfill our commitment to clients by working in parallel with technology and management.

Chapter 8 Special Notes

I. Information Related to the Company's Affiliates

1. Organization Chart of Affiliated Companies



2. Basic Information of Affiliated Enterprises

Company Name	Date of Establishment	Address	Paid-up Capital	Principal Business or Production Items
Winstek Semiconductor Technology Co., Ltd. (Original name: STATS ChipPAC Taiwan Co., Ltd.)	2005.09.29	No.176-5, Luliao Pit, 6 Ling, Hualung Chun, Chiung Lin, 307 Hsin-Chiu Hsien, Taiwan	NT$3, 100,000 ,000	Solder bumping and flip chip technology packaging service

3. Presumed to have relationship of controlled and affiliated: None.

4. Industry covered by the overall business of the affiliated enterprises:

The Company and its affiliated enterprises are engaged in the business of solder bumping, flip chip technology packaging service and semiconductor testing service.

5. The name of directors, supervisors and general managers of each affiliated enterprise and their shareholding or capital contribution in the enterprise:

December 31, 2018; Unit: thousand share

Company Name	Title	Name or Representative	Share holding	
			Number of Shares	Shareholding Percentage
Winstek Semiconductor Technology Co., Ltd.	Chairman	Representative of Winstek Semiconductor: Huang Hsing Yang	3,100,000	100%
	Director	Representative of Winstek Semiconductor: Weng Chih Li		
	Director	Representative of Winstek Semiconductor: Wu Min Hung		
	Supervisors	Representative of Winstek Semiconductor: Tang Li Ying		

6. Operation overview of each affiliated enterprise:

December 31, 2018; Unit: NT$ thousand

Company Name	Capitalization	Total Assets	Total Liabilities	Net Value	Operating Income	Operating Profit (Loss)	Current Net Profit (After Tax)
Winstek Semiconductor Technology Co., Ltd.	3,100,000	3,972,893	701,524	3.271,369	1,784,154	143,474	120,002

7. Consolidated financial statements of related enterprises

In 2018 (from January 1, 2018 to December 31 2018), the "companies" required to be included in the consolidated financial statements of affiliates under the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", are all the same as companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in the International Financial Reporting Standards No.10 (IFRS 10) approved by the Financial Supervisory Commission (FSC), and relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the proceeding consolidated financial statements of parent and subsidiary companies, thus the Company is not required to prepare separate consolidated financial statements of affiliates. (See page 82 for details)

8. Affiliation Reports

Winstek Semiconductor Co., Ltd.

(Stock Code: 3265)

Affiliation Reports

2018

Winstek Semiconductor Co., Ltd.

Affiliation Reports Statements

The Company's affiliation reports for the fiscal year of 2018 (from January 1, 2018 to 31 December 2018) was prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the disclosed information is not materially inconsistent with the information disclosed in the notes to the financial statements of the above-mentioned period.

Company Name: Winstek Semiconductor Co., Ltd.

Principal: Huang Hsing Yang

March 6, 2019

Winstek Semiconductor Co., Ltd.

CPA Review Report on the Affiliation Reports

ZH Issuance Letter No.18009349

Winstek Semiconductor Co., Ltd. Company seal:

Winstek Semiconductor Co., Ltd.'s affiliation reports for the fiscal year of 2018 was prepared in accordance with the provisions under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", and the relevant financial information has been reviewed by the CPA as well as the relevant information disclosed in the notes to the financial statements of the Company during the above-mentioned period.

According to the review results of the CPA, relevant information has been disclosed in Winstek Semiconductor Co., Ltd.'s affiliation reports for the fiscal year of 2018 which was prepared in accordance with the provisions under "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises", the financial information is consistent with the financial statements and no material amendments are required.

PwC Taiwan
Li Tien I
CPA
Chiang Ts'ai Yen
Financial Supervisory Commission (FSC)
Approved Certificate No.:
FSC Approved Certificate No.1020028992
FSC Approved Certificate No.1060025097
March 6, 2019

Winstek Semiconductor Co., Ltd.

2018 Affiliation Reports

I. Overview of the Relationship Between The Subordinate Company and the Controlling Company

The Company is a subsidiary of Sigurd Microelectronics Corporation (hereinafter referred to as "Sigurd Corporation" and the information is as follows:

Unit: Share; %

Name of the Controlling Company	Reasons for the Control	Details of Shareholding and Pledges			Any Directors or Supervisors Appointed to the Subordinate Company by The Controlling Company	
		Number of Shares Held	Shareholding Percentage	The Number of Shares Under Pledge	Title	Name
Sigurd Corporation	The Ultimate Parent Company That Has Control Over The Company	Consolidated Shareholding 70, 694, 438 (Note)	Consolidated Shareholding Percentage 51.88% (Note)	-	Chairman Director Director Director Director	Huang Hsing Yang Wu Min Hung Yeh Ts'an Lien Kuo Hsu Tung Hsieh Chao Hung

Note: Sigurd Corporation took control of the Company's parent company Bloomeria Limited on October 13, 2017, and indirectly acquired 51.88% equity of the Company, becoming the ultimate parent company of the Company.

II. The situation of transactions

The transactions between the Company and the controlling company Sigurd Corporation are as follows:

(I) Purchase (sale) of goods: Please refer to Schedule 1 for details.
(II) Property transactions: Please refer to Schedule 2 for details.
(III) Financing: None.
(IV) Asset leasing: Please refer to Schedule 3 for details.
(V) Other significant business transactions: No significant business transactions.

III. Endorsements and guarantees: None.

IV. Other Matters with A Significant Effect on Finances and Business: None.

Schedule 1

Purchase (Sale) of Goods

Unit: NT$ thousand; %

Transactions Status With Controlling Companies				Terms of Transaction With The Controlling Companies		General Terms of Transaction		Reason for Difference	Accounts Receivable (Payable), Notes Receivable (Payable)		Overdue Accounts Receivable			Remarks
Purchase (Sale) of Goods	Amount	As A Proportion of Total Goods Purchased (Sold)	Gross Profit On Sales	Unit Price (NT$)	Credit Granting Period	Unit Price (NT$)	Credit Granting Period		Balance	As A Proportion of Total Accounts Receivable (Payable) or Notes Receivable (Payable)	Amount	Treatment Method	Amount of Allowance for Bad Debts	
Turnover	$11,353	1.05%	36%	Note 1	Monthly statement 30 days	Note 1	Monthly statement 30 ~ 90 days	Note 1	$ 118	0.02%	$ -	-	$ -	None

Note 1: Goods and services are purchased from related parties on general commercial terms and conditions.

Schedule 2

Property Transactions

Unit: NT$ thousand; %

Transaction Type (Acquisition or Disposal)	Name of Property	Transaction Date or Date of Factual Occurrence	Amount of transaction	Terms of Delivery or Payment	Details of the Receipt/Payment of the Transaction Price	Losses and Gains on Disposal	Information on The Last Preceding Transfer				Determination Method of Transaction	Reference Basis of Determination Method of Transaction Price	Other Stipulations
							Owner	Relationship With The Company	Transfer Date	Amount			
Disposal	Machinery equipment	January 2018 -	$ 3,534	Monthly statement for 30 days	Has received	$ 3,534	Equipment supplier	None	October 2008	$ 26,725	General Manager	Determined by agreement between both parties	None
Disposal	Machinery equipment	March 2018 -	$ 5,255	Monthly statement for 30 days	Has received	$ 910	Equipment supplier	None	July-2012	$ 14,897	General Manager	Determined by agreement between both parties	None

Schedule 3

Asset Leasing

Unit: NT$ thousand; %

Transaction Type	Name of the Object Leased		Lease Period	Nature of Leasing	Determination Method of Leasing Price	Collection (Payment) Method	Comparison With Ordinary Leasing Price Levels	Total Leasing Price for the Current Period	Collection/Payment Status in The Current Period	Other Stipulations
	Name	Location								
Lessee	Machinery Equipment	The Company	From November 2018 to November 2019	Operating lease	Determined by agreement between both parties	Monthly payment	Normal	$ 230	Full payment	None

II. Where the Company has carried out a private placement of securities during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

IV. Other matters that require additional description: None.

V. Matters that materially affect shareholders' equity or the price of the Company's securities specified in Article 36, Paragraph 2, Subparagraph 2 of these regulations, occurred during the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

VI. The primary OTC listed company shall include an explanation of any material differences from the rules of Taiwan in relation to the protection of shareholder equity: Not applicable.

Winstek Semiconductor Co., Ltd.

Chairman of the board: Huang Hsing Yang